



Fact Sheet

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Small Loan Advantage and Community Advantage 7(a) Loan Initiatives

SBA is committed to expanding access to capital for small businesses and entrepreneurs in underserved communities so that we can drive economic growth and job creation. In line with that, SBA is adding two new initiatives that are aimed at increasing the number of loans in these communities.

SBA and U.S. Department of Commerce studies have shown the importance of lower dollar loans to small business formation and growth in underserved communities. With that in mind and building on the agency's "Advantage" platform, both **Small Loan Advantage** and **Community Advantage** will offer a streamlined application process for SBA 7(a) loans up to \$250,000.

Small Loan Advantage

- Small Loan Advantage is structured to encourage larger, existing SBA lenders to make lower-dollar loans, which often benefit businesses in underserved markets.
- **Maximum Loan Size:** \$250,000
- **Guarantee:** 85 percent for loans up to \$150,000 and 75 percent for those greater than \$150,000.
- **Approval Times:** Small Loan Advantage loans submitted electronically through e-Tran will be approved within minutes. Other applications will be approved within one business day.
- **Paperwork:** Small Loan Advantage features streamlined paperwork, with a two-page application for borrowers.
- **Lender Requirements:** Small Loan Advantage is open to banks participating in SBA's Preferred Lender Program (PLP).
- **Time Frame:** Small Loan Advantage Program will be implemented on or before March 15, 2011.

Community Advantage

- Community Advantage is a *pilot* initiative aimed at increasing the number of SBA 7(a) lenders who reach underserved communities, targeting mission-focused financial institutions which were previously not able to offer SBA loans.
- **Maximum Loan Size:** \$250,000
- **Guarantee:** 85 percent for loans up to \$150,000 and 75 percent for those greater than \$150,000.
- **Approval Times:** Most Community Advantage loans will be approved within 5 – 10 days.
- **Paperwork:** Community Advantage features streamlined paperwork, with a two page application for borrowers.
- **Lender Requirements:** Community Advantage is open to mission-focused lenders, including some Community Development Financial Institutions, non-profit Certified Development Companies and SBA-approved micro-lending intermediaries. Community Advantage lenders will be expected to maintain at least 60 percent of their SBA loan portfolio in underserved markets.

- **Time Frame:** Community Advantage is a three-year pilot initiative. SBA will begin taking applications from mission-focused lenders interested in Community Advantage on or before Feb. 15, 2011, with loan applications accepted on or before March 15, 2011.

SBA's Preferred Lender Program

- SBA's Preferred Lender Program (PLP) includes many of the nation's largest lenders.
- Preferred lenders can use a streamlined paperwork process with delegated authority to approve loans, which expedites the loan approval process for small business owners and allows more autonomy for lenders.
- Lending through the new Small Loan Advantage initiative is open to all of SBA's PLP lenders for 7(a) loans of up to \$250,000 with the regular 7(a) government guarantee.

Mission-Focused Lenders

- The Community Advantage pilot loan program will allow mission-focused lenders to make SBA 7(a) loans of up to \$250,000 with the regular 7(a) government guarantee.
- Mission-focused lenders include some Community Development Financial Institutions, non-profit Certified Development Companies and SBA-approved micro-lending intermediaries.
- Community Advantage leverages the experience these institutions already have in lending in economically-challenged markets, along with their management and technical assistance expertise, to help make their borrowers successful. Borrowers are encouraged to develop a business plan utilizing their mission focused lenders' technical assistance network; which may include SCORE and the SBDCs.
- Community Advantage lenders will be expected to maintain at least 60 percent of their SBA loan portfolio in underserved markets, including loans to small businesses in or that have more than 50 percent of their workforce residing in low-to-moderate income (LMI) communities; in Empowerment Zones and Enterprise Communities; in HUBZones; start-ups (firms in business less than 2 years); and veteran-owned businesses and those that would be eligible for Patriot Express.
- Following an initial evaluation period, mission-focused lenders participating in the Community Advantage pilot will be eligible to make loans under delegated authority.

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