

## SBA's Community Advantage 7(a) Loan Initiative

### Introduction

The U.S. Small Business Administration's (SBA) Community Advantage is a pilot initiative designed to provide mission-oriented lenders access to 7(a) loan guaranties for loans of \$250,000 or less.

While national banks and federal savings associations (collectively, banks) are ineligible to participate directly in this initiative, they may assist nonregulated community development financial institutions and other eligible mission-oriented lenders in meeting the needs of small businesses in underserved markets. This support may be eligible for Community Reinvestment Act consideration.

### What Is Community Advantage?

The SBA created Community Advantage to

- increase access to credit for small businesses in underserved markets.
- grow the number of lenders that can make SBA 7(a) loans in underserved markets.
- utilize the underwriting knowledge and technical assistance services of mission-oriented lenders to manage risk in small business loans.

Community Advantage allows qualified lenders to make term loans of up to \$250,000. Eligible businesses—and the use of loan proceeds—are the same as for the regular 7(a) program. The SBA guarantees

up to 85 percent of loans of \$150,000 or less and 75 percent of loans greater than \$150,000.

Community Advantage is for mission-oriented lenders that have not previously had access to the 7(a) program. Eligible lenders include

- U.S. Department of the Treasury certified community development financial institutions.
- SBA certified development companies.
- SBA microloan intermediaries.

Eligible lenders may apply for approval to participate in Community Advantage by submitting an application to the applicant's local SBA Field Office. Applications are evaluated on a number of factors, including experience with small business lending; ability to provide mentoring or technical assistance (or an established relationship with an outside provider); ability to fund Community Advantage loans through cash, income, or a credit facility; and a balance sheet and business plan strong enough to support Community Advantage lending.

Community Advantage lenders are required to hold a 5 percent cash reserve on the unguaranteed portion of each loan. At least 60 percent of the number of loans made by a Community Advantage lender must be in underserved markets.

Community Advantage loans may be sold on an established secondary market, earning

premiums and improving liquidity for the lender.

### **How Can Banks Participate?**

Banks can support Community Advantage lenders through

- referrals of potential small business borrowers.
- grants to Community Advantage lenders to establish loan loss reserves.
- grants, program-related investments, equity-like loans, and warehouse lines of credit to Community Advantage lenders to fund loans.
- technical assistance to Community Advantage lenders to develop and manage their small business lending programs.

Loans, investments, and services to a Community Advantage lender may be eligible for Community Reinvestment Act consideration, if the Community Advantage lender makes loans in the bank's assessment area or in a broader statewide or regional area that includes the bank's assessment area.

### **How Can I Get More Information?**

[SBA](#)

[The OCC's Small Business Resource Directory](#)

[The OCC's District Community Affairs Officers](#)

#### **Disclaimer**

*Community Developments Fact Sheets* are designed to share information about programs and initiatives of interest to bankers and community development practitioners. These fact sheets differ from OCC bulletins and regulations in that they do not reflect agency policy and should not be considered definitive regulatory or supervisory guidance. Some of the information used in the preparation of this fact sheet was obtained from publicly available sources. These sources are considered reliable, but the use of this information does not constitute an endorsement of its accuracy by the OCC.