



Mission Lenders Working Group

March 11, 2025

The Honorable Joni Ernst
Chair
Committee on Small Business & Entrepreneurship
U.S. Senate
Washington, D.C. 20515

The Honorable Edward Markey
Ranking Member
Committee on Small Business & Entrepreneurship
U.S. Senate
Washington, D.C. 20515

Re: Statement for the Record, Hearing Entitled: *"Hearing from Lenders: Managing Risk for the Long-Term in the 7(a) Loan Programs"*

Dear Chair Ernst and Ranking Member Markey:

On behalf of the Mission Lenders Working Group, (MLWG) I want to extend my sincere appreciation for convening the February 26, 2025, hearing focused on how community banks and non-bank, nonprofit lenders manage risk while participating in the U.S. Small Business Administration's (SBA) 7(a) Loan Programs. Your bipartisan leadership in examining this critical issue is invaluable to ensuring that small businesses—America's job creators—have access to the capital they need to thrive.

When the CA pilot was launched in 2011, SBA's stated goal "was to allow mission-oriented lenders, primarily non-profit financial intermediaries that are focused on economic development in underserved markets, access to 7(a) loan guaranties for loans of \$250,000 or less."¹ CA Lenders are deeply rooted in their communities, with management and staff who live and work in the areas they serve. This local presence allows them to build strong relationships, understand the unique needs of their customers, and apply their in-depth market knowledge to support small businesses effectively.

Because they are directly invested in the success of their communities, CA Lenders play a vital role in driving economic growth, creating jobs, and strengthening local economies. Their commitment ensures that entrepreneurs receive not just access to capital, but also the guidance and support needed to build thriving, self-sustaining businesses.

The CA program has assisted underserved and underbanked small businesses climb the ladder of economic opportunity, contributing to business growth and economic development in emerging markets. **SBA recognized the unique capacity of non-traditional lenders with experience in lending to businesses in these target markets - particularly non-federally regulated U.S. Treasury-certified Community Development Financial Institutions (CDFIs), SBA-Authorized Certified Development Companies, SBA-Authorized Microloan Program Intermediaries and SBA-Authorized Intermediary Lending Pilot (ILP) Program Intermediaries**—to offer management

¹ Federal Register Notice, 02/18/2011: Community Advantage Pilot Program:
<https://www.federalregister.gov/documents/2011/02/18/2011-3758/community-advantage-pilot-program>



Mission Lenders Working Group

and technical assistance, provide in-depth, prudent underwriting to finance and grow businesses that traditional 7(a) lenders could not and in many cases should not lend to. **Today, there are 145 approved CA lenders²** that are contributing to the program's strong history, helping many businesses, especially new businesses and startups less than 2 years old overcome barriers created by an increasingly regulated lending environment that often deems them too risky for traditional financing. In addition, SBA implemented a new rule with changes to the CA Program in 2022 including increasing the maximum CA loan size from \$250,000 up to \$350,000.³

The MLWG was created in 2015 as the network of SBA 7(a) Community Advantage (CA) lenders committed to sharing best practices, enhancing responsible lending strategies, and working with policymakers to ensure the program remains a valuable tool for expanding capital access. Our lenders play a critical role in supporting small businesses, especially start-ups and businesses that are less than two years old, that might otherwise struggle to secure financing-fostering job growth, entrepreneurship, and economic expansion in communities across the country.

As the leading network of nonprofit, non-bank lenders dedicated to supporting America's small businesses, the MLWG exclusively represents the mission lenders that drive the 7(a) Community Advantage loan program. Twenty-five community non-bank members are responsible for nearly 60% of all SBA Community Advantage loan dollars fueling the small business economy each year.

From the beginning, CA lenders have been required to deliver at least sixty percent of their CA loans to businesses in an SBA-defined Underserved Market, currently defined as new businesses (startups where loan funds will open a business and businesses less than 2 years old), small businesses located in Rural Areas, businesses that are at least 51% owned by and controlled by one or more Veterans, small business located in Empowerment Zones and Enterprise Communities (EZ/EC), Historically Underutilized Business Zones (HUBZones), Low-to-Moderate Income communities (LMI), Promise Zones, Opportunity Zones or small businesses where more than 50% of the full time workforce is low-income or resides in Low to Moderate Income census tracts.⁴ While not required, CA lenders offer management and technical assistance to a borrower or prospective borrower and this approach to lending is one of the factors that allows mission lenders to manage the risk involved in lending to businesses deemed 'unbankable' by conventional lenders including start-ups. As mission-oriented organizations, CA lenders consistently exceed the 60% requirement.

Since the CA pilot launched in 2011 through September 30, 2024, the SBA approved a total of \$1,392,940,000 in CA loans to 9,616 businesses that have supported more than 8,000 jobs, with an average loan size of \$143,000. Forty-eight percent of all CA loans have gone to start-up and new businesses less than 2-years old as compared to 31% by

² U.S. Small Business Administration, Community Advantage Small Business Lending Companies

<https://www.sba.gov/document/support-community-advantage-small-business-lending-companies-ca-sblcs>

³ U.S. Small Business Administration Federal Register Notice 2022-09162 (87 FR 25398)

⁴ U.S. Small Business Administration Community Advantage Participant Guide Version 7.0 <https://www.sba.gov/document/support-community-advantage-participant-guide>



Mission Lenders Working Group

traditional 7(a) lenders with an average loan size of \$824,000⁵.

Small businesses are the backbone of the American economy, but access to capital has not kept pace with their growing role. Over the past two decades, many traditional banks, community banks, and credit unions have shifted toward a profitability-driven model, prioritizing larger loans for established businesses with significant assets and collateral. Entrepreneurs who have strong deposit relationships, well-researched business plans, and solid references often find that these factors alone are not enough to secure financing due to a lack of substantial assets or an extensive credit history.

In most instances, community banks refer loan applicants to CA lenders when a small business doesn't yet qualify or doesn't meet the full loan request requirements. These local partnerships help create a continuum of capital as the small business demonstrates strong debt repayment and growth. Unlike community banks, which rely on asset-backed lending and established income history, Community Advantage lenders serve as a critical entry point for future bank customers, offering a rigorous underwriting process that includes in-depth borrower interviews, business plan evaluations, reference verification, and detailed bank statement analysis. CA loans in most instances are not high risk; they are simply less profitable for traditional loans. Mission-driven lenders help bridge the gap between hardworking entrepreneurs and the broader banking system, ensuring that viable and promising small businesses have the opportunity to grow, create jobs, strengthen the American economy and move forward to a bank for further financing needs in the continuum of capital.

The MWLG was especially grateful to see testimony from Community Advantage (CA) lender Raymond Lanza-Weil, President of Common Capital⁶, alongside borrower Mayrena Guerrero, founder and owner of Colorful Resilience, from Western Massachusetts. Mr. Lanza-Wiel highlighted that 73% of Common Capital's program dollars are loaned to startup businesses, and 17% to veteran-owned-businesses, meeting and exceeding the SBA Underserved Market requirements. Their participation helped highlight how responsible, mission-driven lending can expand economic opportunity in ways that strengthen local economies and support free enterprise, especially when traditional 7(a) lending is not an option.

For example, Ms. Guerrero noted⁷ in her written testimony that in order to meet the demand of her clients requiring outpatient mental health services, she needed to expand her practice by building a team of additional practitioners. She approached her community bank where she had a relationship with for 15 years. The community bank lender thought the idea was excellent but the bank did not allow funding to start-up businesses so the lender suggested she contact the

⁵ U.S. Small Business Administration 7(a) & 504 FOIA Data CA & 7(a) General and PLP Processing Method
<https://data.sba.gov/en/dataset/7-a-504-foia>

⁶ Testimony of Raymond Lanza-Weil, President, Common Capital, Inc.: https://www.sbc.senate.gov/public/_cache/files/2/a/2a26daf8-da3b-4531-8662-7684bedc094f/A124491124BBE2B546F0D1D8B30A6DFF62051F4DE1D9F718D0F3ADAE1BCCEA19.lanza-weil-testimony.pdf

⁷ Testimony of Mayrena Guerrero, LMHC, Founder & CEO of Colorful Resilience LLC
https://www.sbc.senate.gov/public/_cache/files/a/2/a238655e-4dd7-4071-a30d-8763079704a9/B780BEE9E1A960BC753B9539E467102C2F622EF07A29E25F3237C350A6290CF7.guerrero-testimony.pdf



Mission Lenders Working Group

local SBA Community Advantage lender, Common Capital.

Common Capital understood Ms. Guerrero's vision and was committed to working with her to secure the funding needed to expand her practice and have it become a reality. With their support, she secured an SBA Community Advantage loan for \$250,000 and a \$50,000 Microloan on competitive terms: a 6-year repayment period with a 7.5% interest rate. Beyond financing, they connected her with expert marketing and technical assistance, strengthening our ability to grow and create jobs in the community.

The MLWG is committed to working alongside the Senate Committee on Small Business and Entrepreneurship and Administrator Loeffler to expand SBA-backed lending to underserved markets while improving efficiency and ensuring that every small business owner seeking an SBA loan has access to the financing tools they need to succeed.

Our members also strongly support codifying the **Community Advantage Loan Program and granting it full status within the flagship 7(a) program**. We appreciated Ranking Member Markey noting this during the hearing in his final remarks. CA has a proven record of responsibly expanding access to capital for nearly fifteen years. In the 118th Congress, we commended the SBC's bipartisan leadership in passing the Community Advantage Loan Program Act of 2023 out of Committee. This legislation created a path forward with long-term stability for lenders and small businesses.

By making CA program permanent in the 119th Congress, you can ensure non-traditional lenders with the certainty they need to expand their reach, strengthening the small business sector and empowering more American entrepreneurs to thrive.

Thank you for your dedication to policies that uphold free enterprise, empower small businesses, and strengthen the foundation of the American economy. Your leadership in expanding access to capital ensures that hardworking entrepreneurs have the opportunity to grow, create jobs, and contribute to lasting economic prosperity.

We appreciate your commitment to protecting the integrity of the 7(a) Loan Program and look forward to working together to advance policies that foster self-reliance, reduce barriers to success, and solidify this program as a vital tool for America's small business owners.

Sincerely,

Alison Feighan
President
The Feighan Team &
Staff to Mission Lenders Working Group