



Mission Lenders Working Group

SECTION-BY-SECTION SUMMARY

HR 7903: To Establish the SBA Community Advantage Loan Program

***Introduced by Rep. Judy Chu (D-CA) and Rep. Ross Spano (R-FL) on July 31, 2020
Reported out of the House Small Business Committee on September 16, 2020
with amendments offered by Rep. Spano and Rep. Crow (D-CO)***

SECTION 1. Creates the Community Advantage (CA) Loan Program by amending the Small Business Act (15 U.S.C. 636(a)) by adding a new subsection (37) under Section 7(a) of the Act.

- (A) **PURPOSES:** This section identifies core purposes of the CA Loan Program, including to increase lending to small business concerns in underserved markets.
- (B) **DEFINITIONS:** This section defines key terms related to the CA Loan Program including:

‘covered institution’ – As is the case under the CA pilot, only four types of institutions are eligible to participate as CA Lenders: SBA Certified Development Companies (CDCs), nonprofit SBA microlenders, SBA Intermediary Lending Pilot (ILP) lenders, and non-federally regulated Community Development Financial Institutions (CDFIs).

‘small business concern in an underserved market’ - For purposes of the CA Loan Program, the following types of businesses are considered to be a “small business concern in an underserved market”: any small business located in a low-to-moderate (LMI) income community, a HUBZone, an empowerment zone, an enterprise community, a promise zone, an opportunity zone, a rural area, or a federally declared disaster area; any small business for which 50% of its employees live in an LMI community; any business that is a startup (not yet open) or a new business (under 2 years); any business that is owned and controlled by one or more women; any business that is owned and controlled by a member of the Armed forces, a veteran, or a reservist; and any business that is owned and controlled by one or more individuals covered under section 8(a) of the Small Business Act including Black Americans, Hispanic Americans, Native Americans, Asian Pacific Americans, or other minorities.

- (C) **ESTABLISHMENT:** This section establishes the Community Advantage Loan Program.
- (D) **PROGRAM LEVELS:** This section caps the number of CA loans that the SBA guarantee annually at not more than 10 percent of the total number of 7(a) loans guaranteed annually in each of fiscal years 2021 through 2025.



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- (E) **NEW LENDERS**: This section establishes annual caps on the number of lenders than can participate in the CA loan program. Not more than 150 CA lenders may participate FYs 2021 and 2022, not more than 175 in FYs 2023-2025. This provision would allow the Administrator to increase the number of CA lenders to 200 in FY 2025 after review of the GAO report required by this bill.
- (F) **GRANDFATHERING OF EXISTING LENDERS**: This section grants existing CA lenders in good standing under the CA pilot to retain their CA designation without needing to reapply after enactment.
- (G) **REQUIREMENT TO MAKE LOANS TO UNDERSERVED MARKETS**: This section requires that not less than 75% of loans made by a CA lender are loans made to “small business concerns in underserved markets” as defined in Section B of this bill.
- (H) **MAXIMUM CA LOAN AMOUNT**: This section institutes a \$250,000 cap on loans made under the CA Loan Program. However, the Administrator is granted the authority to make an exception upon request and approve a CA loan that exceeds \$250,000, up to \$350,000.
- (I) **INTEREST RATES**: This section sets the maximum allowable interest rate for CA loans at Prime + 6 percent (current rate under CA pilot). The section also grants the Administrator the discretion to modify this maximum interest rate. The Administrator must provide a 180 day comment period before implementing a change to the maximum interest rate
- (J) **TRAINING AND TECHNICAL ASSISTANCE**: This section requires the SBA to provide upfront and ongoing training and technical assistance to CA lenders. The training must be available both in person and online and must be free or at minimal cost to CA lender. And while the SBA can contract out for the training, it must be provided by an organization with expertise in “mission-oriented lending and lending to underserved markets.”
- (K) **DELEGATED AUTHORITY**: This section requires a CA lender to have made at least 7 loans before being eligible for delegated lending authority.
- (L) **REGULATIONS**: This section requires SBA to issue regulations to carry out the new CA loan program within 180 days of enactment. In developing regulations for the CA Loan Program, the SBA is directed to consider establishing a range of protocols and procedures including but not limited to: requirements for participation of CA lenders, performance metrics for CA lenders, credit score thresholds, delegated authority eligibility thresholds, and loan loss reserve requirements. Starting on the date of enactment and up until the new CA program regulations take effect, the SBA is directed to operate the CA pilot based on the SBA guidance in effect on September 1, 2018 with the exception of the expanded definition of underserved markets enacted by this bill.



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- (M) **REPORTING: Weekly Reports:** This section requires the SBA to include information on CA lending in the weekly reports published on the SBA website with number and dollar amount of CA loans guaranteed. Reports must include a breakdown of the CA loans by race, ethnicity, and gender of the business owner. **Annual Reports:** This section requires SBA to submit annual reports to both the House and Senate Committees on Small Business with information on CA lenders and the total number and dollar amount of CA loans over the previous year broken down by race, ethnicity, and gender of the business owner, location of the business, the performance of CA loans broken down by credit score at/below or above 140, and how CA loans compare with other comparable 7(a) loans. **GAO Report:** This section requires the Government Accountability Office (GAO) to publish a report on the CA Loan Program not later than 3 years after enactment.
- (N) **WORKING GROUP:** This section requires the Administrator to establish a Community Advantage Working Group within 90 days of the bill's enactment to advise the SBA on the launch and implementation of the CA program and develop recommendations to advance and promote the mission of CA. Within 180 days of enactment, the Administrator will submit a report to the House and Senate Small Business Committees with the recommendations of the CA Working Group and a timeline for implementing those recommendations. The CA Working group will include a “geographically diverse representation” of participating CA lenders as well as representatives from SBA’s Office of Capital Access, Office of Risk Management, Office of Financial Assistance, and the Office of Economic Opportunity.
- (O) **TERMINATION:** This section sunsets the CA Loan Program on September 30, 2025.