



U.S. Small Business  
Administration

## Office of Capital Access



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U.S. Small Business  
Administration

# Office of Financial Assistance

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# Community Advantage Recovery Loans (CARL)

**Purpose:** The Community Advantage (CA) Pilot Program is a pilot program to increase SBA-guaranteed loans to small businesses in underserved areas.

In response to the Coronavirus Disease 2019 (COVID-19) pandemic, SBA has developed a new, temporary CA loan product titled “Community Advantage Recovery Loans” (CA Recovery Loans) for eligible CA Lenders to provide technical and financial assistance to assist small businesses located in underserved areas with retooling their business models for the COVID-19 environment and building financial resiliency against potential future disruptions.

**Target Applicant:** Underserved Markets within approved CA lender’s defined territory.

**Launch Date for new applications:**

Approved CA may be submitted beginning [July 22, 2020](#)

[Community Advantage Recovery Loans \(85 FR 429640\)](#)

[Community Advantage Program Guide 6.0](#)

# Community Advantage Recovery Loan Program

## *What differentiates CARL from a regular CA Loan?*

- **Maturity Date/Loan Term:** minimum 5-year; CARL Maturity must match the use of proceeds – **No short-term loans!** ( [Procedural Notices 5000-20029](#))
- **Loan Disbursement period:** Must be originated no later **September 27, 2020** and fully disbursed before **October 1, 2020**;
- **Technical Assistance:** CA lender may begin TA 30 days prior to loan approval and must be completed during the first 6 months of the loan term;
- **Fees:** SBA will pay the CA lender an extraordinary servicing fee. The maximum Fee is \$2,500 or 9.0% of the amount of the CARL loan amount, whichever is greater.
- **Agent Fee:** Permissible subject to; a maximum limit of \$3,000 for packaging and/or referral services paid by the lender not charged to the borrower. \*SBA Form 159 is required. **Underwriting cannot be outsourced**
- **Other Fees:** No other fees can be charged except necessary closing costs.
- **Underserved:** 100% of CARL loans must be to underserved (vs. 60% for CA)

**Lender must continue to adhere to program requirements outlined in [Community Advantage Guide 6.0](#)**



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# Office of Credit Risk Management

**Susan Streich, Director**

**Eddie Ledford, Deputy Director**

**Presenter:**

**Jean Tucker, Financial Analyst**

# Community Advantage Recovery Loans (CARL)

## Technical Assistance Requirements

- May be provided by or on behalf of the CARL Lender.
- Must be Tailored to the subject business and may include but is not limited to:
  - retooling the applicant business model for a COVID-19 environment;
  - shifting to an online presence;
  - building cash reserves;
  - expense reduction strategies.
- TA must be appropriate for the business and industry.
- Minimum of 15 hours T/A is required.
- The TA may begin 30 days prior to loan approval and must be completed during the first six months of the CA Recovery Loan term

# CARL Technical Assistance

## What documentation is required?

- The Lender must document all T/A provided to the applicant. At a minimum, the lender must:
  - Complete SBA Form [2449 -CA addendum](#);
  - Provide specific dates, hours, who provided the TA at the time the TA is provided, number of participants, how TA was provided.
- Maintain documentation of the type of Technical Assistance provided to the Small Business Concern
  - Shifting to an online presence
  - Building cash reserves
  - Expense reduction strategies
  - Retool business model for COVID 19 environment
  - Other: explain
- OCRM will review the TA documentation to ensure the minimum required amount of TA was provided during the review of the CA Recovery Lender.
- If the CA Recovery Lender does not provide the minimum required 15 hours of TA or is unable to document that the minimum required TA was provided, the loan will be converted to a regular CA loan, provided it complies with all CA Loan Program Requirements, and the CA Recovery Lender must repay some or all of the extraordinary servicing fee. If the loan is not in compliance with all CA Loan Program Requirements and cannot be converted to a regular CA loan, then SBA may deny liability on its guaranty.



# Community Advantage Recovery Loans (CARL)

## How to Request Payment of Section 1112 Payment

### Are CARL loans eligible for Section 1112 subsidy relief?

- P&I payments for first six months of CARL loan will be paid by SBA under Section 1112 of CARES Act . The Lender must remit to SBA through the FTA using the 1502 Section 1112 payment request. ( see [Procedural notice 5000-20020 and 5000-20023](#))

### When should the request be submitted to SBA?

- The borrower is eligible for Section 1112 Payments of P&I plus fees when the loan is “fully disbursed” in “ Regular Servicing “. The loan must be approved by September 27, 2020 and be fully disbursed before October 1, 2020. The following month the lender can submit the request to SBA.

# Community Advantage Recovery Loan Program

## How does the lender request payment for the Extraordinary Fee?

- SBA will pay the CA lender an extraordinary servicing fee. The maximum Fee is \$2,500 or 9.0% of the amount of the CARL loan amount, whichever is greater.
  - The earliest a lender can request payment for TA Fee(s) is when the loan becomes eligible for Section 1112 payments, which is when a loan is fully disbursed;
  - The Lender can choose to receive the fee after final disbursement on the loan (similar to PPP) or on a monthly basis as they complete the hours of TA;
  - Include the TA Fees in the gross monthly payment of Principal and Interest plus Associated Fees ( Also known as Extraordinary Servicing Fees)
  - The Lender must remit to SBA through the FTA using the 1502 Section 1112 payment request. ( see [Procedural notice 5000-20020 and 5000-20023](#))

# Loan Closing and Disbursement

## What happens if a loan is not fully Disbursed by October 1, 2020

- Extraordinary Servicing Fees are not eligible for payment;
- The loan payments are not eligible to receive Section 1112 Subsidy Relief;
- The lender must convert the loan to a Regular CA loan;
- Request 327 Modification to match the terms of a regular CA loan;

# CARL Loan Closing

## Loan Authorization

The Loan authorization must be modified to reflect the CARL terms:

- The amount of the extraordinary servicing fee must be identified by either the dollar amount or percentage of the loan. Where? Section F. **Note Terms - Extraordinary Servicing Fee.**
- There is a specific provision in the Authorization for the CA Recovery Loan Extraordinary Servicing Fee.

**All Loans must be closed in accordance with regular 7(a) requirements in SOP 50 10.**

# Loan Authorization

Modify terms to match CARL Loan

## F. NOTE TERMS

Minimum  
5 year

13 CFR 120.212/SOP 50 10 – Loan Maturities.

1. **Maturity:** This Note will mature in [number of years and/or number of months] from [SELECT—date of Note—OR—date of initial disbursement].

### *Extraordinary Servicing Fee (Optional)*

2. **Extraordinary Servicing Fee:**

13 CFR 120.221(b)/SOP 50 10 – **Guidance on Extraordinary Servicing Fee** — Lenders do not have to charge an extraordinary servicing fee. This clause is only selected if an extraordinary servicing fee will be used, and a percentage will be input into the paragraph not to exceed 2%.

2,500 or  
9% which  
ever is  
greater

Lender may charge an extraordinary servicing fee of [Percent - may not exceed 2%] % per year of the outstanding balance on the part requiring special servicing. This fee may be charged monthly and will be computed by multiplying [(Above Percent divided by 100)/12 - computed by computer] by either the average daily or monthly outstanding balance for each month. SBA's guarantee does not extend to extraordinary servicing fees and, at time of guarantee purchase, SBA will not pay any portion of such fees.

# *Community Advantage Recovery Loans (CARL)*

## *Questions?*

Submit Inquiries related to Program  
Guidelines to:

[CARL@sba.gov](mailto:CARL@sba.gov)