



Community Advantage Participant Guide

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**COMMUNITY ADVANTAGE (CA) PILOT LOAN PROGRAM
U.S. SMALL BUSINESS ADMINISTRATION**

COMMUNITY ADVANTAGE (CA) PARTICIPANT GUIDE

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I. Introduction

Community Advantage (CA) is a pilot loan program introduced by the U.S. Small Business Administration (SBA) to meet the credit, management, and technical assistance needs of small businesses in underserved markets. CA provides mission-oriented lenders, primarily nonprofit financial intermediaries focused on economic development, access to 7(a) loan guaranties for loans of \$250,000 or less. SBA's goals for CA are to:

- Increase access to credit for small businesses located in underserved areas;
- Expand points of access to the SBA 7(a) loan program by allowing non-traditional, mission-oriented lenders to participate;
- Provide Management and Technical Assistance (M&TA) to small businesses as needed; and
- Manage portfolio risk.

CA is scheduled to operate through March 31, 2020 unless extended or made a permanent part of SBA's financial assistance programs.

The purpose of the Community Advantage Participant Guide (Guide) is to provide the information mission-oriented lenders need to participate in the CA pilot program.

What organizations are eligible to participate as a CA Lender?

Organizations eligible for CA program delivery are limited to:

- SBA-Authorized Certified Development Companies (CDCs);
- SBA-Authorized Microloan Program Intermediaries (Microlenders);
- SBA-Authorized Intermediary Lending Pilot (ILP) Program Intermediaries; and
- Non-federally regulated Community Development Financial Institutions (CDFIs) certified by the U.S. Treasury Department.

Organizations that do not presently hold one of these authorities should contact the SBA Office of Economic Opportunity. See [Appendix A](#) for additional information regarding eligible organizations and on becoming a Community Advantage Network Partner.

Lenders who already participate in SBA's 7(a) program as evidenced by an executed Loan Guaranty Agreement (SBA Form 750) are not eligible to participate in the CA Pilot Program and should continue to use the 7(a) loan program in their current capacity.

Are there special lending requirements for CA Lenders?

Organizations approved to participate as CA Lenders are required to make at least 60% of their CA loans in underserved markets. For the purposes of CA, underserved markets include:

- Low-to-Moderate Income (LMI) communities (CA Lenders are encouraged to serve low and very-low income communities);
- Businesses where more than 50% of the full time workforce is low-income or resides in LMI census tracts;
- Empowerment Zones and Enterprise Communities;
- HUBZones;
- New businesses (firms in business for no more than two years);
- Businesses eligible for SBA Veterans Advantage; and/or
- Promise Zones.

For definitions of these underserved markets, see [Appendix F: Glossary of Terms and Definitions](#).

Community Advantage Basic Loan Features

The core terms of CA loans are similar to SBA’s 7(a) Small Loans, with important features and key differences highlighted in the tables below. For further information on 7(a) Loan Program Requirements, organizations should consult [13 Code of Federal Regulations \(CFR\) Parts 103, 105, 120 and 121](#). Additionally, see SBA Standard Operating Procedures ([SOP 50 10 5\(H\)](#)) and subsequent revisions. Subpart B, Chapters 2, 3 and 4 of SOP 50 10 5(H), in particular, describe important terms and conditions of 7(a) loans, which include the use of loan proceeds, loan maturities, interest rates, the disclosure of fees and other expenses, SBA guaranty fees, and the 7(a) Small Loan credit standards.

7(a) Small and CA Loan Terms	Description
Percent of Guaranty	85% guaranty for loans of \$150,000 or less; 75% guaranty for loans greater than \$150,000 and less than \$250,000.
Maturity	10 years or the useful life of equipment; Maximum 10 years for working capital; Maximum 25 years for real estate
Guaranty Fees (on the guaranteed portion of the loan)	During FY2016*: CA loans of \$150,000 or less = <ul style="list-style-type: none"> • Up-front guaranty fee =0%; • Lender’s on-going fee = 0%; CA loans \$150,000-\$250,000 = <ul style="list-style-type: none"> • Up-front guaranty fees depend on Maturity <ul style="list-style-type: none"> ➢ Maturities of 12 months or less = 0.25% ➢ Maturities over 12 months = 3.0% • On-going fee paid by lender = 0.473% * SBA reviews these fees annually to determine if they need to be adjusted. Any changes to guaranty fees are identified by SBA notice. Fees for future fiscal years may differ from rates displayed above.

Key CA Loan Terms that are Different than 7(a) Small Loan Terms	Description
Maximum Loan Size	\$250,000 The total amount of any CA loan may not exceed \$250,000. The aggregate balance of all CA loans to a single borrower, including the borrower's affiliates, may not exceed a total amount of \$250,000. If more than one CA Lender makes a loan to a single borrower, then the maximum aggregate balance to that borrower remains \$250,000.
Maximum Interest Rate	Prime + 6%
Revolving Lines	Not allowed
Loan Loss Reserve Requirements	A minimum of 5% of the unguaranteed portion of the CA Lender's CA loan portfolio; must be deposited in Loan Loss Reserve Account no later than 45 calendar days after the date of each CA loan disbursement; PLUS a minimum of 3% of the guaranteed portion of each CA loan that is sold into the secondary market; must be deposited in Loan Loss Reserve Account no later than 10 calendar days after the CA loan has been sold into the secondary market.
Markets Served	60% of the lender's CA loans must be in underserved markets as stated on page 4 of this Guide.
Provision of Management and Technical Assistance (M&TA)	Encouraged when appropriate. The CA loan application contains a section to identify what, if any, management and technical assistance has been provided by the CA Lender to the borrower. However, M&TA is not required for each individual loan.

Note: SBA Microloan Intermediaries and SBA ILP Intermediaries may not use their SBA intermediary loans to fund CA loans, SBA does not, however, prohibit the use of other Federal funds to support CA lending if permitted by those governmental organizations.

II. How Do I Apply to Become a Community Advantage Lender?

Eligible organizations may apply for approval to participate in the CA Pilot Program. The following sections describe the information and certifications that must be provided, where the CA Application must be submitted, and the process SBA uses for evaluation.

Step 1: Collect the Required Information

Interested organizations should assemble the information presented in [Appendix B: CA Lender Application Requirements](#) in order to complete [SBA Form 2301](#), *Community Advantage Lender Participation Application*.

Step 2: Gather Certifications

As part of [SBA Form 2301](#), applicants must provide the following certifications:

- Organizational
The applicant must certify that it has provided filed articles of incorporation and by-laws to either the SBA or the CDFI Fund in connection with its participation in the 504, Microloan, ILP, and/or CDFI programs, and that those organizing documents have not materially changed. If material changes have occurred, a copy of the current articles of incorporation and/or by-laws must be included with the application.

- State Regulation
The applicant must either certify that it is not subject to regulation by a state regulator or, if the applicant is subject to state regulation, it must demonstrate that it is in good standing with its state regulator. The lender's written request to participate must include a written statement that to the best of its knowledge, the lender has satisfactory: i) financial condition (e.g., capital and liquidity); ii) small business credit administration policies, procedures, and practices that it continues to adhere to in its operations; and iii) small business servicing policies, procedures, and practices that it continues to adhere to in its operations. When reviewing good standing, SBA will look to see that a lender does not have significant deficiencies or weaknesses in these areas. "Significance" may be evidenced by the number or seriousness of the deficiencies, as determined by SBA in its discretion. SBA will verify any good standing statement where possible with public (e.g., Cease and Desist Orders and Call Reports) and/or non-public information from the lender's primary and/or other regulators. Additionally, the following information must be included:
 - A copy of the State statute and/or regulations governing the applicant's operations;
 - A copy of the latest examination report of the applicant by the State financial regulator, as authorized; and
 - A description of the State prescribed capital requirements and a certification that the applicant meets these established requirements.

Step 3: Submit the CA Application

The CA Application should be sent to the SBA Field Office responsible for the territory where the applicant is physically located. For the list of offices, visit www.sba.gov/about-offices-list/2.

The SBA Field Office will screen the application for completeness, and assist applicants with making any necessary changes. The SBA Field Office will submit the completed application to the Office of Credit Risk Management (OCRM), who will make the final determination and notify the applicant.

See [Appendix C: How a CA Lender Application is Evaluated by SBA](#) for more information.

III. What is Delegated Authority and How Do I Qualify?

All prospective CA Lenders will be evaluated for eligibility as a delegated lender. SBA delegated lenders have more autonomy in the loan-making process (for example, delegated lenders do not submit all of the supporting forms and credit analyses to SBA, but instead keep this documentation in their loan files). In contrast, non-delegated lenders must submit all application forms, including any attachments such as the lender's credit memorandum, to the Loan Guaranty Processing Center (LGPC) for approval.

If not awarded eligibility for delegated authority at the time of approval as a CA Lender, the CA Lender may request delegated authority after six-months of participation in the CA Pilot Program. Obtaining delegated authority is a two-step process. The first step is the evaluation for eligibility. Eligibility is based on OCRM's evaluation of the applicant's organizational, financial and operational strengths as well as the expertise it brings to being an SBA CA Lender. If deemed eligible, the CA Lender will still need to demonstrate to the satisfaction of OCRM, in consultation with the LGPC, that it has a satisfactory knowledge of SBA Loan Program Requirements by means of actual closing and initial disbursement of CA loans.

Five-Loan Requirement

CA Lenders approved for delegated authority must make an initial disbursement on at least five CA loans before they can process applications under their delegated authority. In reviewing and approving the CA loans, the LGPC will evaluate the CA Lender's knowledge of SBA Loan Program Requirements and its ability to adequately underwrite small business loans.

The LGPC will make the information on individual loans approved available to OCRM. Once a minimum of five CA loans are initially disbursed with no significant deficiencies in the underwriting/credit analysis of the loan, the LGPC will make a recommendation to OCRM who will make the final decision to approve the lender's ability to process loans under its delegated authority.

Upon approval of a CA Lender to process loans under delegated authority, OCRM will provide an Addendum to the Lender's SBA Form 750CA. Once the Addendum has been executed and returned to SBA, the CA Lender may begin originating CA loans under its delegated authority. The CA Lender may decide on a loan-by-loan basis whether to submit CA loans non-delegated or to process under its delegated authority (except for certain categories of loans as may be specified elsewhere in this Guide - see [Section VII: Responsibilities of Community Advantage Lenders](#)).

Delegation Period

The initial delegation of authority will be for a period of two years (but not to exceed the remainder of the term of the CA Pilot). Prior to the end of the two year period, OCRM will conduct a delegated authority review to further assess a CA Lender's understanding of the program and its ability to process, close, service and liquidate CA loans.

Renewal Requirements

Prior to the expiration of delegated authority, a CA Lender's delegation may be renewed for up to two years, but not to exceed the remainder of the CA Pilot Program. See [Appendix E: Renewal Requirements for Delegated Authority](#) for additional information.

A Final Word on Delegated Authority

SBA encourages all CA Lenders to seek and use delegated authority. This provides the best customer service for the small business borrowers, reduces CA Lender costs and empowers CA Lenders to take ownership of the underwriting/credit decision process in a way that best meets the needs of credit worthy underserved market small businesses. With the use of credit scoring and the leveraging of the CA Lender's internal policies and procedures to the greatest extent allowable, SBA has made it easier than ever to make CA loans. Delegated authority requires that the CA Lender is knowledgeable about SBA eligibility, underwriting, loan closing and documentation requirements. Staff in SBA's District Offices or Office of Economic Opportunity will assist in training and responding to questions on specific issues and cases, especially as it pertains to borrower eligibility.

IV. How Do I, as a CA Lender, Apply for a Community Advantage Loan Guarantee?

CA loan guarantee applications should include all appropriate attachments and must be sent electronically through E-Tran. E-Tran is a secure web site where lenders can enter loan information for a single loan or send multiple applications simultaneously via an XML (Extensible Markup Language) file transfer. As needed, the SBA Field Office will provide assistance to help lenders access E-Tran, as well as assistance in reviewing and submitting CA loan guarantee applications.

The CA loan guarantee application process is a four part process as outlined below.

Step 1: Borrower Eligibility, Forms and Documentation, Loan Terms and Conditions

Eligibility: The loan eligibility requirements for CA loans are the same as for 7(a) loans as set forth in [13 CFR Parts 120 and 121](#), and SOP 50 10 5(H), Subpart B, Chapter 2. Organizations should consult the CFR and SOP to determine if the small business applicant is eligible. In addition, some CA loans may involve complicated eligibility factors, such as affiliates, refinancing, citizenship, etc. CA Lenders should contact SBA to discuss specialized support and assistance in assessing a Small Business Applicant's eligibility if such factors arise.

All Small Business Applicants **must** complete and sign the following forms:

- [SBA Form 1919](#), Borrower Information Form and any additional SBA forms required by [Form 1919](#) in response to “yes” answers (for example, [SBA Form 912](#), Statement of Personal History), and
- [SBA Form 2449](#), Community Advantage Addendum.

All CA Lenders must complete and sign the following form:

- [SBA Form 1920](#), Lender’s Application for Guaranty for All 7(a) Programs.

The [SBA Form 1920](#), *Lender’s Application for Guaranty for All 7(a) Programs*, collects identifying information on the lender, loan terms, use of proceeds and other information, and will guide the CA Lender through the assessment of eligibility of the small business applicant and the loan. If the CA Lender has questions concerning the completion of this form, the CA Lender should contact the Loan Guaranty Processing Center (LGPC) at caloans@sba.gov for additional guidance. (Note: CA Lenders should review and complete the entire Form for the applicant business before contacting the LGPC.)

Loan Terms and Conditions: Loan terms and conditions applicable to 7(a) Small Loans are set forth in [13 CFR Part 120](#) and in SOP 50 10 5(H), Subpart B, Chapter 3 and Chapter 4. Chapter 3 of SOP 50 10 5(H) explains the maximum guaranty amounts, loan maturities, interest rate policy (fixed or variable, frequency of adjustment period, etc., subject to the maximum rate identified in the Table on page 6 for CA loans), SBA guaranty fees, other fees allowed to be charged in connection with an SBA-guaranteed loan, the disclosure of fees and lender expenses, and loan agents. Chapter 4 of SOP 50 10 5(H) discusses the applicable collateral and environmental requirements.

Debt Refinancing: In an effort to maximize the capital available to CA Lenders and their respective borrowers, non-SBA guaranteed loans may be refinanced with a CA loan. Non-SBA guaranteed, same institution debt must be processed through LGPC and may not be processed under delegated authority. Non-SBA guaranteed, other institution debt may be processed under delegated authority.

All debt refinancing must meet the requirements set forth in SOP 50 10 5(H), Subpart B, Chapter 2, Paragraph IV. E. with two modifications for CA lenders:

- Under SOP 50 10 5(H), Subpart B, Chapter 2, Paragraph IV. E. 3, in order to refinance certain debts, the lender must demonstrate that the new loan will result in a 10 percent improvement in the Small Business Applicant’s cash flow. For CA loans, however, the lender must demonstrate either:
 - a 10 percent improvement in cash flow, or
 - that the CA loan exceeds the amount being refinanced by at least \$5,000 or 25 percent, whichever is greater.

For example, if the existing debt to be refinanced is \$25,000, the lender may demonstrate that the new loan payments would be 10 percent lower than the existing payments or the new loan amount is \$31,250 (\$25,000 x 1.25%).

- Under SOP 50 10 5(H), Subpart B, Chapter 2, Paragraph IV. E. 5, when a lender seeks to use SBA guaranteed loan proceeds to refinance non-SBA guaranteed, same institution debt, it must include a transcript showing the due dates and when payments were received as part of its analysis and recommendation for the prior 36 months, or the life of the loan, whichever is less. In addition, the lender must explain in writing any late payments and late charges that have occurred during the last 36 months. However, for CA loans refinancing non-SBA guaranteed, same institution debt, the lender must instead include a transcript showing due dates and 6 months of timely payments for the most recent six month period. If there are any late payments in the most recent 6 month period, the debt may not be refinanced with a CA loan. Late payments are defined as any payment made beyond 29 days of the due date.

Refinancing of existing SBA-guaranteed debt requires evidence that the lender currently holding the debt has declined to approve an increase in loan amount or a second loan and the lender is either unwilling or unable to modify the current payment schedule. The CA Lender must retain this evidence in the loan file. Additionally, a CA Lender may refinance one of its own SBA-guaranteed loans, only if the lender is unable to modify the terms of the existing loan because the secondary market investor will not agree to modified terms. Same institution SBA-guaranteed debt must meet all requirements for Standard 7(a) loans and must be processed through the LGPC; it may not be processed under a CA Lender's delegated authority (see SOP 50 10 5(H), Subpart B, Chapter 2, Paragraph IV.E.6 for additional information).

Step 2: Complete Credit Underwriting and Collateral Requirements

CA Lenders must analyze each application in a commercially reasonable manner, consistent with prudent lending standards. The cash flow of the Small Business Applicant for an SBA Loan is the primary source of repayment. CA Lenders must follow the credit underwriting standards for 7(a) Small Loans as set forth in SOP 50 10 5(H), Subpart B, Chapter 4. This means that an acceptable credit score as determined by SBA will satisfy the need to consider several required underwriting criteria, as noted below, most importantly part of the analysis to determine reasonable assurance of repayment from cash flow. The key underwriting requirements are outlined below, but CA Lenders should review the SOP and regulations for further guidance.

At the time of submission of the application for guaranty to SBA, all applications will begin with a screening for a credit score. The CA Lender will enter certain information into E-Tran and a credit score will be issued. (The specific information is described in SOP 50 10 5(H), Subpart B, Chapter 6.) If the applicant receives an acceptable credit score, the application may be submitted via E-Tran. If the applicant does not receive an acceptable credit score, the CA Lender may submit an application to the LGPC following the procedures for Standard 7(a) loans over \$350,000 set forth in SOP 50 10 5(H), Subpart B, Chapter 4. **CA Lenders with delegated authority may not process an application that does not receive an acceptable credit score under their delegated authority.**

The credit score is calculated based on a combination of consumer credit bureau data, business bureau data, borrower financials, and application data. (The credit score is not to be confused with the Small Business Predictive Score (SBPS) used by SBA's Office of Credit Risk

Management.) The minimum credit score is based on the lower end of the risk profile for the CA Pilot Program and may be adjusted up or down from time to time. SBA will post on its website the minimum credit score for CA applications at www.sba.gov/for-lenders. The minimum credit score for CA Loans on the effective date of this Guide is 120, which is subject to change as noted above. No loan scoring less than 120 may be processed using delegated authority. If a lender believes there are mitigating issues to justify the loan, despite an unacceptable score, the lender may contact the LGPC with a full credit write-up for consideration. The write-up must contain the credit analysis required for standard 7(a) loans over \$350,000, as set forth in SOP 50 10 5(H), Subpart B, Chapter 4, a collateral analysis, and an explanation of why the CA Lender believes that the credit score is not a reasonable predictor of repayment ability for this individual borrower.

Credit Analysis: The applicant (including the Operating Company) must be creditworthy and loans must be so sound as to reasonably assure repayment. An acceptable credit score satisfies the requirement to consider the following:

- a. The credit history of the applicant (and the Operating Company if applicable), its Associates, and guarantors, including historical performance as well as the potential for long term success (character and reputation will be determined through the appropriate questions on [SBA Form 1919](#) and, if required, [SBA Form 912](#));
- b. The strength of the business;
- c. Past earnings, projected cash flow, and future prospects; and
- d. The applicant's ability to repay the loan with earnings from the business.

The CA Lender's credit memorandum is also used to demonstrate reasonable assurance of repayment and must include the following:

- a. A brief description of the history of the business;
- b. A brief description of the management team of the company, considering the length of time in business under current management and, if applicable, the depth of management experience in this industry or a related industry;
- c. Owner/Guarantor analysis, including obtaining personal financial statements, consistent with CA Lender's similarly-sized non-SBA guaranteed commercial loans, if applicable;
- d. Confirmation of the CA Lender's collection of business tax returns, and verification and reconciliation of the applicant's financial data against income tax data (received in response to [IRS Form 4506-T](#), Request for Transcript of Tax Return) prior to submitting the application to SBA for non-delegated authority loans. For loans processed under delegated authority, the CA Lender must comply with this requirement prior to first disbursement;
- e. CA Lender must determine if the equity and the pro-forma debt-to-worth are acceptable based on its policies and procedures for its similarly-sized, non-SBA guaranteed commercial loans. If the CA Lender requires an equity injection and, as part of its

policies and procedures for its similarly-sized non-SBA guaranteed commercial loans verifies the equity injection, it must do so for CA loans;

- f. A list of collateral and its estimated value, if secured; and
- g. The effect any affiliates may have on the ultimate repayment ability of the applicant.

If the CA Lender does not have policies and procedures for similarly-sized, non-SBA guaranteed commercial loans, then under subparagraphs c and e above, it must use SBA 7(a) Small Loan policy as set forth in the current version of SOP 50 10 5.

Verification of Applicant's Financial Information: To verify the applicant's financial information, CA Lenders must submit [IRS Form 4506-T](#) to the IRS. After submission, the IRS will respond by sending the applicant's transcripts to the CA Lender. This process is required for both existing businesses (those that filed at least one federal business income tax return), and for purchases of a business. For a change of ownership loan, the CA Lender must verify the seller's tax returns. Additionally, verification of financial information for the applicant's most recent fiscal year is not required if the fiscal year-end is within six months of the date SBA received the application.

The borrower must resolve any significant differences to the satisfaction of the CA Lender and the LGPC. Any significant difference must be reasonably explained in the CA Lender's loan file prior to submission of the application to SBA for non-delegated loans and, for delegated loans, prior to first disbursement. Failure to resolve any significant differences may result in rejection of the guarantee application, or if processed under delegated authority, denial of liability on the guaranty in the event of default.

CA Lenders should include the results of the [IRS 4506-T](#) transcript reconciliation in the credit memo prior to submitting the application to the LGPC for processing for non-delegated loans. For loans processed under delegated authority, the CA Lender must complete the reconciliation prior to first disbursement. A copy of the completed 4506-T and transcripts should be retained in the CA Lender's file. For further guidance on IRS verification please see SOP 50 10 5(H) Subpart B, Chapter 5, Paragraph III.

Collateral Requirements: For CA loans over \$25,000, up to and including \$250,000, the lender must follow the collateral policies and procedures (what to take and how to value it) that it has established and implemented for its similarly-sized non-SBA-guaranteed commercial loans. However, at a minimum, the lender must take a first lien on assets financed with loan proceeds, and a lien on all of the applicant's fixed assets to secure the loan. For additional information on applicable collateral requirements, see SOP 50 10 5(H), Subpart B, Chapter 4, Paragraph II.

Step 3: Submit Forms to LGPC via E-Tran (or successor method) and the 10-Tab Format¹

Non-Delegated CA Lenders: [SBA Form 1919](#), including any additional SBA forms required because of a “yes” answer on the 1919 (for example, [SBA Form 912](#)), and [SBA Form 1920](#), including all attachments, must be sent to the LGPC via E-Tran.

- (a) CA Lenders must submit applications to the LGPC using the 10-Tab format for all CA Loan guaranty requests. All forms and instruction for use of the 10-Tab format are located on SBA’s website at: <https://www.sba.gov/content/7a-submission-instructions-and-checklist>
- (b) Files too large to be submitted through E-Tran (or successor method) may be submitted using “Send this File”. When using “Send this File,” identify the loan as a CA loan submission (ex. [CA-12345678](#)). Please use the link below to enter the required information and attach the files:
<https://www4.sendthisfile.com/sendthisfile/custom.jsp?sendthisfilecode=wtskqLiYqeyc4VJ1uPbf53qB&balance=34914>.

Delegated CA Lenders: Requests for a CA loan number must be sent through E-Tran. Delegated CA Lenders do not need to submit supporting forms and credit analyses to SBA but must maintain this documentation in their CA loan files including explanations and supporting documentation for any “Yes” responses to character questions on [SBA Form 1919](#) as completed by any individuals of the loan applicant (See Chapter 2, SOP 50 10 5(H)).

V. How Do I Book My CA Loans? (Authorizing, Closing and Disbursing a CA Loan)

Upon approval of a CA Lender’s first CA loan, the LGPC will notify the appropriate SBA Field Office. At that time, any additional training needs of the CA lender will be assessed. More information is provided in the following sections concerning authorizing, closing and disbursing CA loans. CA Lenders should review SOP 50 10 5(H) and appropriate regulations to ensure compliance with the process and SBA Loan Program Requirements.

Loan Authorization

The Authorization is SBA’s written agreement with the CA Lender providing the terms and conditions under which SBA will guarantee a particular CA loan. (While the CA Lender sets the general terms and conditions for extending credit, SBA establishes the terms and conditions for its guaranty.)

For CA loans processed under non-delegated authority, the LGPC will prepare the Authorization and send it to the CA Lender. For CA loans processed under delegated authority, the CA Lender must prepare the Authorization, execute the Authorization on SBA’s behalf, and submit a copy to the LGPC after closing.

¹ SBA Field Offices will provide training on E-Tran, as part of the initial training for all CA Lenders. For more information go to <http://www.sba.gov/content/e-tran>.

For further guidance on the Authorization, please see SOP 50 10 5(H), Subpart B, Chapter 5. CA loans will use the standard 7(a) authorization boilerplate. For a list of 7(a) loan package templates, please see: <http://www.sba.gov/category/lender-navigation/steps-sba-lending/7a-loans/approval-authorization/7a-loan-package-templates>.

Loan Closing and Disbursement

The first step in closing and disbursing a CA loan is to conduct a thorough review of the Authorization. The guaranty fee must be paid within the timeframe stated in the Authorization. The disbursement period must be tailored to meet the requirements of each individual CA loan. After the CA Lender has determined that the CA loan conditions in the Authorization are appropriate for the terms of the credit, the CA Lender must close the CA loan in accordance with its provisions. If any modifications to the Authorization are necessary, the CA Lender must follow the procedures set forth in SOP 50 10 5(H), Subpart B, Chapter 5, Paragraph X.

Next, the CA Lender must obtain certain certifications from the CA loan borrower. These certifications include statements from the Applicant concerning its business operations, the approved uses of loan proceeds, and other matters related to terms and conditions of the CA loan. For guidance, the link below includes a list of these certifications and provides helpful boilerplate language samples (please see Appendix D of the Authorization Boilerplate): <http://www.sba.gov/sites/default/files/files/a7a2011.pdf>. See also, SOP 50 10 5(H), Subpart B, Chapter 7, Paragraph IV.D.

Finally, the CA Lender must comply with the environmental and insurance requirements stated in the Authorization. Please consult SOP 50 10 5(H), Subpart B, Chapter 4, Paragraph III, for the environmental requirements applicable to 7(a) Small Loans. Additionally, SOP 50 10 5(H), Subpart B, Chapter 5, Paragraph II describes insurance that may need to be obtained in connection with the CA loan.

For more information on CA loan closing and disbursement, including post approval/pre-disbursement modifications, note terms and other information, please see SOP 50 10 5(H), Subpart B, Chapters 7 and 8. CA Lenders must follow the stated procedures and requirements applicable to 7(a) Small Loans.

VI. What Happens After Disbursement?

Loan Servicing

Loan servicing involves the administration of the loan from the time the proceeds are fully disbursed until the loan is paid off. This includes sending monthly statements and collecting monthly payments, maintaining records of payments and balances, remitting funds to the note holder (for secondary market transactions), following up with borrower on payment delinquencies, and preparation and submission of [Form 1502](#) to the applicable Fiscal and Transfer Agent (currently Colson Services Corp) - see [Section VII: Responsibilities of Community Advantage Lenders](#) for additional information on 1502 reporting. CA Lenders must service their CA loans in a commercially reasonable manner using prudent lending

practices and in accordance with SBA Loan Program Requirements. The CA Lender must service CA loans in its portfolio in as diligent a manner as it services its non-SBA portfolio. If the CA Lender does not maintain a non-SBA loan portfolio, it must adhere to the same prudent lending practices for loan servicing followed by commercial lenders on non-government guaranteed loans.

CA Lenders must comply with [SOP 50 57](#), Loan Servicing and Liquidation, when servicing CA loans. Additional lender responsibilities with regard to loan servicing are set forth in [13 CFR 120.535](#) and [120.536](#). Questions regarding these procedures should be directed to the Lender Relations Specialist in the applicable SBA Field Office. Please see Servicing and Liquidation Actions 7(a) Lender Matrix at SBA.gov:

<https://www.sba.gov/content/servicing-and-liquidation-actions-7a-lender-matrix>

Loan Liquidation

Loan liquidation involves the process of converting assets, such as property or investments, into cash in order for a borrower to pay its loan. SBA's SOP 50 57, Loan Servicing and Liquidation, contains the requirements lenders must follow when liquidating loans guaranteed by SBA. In addition, lender responsibilities with regard to liquidation and debt collection are set forth in [13 CFR 120.535](#) and [120.536](#), including those liquidation actions that require the prior written consent of SBA. Frequent liquidation deficiencies that can lead to a possible reduction in the allowable purchase guarantee amount requested include: failure to make a timely site visit at time of default to ensure business collateral has been secured; failure to secure required security interest that results in a reduced recovery; release of guarantors / obligors without prior consent of SBA (please refer to SOP 50 57 for additional guidance).

Guaranty Purchase

SBA generally purchases its guaranteed portion after the lender has fully liquidated all business personal property collateral with an aggregate Recoverable Value of \$5000 or more. SBA will pay up to a maximum of 120 days interest to a lender at the time of guaranty purchase. CA loan purchase requests will be processed in the Commercial Loan Servicing Center in Fresno, CA or Little Rock, AR. Contact information for the centers is listed below:

<p>Commercial Loan Servicing Center (CLSC) - CA 801 R Street Suite 101 Fresno, CA 93721 Phone: 800-347-0922</p> <p>http://www.sba.gov/FresnoCLSC</p>	<p>Commercial Loan Servicing Center (CLSC) - AR 2120 Riverfront Drive Suite 100 Little Rock, AR, 72202 Phone: 501-324-5871 Fax: 202-292-3878</p> <p>http://www.sba.gov/LittleRockCLSC</p>
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CA loans will be subject to the same requirements and procedures governing guaranty purchase of 7(a) loans and should follow the requirements of the respective service center when submitting requests for payment on the guaranty. Please see Chapter 23 of SOP 50 57 and [13 CFR 120.520](#) through [120.524](#), which establish these requirements.

VII. Responsibilities of Community Advantage Lenders

CA Lenders are responsible for administering their CA loans in compliance with all SBA Loan Program Requirements and furnishing to SBA all required information. This section describes the CA Lender's duties regarding ongoing responsibilities and specific reporting responsibilities.

Part 1: Ongoing Responsibilities

In making SBA-guaranteed CA loans, the CA Lenders must:

1. Submit applications for guaranty via E-Tran (or successor electronic method).
2. Execute the Loan Authorization (the document that identifies the conditions under which the CA loan guaranty is approved).
3. Close the CA loan in accordance with the terms of the Authorization, SBA regulations, SOP 50 10 5(H), Subpart B, Chapter 7, and other Loan Program Requirements as defined in [13 CFR 120.10](#) related to loan closing.
4. Service the CA loan in accordance with SBA regulations, SOP 50 57, and other Loan Program Requirements as defined in [13 CFR 120.10](#) related to loan servicing.
5. Liquidate the CA loan in accordance with SBA regulations, SOP 50 57, and other Loan Program Requirements as defined in [13 CFR 120.10](#) related to liquidation.
6. Comply with SBA Loan Program Requirements as defined in [13 CFR 120.10](#) which are revised from time to time.
7. Maintain complete loan files.
8. Ensure that a minimum of 60% of the number of CA loans closed meet the underserved market requirements for CA. Applications for CA loans will indicate which category(ies) of underserved market the loan meets, if applicable. This will be monitored by the SBA and reviewed as part of the OCRM review process.
9. Pay the required guaranty fees – upfront and on-going fees — for all CA loans approved in a timely manner.
10. Comply with the same provisions regarding Preferences, Ethical Requirements Placed on a Lender, Forward Commitments, and Advertising of Relationship with SBA as all other 7(a) Participating Lenders. (See SOP 50 10 5(H), Subpart A, Chapter 1, Paragraphs II.E.3-6.)
11. Maintain adequate loan loss reserves. CA Lenders are required to create and maintain a Loan Loss Reserve Account (LLRA) to cover potential losses arising from defaulted CA loans. Funds held in the LLRA are to cover both losses from the unguaranteed portion of defaulted CA loans as well as for possible repairs and denials associated with SBA's guarantee on CA loans sold into SBA's secondary market. Requirements are as follows:

- a) The LLRA must equal no less than 5% of the outstanding balance of the unguaranteed portion of the CA Lender's CA loan portfolio (which equates to 1.25% for a CA loan above \$150,000 and .75% for a loan below or equal to \$150,000, regardless of whether or not the guaranteed portion has been sold into the secondary market). The CA Lender must deposit the required reserve amount into the LLRA no later than 45 calendar days after the date of each CA loan disbursement;
- b) An additional 3% reserve amount is required to be maintained on the guaranteed portion of each CA loan that is sold into the secondary market. The CA Lender must deposit this required reserve amount in the LLRA no later than 10 calendar days after the CA loan has been sold in the secondary market;
- c) The 5% reserve amount for the unguaranteed portion of the CA Lender's CA loan portfolio and the 3% reserve amount for the guaranteed portion of the CA Lender's loans that are sold in the secondary market may be kept in the same segregated bank account;
- d) SBA may require additional amounts to be deposited in the LLRA based on the risk characteristics and/or performance of the CA Lender and its CA Loan portfolio. In addition, the CA Lender, especially those that participate in the secondary market, should carefully monitor its loan loss reserve levels to ensure it has the ability to pay its contingent liability obligation to SBA that could result from a partial or full denial of a guarantee for a particular CA loan;
- e) The LLRA must be separate from all other bank accounts the CA Lender maintains, and must be a federally-insured demand or savings account, or certificate(s) of deposit in an amount, to the extent practicable, not in excess of the maximum federally insured amount. It must be considered a Restricted Reserve for financial accounting purposes;
- f) The LLRA cannot be commingled with any other funds of the CA Lender, its parent or related entities;
- g) The CA Lender must reconcile the LLRA on a monthly basis to ensure that the balance is maintained at the required level;
- h) The CA Lender's audited financial statements must include an assessment of the CA Lender's compliance with the loan loss reserve amount requirements for the CA Pilot Program;
- i) SBA Microloan and ILP Intermediaries may not use their SBA Microloan or ILP loan proceeds to fund the loan loss reserve for the CA loans (nor may they use it to fund CA loans); and
- j) Failure to follow the loan loss reserve account requirements may result in enforcement action by SBA which could include removal from the CA Pilot Program and/or the imposition of additional controls or reserve requirements.

12. Maintain adequate fidelity insurance coverage. Pursuant to the Federal Register Notice published on [November 9, 2012 \[77 FR 67433\]](#), CA Lenders identified as SBLCs with outstanding SBA guarantee exposure of \$20 million or less are required to maintain coverage in a minimum amount of \$500,000. CA Lenders with outstanding guarantee exposure of more than \$20 million must maintain fidelity insurance coverage in a minimum amount of \$2,000,000.

13. Maintain compliance with SBA's requirements for CA loan pledges in accordance with SBA regulations at [13 CFR 120.434](#).
14. Comply with SBA's requirements for selling CA loans in accordance with SBA regulations at [13 CFR 120.430](#), [13 CFR 120.431](#), [13 CFR 120.432\(a\)](#) and [13 CFR 120.433 \(with respect to the sale of an entire CA loan\)](#). The sale of CA loans is not anticipated to be part of the normal course of CA lending. However, a CA lender may seek to sell an entire CA loan or CA loan portfolio as part of the lender's withdrawal from the CA Pilot Program for example. In the event that a CA loan or CA loan portfolio is sold, the CA Lender must make a concerted effort to sell such loans to a capable and financially viable CA Lender. If no CA Lender is interested, capable or financially viable to purchase the CA loan(s), then the loan(s) may be sold to a 7(a) lender with SBA's prior written consent, which SBA may withhold in its sole discretion. The D/OCRM will make the final determination on whether to approve such transactions. CA Lenders may not sell participating interests in a CA loan.
15. Report any suspected cases of fraud, waste or abuse to the SBA Office of the Inspector General at http://eweb1.sba.gov/oigcss/client/dsp_welcome.cfm.

Part 2: Reporting Responsibilities

CA Lenders are required to prepare and submit: a monthly report using [SBA Form 1502](#), quarterly reports, and an annual report with audited financial statements as outlined below. Also, CA Lenders must report additional information to SBA if a change of lender authority occurs.

1. Monthly 1502 Reporting

The CA Lender must provide a monthly report on [SBA Form 1502](#) that includes loan status information for all of its SBA-guaranteed CA loans, whether or not the borrower made a payment in the current month. 1502 reporting is accomplished through a Fiscal and Transfer Agent (FTA) (the current FTA is Colson Services Corp.). For information and procedures on 1502 reporting, please see SOP 50 10 5(H), Subpart B, Chapter 8, Paragraph IV. (See [Appendix F: Glossary of Terms and Definitions](#) for more information on the FTA.)

2. Quarterly Reporting

The CA Lender must submit a Quarterly Report to OCRM that includes detailed information on the following items:

- Quarterly Financial Statements (internally prepared balance sheet and income statement is sufficient)
- Capital Adequacy/Loan Loss Reserve Account
- Delinquencies/Non-Accruals
- Technical Assistance Provided
- Underserved Market Distributions
- Classified Assets/Loss Allowance

3. Annual Report with Audited Financial Statements

The CA Lender must submit an annual report with audited financial statements within 120 days after the end of the CA Lender's fiscal year to OCRM. The CA Lender must submit two copies of the report prepared by an independent certified public accountant that includes the following:

- An audited balance sheet;
- An audited statement of income and expense;
- An audited reconciliation of capital accounts,
- An audited source and application of funds;
- Any footnotes necessary to understand the report; and
- The auditor's opinion.

In addition, the report should demonstrate compliance with the CA Lender's business plan ([See Appendix B: CA Lender Application Requirements](#) of this Guide for more details on the business plan requirements), describe any Management & Technical Assistance (M&TA) practices and demonstrate that the CA underserved markets requirements have been met. Finally, the audited financial statements must include an assessment of the lender's compliance with the loan loss reserve requirements for the CA Pilot Program.

For further information about reporting requirements, including reporting changes in organizational structure or financial condition, please see [13 CFR 120.464](#). Additionally, each CA Lender must maintain its records in accordance with the requirements established in [13 CFR 120.461](#).

4. Change of Lender Authority

If a CA Lender makes a major change in its structure or organization as determined by SBA, it must notify the SBA Office of Credit Risk Management and appropriate SBA Field Office in writing. (See [13 CFR 120.464\(a\)\(5\) and \(6\)](#) for requirements concerning reporting changes in organization or financial condition to SBA, and [13 CFR 120.475](#) regarding changes of ownership or control of an SBLC.) The table in [Appendix D: Change of Lender Authority](#) describes the procedures to follow should one of the major changes below occur:

- Acquisition by another entity;
- Merger into another legal entity;
- A change of name;
- Substantial changes in management and/or SBA lending staff;
- Substantial changes in how the lender handles SBA loans; or
- Lender is dissolved or taken-over or closed by a regulatory agency.

VIII. Lender Service Providers (LSP)

"Lender Service Provider," (LSP) as defined at [13 CFR 103.1\(d\)](#), means an Agent who carries out lender functions in originating, disbursing, servicing, or liquidating a specific SBA business loan or loan portfolio for compensation from the lender. A CA Lender may contract with an LSP to assist the CA Lender with one or more of these functions. However, the CA Lender itself, not

the LSP, has ultimate responsibility for evaluating, processing, closing, and liquidating its SBA CA loan portfolio.

SBA determines whether or not an Agent is a LSP on a case-by-case basis by reviewing the relationship it establishes with a lender and the services it provides. If an Agent qualifies as a LSP, a formal agreement between the Agent and CA Lender is required and must be approved by SBA. (See SOP 50 10 5(H), Subpart B, Chapter 3, Paragraph X.D. for further guidance on LSP agreements.)

CA Lenders must submit each LSP agreement to the LGPC for review and approval at LSPAgreements@sba.gov. If there are any changes to the agreement after the initial SBA approval, the CA Lender must submit the revised agreement to SBA for review and approval.

For a complete discussion of the fees permitted to be charged in connection with an SBA-guaranteed loan, disclosure of those fees to SBA and other activities involving loan agents and LSPs, see SOP 50 10 5(H), Subpart B, Chapter 3, Paragraphs VI –X.

IX. CA Lender Oversight

SBA will monitor CA Lenders for performance, risk characteristics, and compliance. This section briefly discusses SBA monitoring and reviews, associated review fees, billing, and supervision and enforcement. For a full understanding of SBA oversight procedures, please see [SOP 50 53](#) (Lender Supervision and Enforcement), [SOP 51 00](#) (On-Site Lender Reviews and Examinations), SOP 50 10 5(H), Subpart A, Chapter 1 (Lender and Development Company Loan Programs), and SBA regulations at [13 CFR Part 120 - Subpart I](#).

Monitoring and Reviews

SBA and a CA Lender can monitor its performance through SBA's Loan and Lender Monitoring System (L/LMS) Lender Portal. All CA Lenders are expected to have at least one employee who is experienced and responsible for routinely reviewing the CA Lender's performance information via the Lender Portal. The Lender Portal is located at <http://sbalenderportal.dnb.com>.

A CA Lender must allow SBA-authorized representatives to access its files upon request for the purpose of inspection and review of all records and documents relating to SBA-guaranteed CA loans ([13 CFR 120.1010](#)). SBA may also require a CA Lender to submit copies of CA loan files and other information to facilitate reviews/examinations or for other lender oversight activities ([13 CFR 120.464\(a\)\(7\)](#)).

In general, SBA conducts reviews and examinations of CA Lenders in accordance with [13 CFR 120.1025](#) through [120.1060](#) and SOPs 50 53(A) and 51 00, as revised from time to time. SBA's reviews for CA Lenders include for example: Quarterly Condition Reviews, Lender Profile Assessments (LPA), Analytical Reviews, Targeted Reviews and/or Full Reviews. The type of review or whether a safety and soundness examination is performed may depend on the risk associated with the CA Lender and its SBA portfolio (SOPs 50 53 and 51 00).

SBA's risk-based review and examination protocol features the PARRiS methodology. PARRiS is an acronym for specific risk areas or components common in both risk-based review and examinations of all 7(a) lenders. Those areas are: (i) Portfolio Performance, (ii) Asset Management, (iii) Regulatory Compliance, (iv) Risk Management, and (v) Special Items. In addition to the PARRiS components, a safety and soundness examination includes SBA Supervised Lender Specific components which include, but are not limited to, a Financial Condition and Management component. When conducting its reviews, SBA may obtain information from SBA's processing, servicing and liquidation/guaranty purchase centers in assessing CA Lender risk.

Oversight Review/Examination Fees

CA Lenders are required to pay fees to cover the costs of reviews, examinations and other lender oversight activities ([13 CFR 120.1070](#)). Please note that these costs may be dependent on the CA guarantee balances and risk assessment indicators presented.

In general, for risk-based reviews and safety and soundness examinations, SBA will invoice each lender for the amount owed following the review or examination. For L/LMS, LPAs and other lender oversight activity expenses, SBA will typically invoice each lender on an annual basis.

The billing and payment process is as follows:

- The invoice will state the charges, the date by which payment is due and the approved payment method(s).
- The payment due date will be no less than 30 calendar days from the invoice date.
- Payments that are not received by the due date shall be considered delinquent, and the SBA will charge interest and other applicable charges and penalties as authorized by [31 U.S.C. 3717](#).
- A CA Lender's failure to pay any of the fee components described above, or to pay interest, charges and penalties, may result in a decision to suspend, limit or revoke a CA Lender's authority as a participant, including a participant's delegated and secondary market authority. See [13 CFR 120.1070](#).

Supervision and Enforcement

An integral part of overseeing the 7(a) loan program is SBA's authority to supervise and take enforcement actions as necessary. If the CA Lender does not comply with the requirements of the CA Pilot Program, a supervisory or enforcement action may follow as described in SBA Loan Program Requirements. Regulations from [13 CFR 120.1400](#) through [120.1600](#) apply, as well as the provisions of SOP 50 53 (A), Lender Supervision and Enforcement. Additionally, SBA has modified [13 CFR 120.660](#) to allow the D/OCRM discretion to suspend secondary market authority for any CA Lender based on the risk characteristics or performance of the CA Lender's portfolio. Enforcement actions may include, for example, suspension of CA authority, issuance of a capital directive, and appointment of a receiver.

Appendix A: More About Community Advantage Eligible Organizations

1. SBA-Authorized Certified Development Companies (CDCs)

CDCs are generally non-profit corporations certified and regulated by the SBA to package, process, close and service 504 loans. There are a small number of for-profit CDCs that were grandfathered into the current 504 program in 1986, which are also eligible to become CA Lenders.

2. SBA-Authorized Microloan Intermediaries

Microloan Intermediaries are entities participating in SBA's Microloan Program that make and service microloans to eligible small businesses. They provide marketing, management, and technical assistance to their borrowers. A Microloan Intermediary may be:

- A private, nonprofit community development corporation or other entity;
- A consortium of private, nonprofit community development corporations and other entities;
- A quasi-governmental economic development entity, other than a state, county, municipal government or any agency thereof; or
- An agency or a nonprofit entity established by a Native American Tribal Government.

3. SBA-Authorized Intermediaries of SBA's Intermediary Lending Pilot Program (ILP) ILP

Intermediaries are private, non-profit entities (other than Microloan Intermediaries) participating in SBA's Intermediary Lending Pilot Program that originate and service ILP loans to eligible small businesses. (See [13 CFR Part 109](#) for further information.)

4. Non-Federally Regulated Community Development Financial Institutions (CDFIs)

Only CDFIs certified by the U.S. Department of the Treasury that do not have a Federal financial regulator are eligible to participate in CA (for example, a state-regulated CDFI would be eligible). CDFIs are financial institutions that provide:

- Economic development (job creation, business development, and commercial real estate development);
- Affordable housing (housing development and homeownership); and/or
- Community financial services (provision of basic banking services to underserved communities, financial literacy training, and predatory lending alternatives).

5. Why Become a Community Advantage Lender?

CA loans enable mission-oriented lenders to increase the flow of capital to underserved communities. Lenders focused on economic development within their communities will be provided with a timely application process, will receive a credit enhancing loan guarantee up to \$250,000, and will be allied with SBA's extensive network of experienced [resource partners](#). Furthermore, more experienced and well-capitalized mission lenders could access SBA's liquidity-enhancing secondary market for the sale of the guaranteed portion of SBA CA loans. The secondary market provides access for the sale of the guaranteed portion of SBA loans through a network of investors. This provides leverage options for participating CA Lenders that can substantially increase the flow of capital to the target underserved communities.

6. Are there other ways to be part of CA without being a CA Lender?

Mission-oriented organizations (such as housing focused CDFIs, community development corporations, faith-based institutions, etc.) that want to bring new sources of capital to small businesses in their communities are encouraged to act as Referral Agents (as defined in [13 CFR 103.1\(f\)](#)) to existing CA Lenders. Mission-oriented Referral Agents who refer applicants to CA Lenders will be referred to as “**Community Advantage Network Partners**” (“**CA Network Partners**”). The use of CA Network Partners can expand the reach and impact of the CA Pilot Program. CA Lenders that use CA Network Partners are required to abide by SBA policies and procedures concerning the use of agents, permissible fees and disclosure of those fees (*see* [13 CFR Part 103](#) and SOP 50 10 5(H), Subpart B, Chapter 3, Paragraphs VI through X).

Appendix B: CA Lender Application Requirements

The information below is necessary to complete [SBA Form 2301, Community Advantage Lender Participation Application](#).

- a. Tax Exempt Certification – A copy of the applicant’s IRS Tax Exempt certification and evidence of continued non-profit status (in compliance with IRS Form 990 requirements, if applicable).
- b. Good Standing – A copy of a Certificate of Good Standing from the Secretary of State from the State where the lender is organized.
- c. Opinion of Counsel – An opinion of independent counsel that the lender is (1) duly formed, organized and validly existing and in good standing under the laws of the state of organization, (2) chartered or registered to conduct business in the lender’s proposed operating area, and (3) in compliance with applicable local, State and Federal laws in connection with the formation and organization of the lender. “Independent Counsel” is counsel that is not an “Associate of the lender” as defined in [13 CFR 120.10](#).
- d. Officers and Directors – A list of officers and directors. For each individual listed, include a resume and [SBA Form 1081, Statement of Personal History](#), signed and dated within 90 days of submission to SBA. Any officer or director who answers “yes” to question numbers 10a, 10b, 10c, or 11 on the form must also submit an explanation and fingerprint cards.
- e. Key Personnel – A list of key personnel (current and proposed) who will be involved in loan packaging, processing and underwriting, closing, disbursing, servicing and liquidating the lender’s CA Loans. For each key individual listed, include a resume and [SBA Form 1081](#) signed and dated within 90 days of submission to SBA. Any key employee who answers “yes” to question numbers 10a, 10b, 10c, or 11 on the form must also submit an explanation and fingerprint card. If any of these services are contracted out, that should be noted in the applicant’s business plan explaining what those services are and how the CA Applicant exercises control over the services provided. A copy of the contract should also accompany the application.
- f. Board Resolution – A certified copy of a Resolution of the Board of Directors authorizing submission of the application.
- g. CDFI Certification – A copy of the most recent certification from the U.S. Treasury Department or CDFI Fund (if applicable).

- h. *Business Plan* – A business plan addressing the applicant’s small business lending activities and proposed operations for the CA Pilot Program. At minimum cover:
1. ***Organizational Chart***-- Organizational chart with narrative description of organizational units. The organizational chart must also present and describe affiliated entities and the relationship between them.
 2. ***Lending Operations***-- Narrative description of proposed operations including the internal organizational units involved in sourcing, evaluating and underwriting, closing, disbursing, servicing and liquidating small business loans.
 3. ***CA Lending Activity***-- Volume projections for planned CA lending activity for the first three years of participation.
 4. ***Pro Forma Financial Statements***-- Projected balance sheet, income statement and statements of cash flows for two years, along with the related interest rate, default and prepayment assumptions. The plan projections should be assembled under three different operating scenarios – normalized activity, activity assuming a 30% reduction in projected lending, and activity based on a 50% reduction in projected lending. If applicable, the projections should also address the planned level and type of secondary market activity.
 5. ***Management and Technical Assistance (M&TA)***-- Description of available M&TA or the procedure for referrals to outside assistance; a plan for identifying appropriate assistance for each borrower; a description of how the Lender will track the type of M&TA recommended for each borrower at the time the loan was made; and identification of M&TA services actually provided.
 6. ***Small Business Lending Expertise***-- Description of lending activities, particularly in the area of small business lending, including data on the applicant’s existing small business loan portfolio, such as number of loans made, distribution of size and age of loans made, use of proceeds, type of loans made (secured or unsecured, revolving, term, etc.). Small business lending may have been done by a related organizational entity such as its parent or an affiliate. (If the lender plans to continue to work with the related organizational entity if approved as a CA Lender, an LSP agreement may be required. See SOP 50 10 5(H), Subpart B, Chapter 3, Paragraph X.D. for further guidance on LSP agreements.)
 7. ***Market and Client Information***--Description and data on the applicant’s client demographics and current and/or planned service area including the CA underserved markets in that area, the small business community and its financing needs, and the relevant economic, unemployment and poverty characteristics for the area.
- i. *Audited Financial Statements* – Copies of the applicant’s year-end audited financial statements for the last two years. If the applicant has no prior audited financial statements, it may submit compiled financial statements that have been certified as “true and correct” by Lender’s senior financial officer for consideration. (Approved CA Lenders will be required to submit audited financial statements annually going forward.)
- j. *Interim Financial Statements* – Interim financial statements dated within 90 days of the application, covering the period from the last audited statement to the end of the most recent quarter.

- k. Funding Sources – A schedule of funding sources and funds received and available for the two year period covered by the audited financial statements.
- l. Loan Performance History – Current delinquency, default and loss rates for the applicant’s entire small business loan portfolio for the prior two fiscal years in consolidated format. Loan performance data is also acceptable for consideration from the applicant’s parent or its affiliates to substantiate a sufficient history of similar small business lending experience in the organization.
- m. Loan Loss Reserve – A description of existing loan loss reserve methodology, including any risk assessments or classifications. This should include a schedule of loan loss reserve components with calculations for the previous eight quarters, and a description of the loan loss reserve allocations for all loan programs in which the applicant currently participates.
- n. Lending Policies – A copy of lending policies and procedures governing business loan origination, closing, servicing and liquidation.
- o. Other Information – Any other information the lender considers relevant for SBA to consider in evaluating the application. To the degree an applicant has provided equivalent information on or as part of an application or for continued participation in the CDC, Microloan, ILP or CDFI programs, that information may be substituted provided it meets the intent of the requirement. SBA may follow up if additional information is needed.

[Appendix C: How a CA Lender Application Is Evaluated By SBA](#)

The Applicant's expertise, financial capacity and infrastructure will be evaluated for three decision points:

- Is the SBA satisfied with the Applicant's ability to successfully operate as a CA Lender;
- Will the Applicant be given delegated authority to make credit and eligibility decisions without prior SBA review; and
- If requested, is the Applicant authorized to submit CA loans to the secondary market for SBA approval to sell?

SBA will exercise caution in admitting Applicant if concerns emerge regarding its ability to pay contingent liabilities that are inherent due to the leverage provided by the SBA guaranty. CA Lenders should note that any SBA guaranty not being honored in whole, or in part, as a result of a CA Lender's failure to comply with SBA Loan Program Requirements could have an impact on its solvency.

A decision not to admit an Applicant into the CA Pilot Program should not be construed as a negative judgment on its current success and effectiveness in providing capital to its communities.

If approved to participate in the CA Pilot Program, the lender will be designated as a "Community Advantage Lender" (CA Lender). The CA Lender is not permitted to make 7(a) loans other than those specifically authorized in the CA Pilot Program.

If not approved as a CA Lender, an organization may participate in the CA Pilot Program as a Community Advantage Network Partner (CA Network Partner) and make referrals to an approved CA Lender (see [Appendix A](#)).

Evaluation Factors

The following criteria will be used to evaluate an application to participate in the CA Pilot Program. Applicants must identify and discuss in their application their experience, portfolio size, financial viability and other factors described below.

- a. Form of organization, compliance with requirements of its respective governing organization, Satisfactory/Good Standing with Secretary of State and state regulator, if applicable (see Section II, Step 2 of this Guide for how to demonstrate good standing with state regulator), and evidence of continued non-profit status (in compliance with IRS Form 990 requirements).
- b. Knowledge and understanding of SBA's Loan Program Requirements (as defined in [13 CFR 120.10](#)). Approval of a CA Lender will be conditioned on completion of training on SBA Loan Program Requirements. Additionally, if applicable, prospective CA Lender's experience with the 7(a) loan program should be described and quantified (for example, if applicant packages SBA 7(a) loans for other lenders, indicate the number of packages prepared and the number of years performing this activity).

- c. Experience with small business lending and the Applicant's capacity and ability to make, service and liquidate small business loans. If any of these services are contracted out, this should be noted in the application and a copy of the contract should be attached. (Note: If a CA Applicant is approved and intends to use a lender service provider, the Applicant must submit the agreement to SBA for approval. [See Section VIII: Lender Service Providers \(LSP\)](#) for more information.)
- d. Ability to provide or obtain services to provide Management and Technical Assistance (M&TA).
- e. Financial viability, including adequacy of loan loss reserves. The lender must show that it is financially viable in its own right and able to support its own operation (inclusive of grants, fundraising, and in-kind support).
- f. Demonstration of ability to meet the needs of CA underserved markets and understanding of how participation in CA will further that reach in terms of geography, products, loan size, volume, and very low income communities.
- g. Adequate infrastructure and internal controls to manage the CA Lender's SBA loan program and portfolio. See [13 CFR 120.460](#).
- h. Adequate staffing to manage and service the CA Lender's SBA 7(a) loan portfolio. Key personnel must have requisite skills and abilities to underwrite, approve, service and liquidate small business loans. If any of these services are contracted out that should be noted in the application and copy of the contract attached ([see Section VIII: Lender Service Providers \(LSP\)](#)).
- i. Other risk characteristics that SBA may identify. For example, rate of growth, inadequate capital or loan loss reserves, pending litigation, outstanding enforcement actions, or any adverse or supervisory actions issued by a state regulator or SBA against the applicant and/or its employees.
- j. Information from the CDFI Assessment and Rating System (CARS) and CDFI assessments, SBA risk ratings and reviews, and/or other similar types of information, as available.
- k. Other factors that may be identified by SBA.

The following additional factors will be considered for SBA CDCs, SBA-Microloan Intermediaries and SBA-ILP Intermediaries when applying for CA participation and delegated authority:

- Continued good standing with SBA (for example, acceptable risk rating, satisfactory results of reviews/examinations, satisfactory operational and portfolio performance, satisfactory capacity to make, service and liquidate SBA Microloan, ILP and 504 Program loans and other relevant factors) as determined by SBA in its discretion;

- Compliance with SBA Loan Program Requirements governing these programs;
- Compliance with reporting requirements, remittance of required guaranty, servicing, and review fees, as applicable; and responsiveness to requests for information from SBA; and
- Any SBA enforcement actions (proposed or final).

Getting Approval to Sell CA Loans on the Secondary Market.

Sale of the guaranteed portion of CA loans provides the CA Lender expanded capacity to deliver the CA Pilot Program. CA Applicants are invited to request authority to submit CA loans for SBA approval for secondary market sale either at the time of their initial application or at any time thereafter. Secondary market authority is granted at SBA's discretion. If authority is not awarded as a result of the first request, the CA Lender should resolve any weakness or deficiency indicated as reasons for rejection of secondary market authority before submitting a request for reconsideration.

Secondary Market Authority Evaluation Factors

For applicants applying to conduct secondary market sales, the following additional factors will be considered regarding the Applicant's financial strength:

- Dollar amount of CA Lender's unrestricted net assets;
- Ratio of net assets to total assets;
- Level of positive net income/surplus;
- Level of operating liquidity;
- Loan performance history for small business loan portfolio;
- Applicant's loan loss reserve policy for 7(a) loans including additional reserves for secondary market loans;
- Knowledge of SBA Loan Program Requirements including eligibility requirements;
- Existence of proposed or final supervisory actions; and
- Other factors identified by SBA in its discretion.

Organizations that have been granted permission to access the secondary market must also complete additional training related to secondary market activities and requirements before they will be allowed to initiate secondary market sales. This training is intended to provide information to the CA Lender that will assist them in their negotiations with brokers and pool assemblers, and will inform the CA Lender about their subsequent limitations on modifying the terms of a CA loan to the small business borrower. CA Lenders must provide certification to SBA that this training has been completed before the authority to sell loans on the secondary market will be granted.

Decision

The Director, Office of Credit Risk Management (D/OCRM) makes the final determination regarding approval or decline of the Applicant's participation as a CA Lender, participation as a delegated CA Lender, and if applicable, participation in the secondary market.

SBA's goal is to provide a decision within 45 days of the receipt by OCRM of a complete application package. Once a final determination is made, the D/OCRM will notify the Applicant in writing of the decision with a copy to the Director, Office of Economic Opportunity (D/OEO)

and the appropriate SBA Field Office. If an application is not approved, the Applicant will be notified in writing with the reasons the application was not approved. If a CA Lender requests to participate in the secondary market, and is approved, notification will be included in writing along with any restrictions that may apply.

Approved Applicants will receive designation either as a delegated or non-delegated CA Lender (please see [Section III: What is Delegated Authority and How Do I Qualify?](#) for more information). Furthermore, each CA Lender will be identified as either a Small Business Lending Company (SBLC) or a Non-Federally Regulated Lender (NFRL), depending on whether the lender is subject to regulation by a state. All CA Lenders are SBA Supervised Lenders, as that term is defined in [13 CFR 120.10](#), and will be subject to all regulations applicable to SBA Supervised Lenders unless specifically waived or modified in the Federal Register Notices published on [February 18, 2011 \[76 FR 9626\]](#), [September 12, 2011 \[76 FR 56262\]](#), [February 8, 2012 \[77 FR 6619\]](#), [November 9, 2012 \[77 FR 67433\]](#), and [December 28, 2015 \[80 FR 80872\]](#).

The duration of each CA Lender's authority to participate in CA will be set forth in a Loan Guaranty Agreement (SBA Form 750CA), discussed more fully below. If the CA Pilot Program is extended or made permanent, each CA Lender's authority to participate will be renewed based upon, but not limited to the Lender's compliance with SBA Loan Program Requirements, including the requirement to make 60 percent of their loans to small businesses in the CA underserved markets, satisfactory SBA performance as determined by SBA in its discretion and other risk-related criteria.

If the CA Pilot Program is not extended or made permanent, each CA Lender will be required to continue to service and liquidate its CA loans in accordance with the terms of the pilot, but will not be able to make any new CA loans. Further, the SBA guaranty will remain in effect for the life of the CA loan, assuming the loan was originated, serviced and liquidated according to SBA Loan Program Requirements. In addition, if a CA Lender wants to exit the program or is required to exit, it must cooperate with SBA to transfer responsibility for servicing and liquidating its CA loan portfolio and related fees.

Reconsideration Procedure, if applicable

If the D/OCRM declines the application to participate in the CA Pilot Program, delegated authority and/or secondary market access, the Applicant may submit a request for reconsideration within 30 days from the date of the notification letter. The reconsideration request is to be sent to the attention of the D/OCRM and should include all substantive facts and documentation in support of the request. The D/OCRM will evaluate the request for reconsideration and make a recommendation to the Associate Administrator for Capital Access (AA/OCA) who will make the final decision². SBA expects to notify the applicant of the decision within 30 days of receipt of the request for reconsideration.

² This delegation to the AA/OCA to make the final agency decision on reconsiderations supersedes any prior delegation.

Steps After Approval

If the Applicant is approved to participate, it will be instructed to complete SBA Form 750CA by OCRM. The CA Lender must execute two originals of this form and return them to the appropriate SBA Field Office within 30 days of notification of approval or the lender must reapply. SBA's Field Office will execute these documents on behalf of SBA and return one original to the CA Lender. Delays beyond this point are subject to re-review by OCRM.

After execution of the 750CA, a training and orientation program will be provided by the local SBA Field Office with assistance from the Office of Economic Opportunity (OEO). At a minimum, this training must include the CA Lender's roles and responsibilities, CA reporting requirements, application procedures (including E-Tran), as well as this CA Participant Guide and SBA Loan Program Requirements. The SBA Field Office will notify caloans@sba.gov when the 750CA Agreements are received and the training is completed. This notification must specify the date as well as the specific type(s) of training provided to the CA Lender. After receiving notification of the fully executed 750CA Agreement and completed training and orientation program, the CA Lender's information will be recorded by OCRM into SBA's lender recordkeeping system. Once these steps are completed, the CA Lender will be allowed to submit CA loan applications to the LGPC.

Appendix D: Change of Lender Authority

<u>Scenario</u>	<u>Response</u>
<i>If a CA Lender continues as the same legal entity that signed the SBA Form 750CA and Addendum for Delegated Lenders, and ...</i>	<i>Then ...</i>
(1) The CA Lender changes its name.	OCRM records the name change. The lender's CA authority is not changed. A new SBA Form 750CA or Addendum is not needed.
(2) The CA Lender is acquired by another entity. The CA Lender continues as a separate legal entity.	OCRM records the holding company name. The lender's CA authority is not changed. A new SBA Form 750CA or Addendum is not needed.
<i>If a CA Lender continues as the same legal entity that signed the SBA Form 750CA and Addendum and ...</i>	<i>Then ...</i>
(3) The CA Lender acquires another lender. The acquired lender does not continue as a separate legal entity.	The CA Lender may continue to make CA loans under its CA authority unless there is a substantial change in its ability to make CA loans.
(4) The CA Lender acquires another lender. The acquired lender continues as a separate entity.	The acquired lender may not make CA loans. The acquired lender may apply to participate in CA, if it is an eligible type of organization..
(5) The lender is closed or taken over by a regulatory authority.	The lender's authority to make CA loans automatically terminates, and the lender must cooperate with SBA to transfer responsibility for servicing and liquidating its CA loan portfolio. OCRM notifies the lender, SBA Field Office(s), and the LGPC that the lender may not make any more CA loans.
(6) The lender changes its operations so much that it cannot show that it handles SBA loans appropriately.	SBA will not renew the CA Lender's authority, or will suspend or revoke the lender's CA authority.
<i>If a CA Lender DOES NOT continue as the same legal entity that signed the SBA Form 750CA and Addendum and ...</i>	<i>Then ...</i>
(1) The CA Lender is merged into a non-CA Lender. The original CA Lender's SBA operations are unchanged.	The original CA Lender no longer has authority to make CA loans. The surviving lender must apply for CA authority (if it is an eligible type of organization) and execute a 750CA, or cooperate with SBA to transfer responsibility for servicing and liquidating the original CA loan portfolio.
(2) The CA Lender is merged into another CA Lender.	The original CA Lender no longer has authority to make CA loans. However, CA loans can be made under the surviving CA Lender's agreements, and the surviving CA Lender is responsible for servicing and liquidating the original CA loan portfolio.
(3) The CA Lender is dissolved or taken-over/closed by a regulatory agency.	The CA Lender's authority to make CA loans automatically terminates, and the lender must cooperate with SBA to transfer responsibility for servicing and liquidating its CA loan portfolio. OCRM notifies the lender, SBA Field Office(s) and the LGPC that the lender may not make any more CA loans.

Appendix E: Renewal Requirements for Delegated Authority

Prior to the expiration of delegated authority, a CA Lender's delegation may be renewed for up to two years, but not to exceed the remainder of the CA Pilot Program, based on the following factors:

1. Demonstrated achievements in reaching underserved markets. (See [Section I: Introduction - Are there special lending requirements for CA Lenders?](#))
2. Continued ability to effectively process, close, service and liquidate SBA loans; in compliance with SBA Loan Program Regulations (as defined in [13 CFR 120.10](#)).
3. Continued compliance with SBA Loan Program Requirements governing all SBA programs in which CA Lender participates (e.g., SBA Certified Development Company loan program, SBA Microloan Program, SBA ILP Program).
4. Continued good standing with SBA and satisfactory SBA performance as determined by SBA in its discretion. (See [13 CFR 120.410](#) and [120.420\(f\)](#).) Performance criteria may include, but is not limited to:
 - a) The lender's Risk Rating;
 - b) OCRM reviews and examination assessments;
 - c) Historical performance measures (such as default rate, purchase rate, and loss rate, performance averages are comparable to peer group, such as delinquent, past due, liquidation and purchase rates);
 - d) Loan volume to the extent that it impacts performance measures;
 - e) Other performance-related measurements and information, including the portion of the portfolio in CA underserved markets; and
 - f) Any other risk characteristics SBA may deem appropriate.
5. Satisfactory/Good standing with its State Secretary of State and state regulator, if applicable. The applicant must either certify that it is not subject to regulation by a state regulator or, if the applicant is subject to state regulation, it must demonstrate that it is in good standing with its state regulator. The lender must provide a written statement that to the best of its knowledge, the lender has satisfactory: i) financial condition (e.g., capital and liquidity); ii) small business credit administration policies, procedures, and practices that it continues to adhere to in its operations; and iii) small business servicing policies, procedures, and practices that it continues to adhere to in its operations. When reviewing good standing, SBA will look to see that a lender does not have significant deficiencies or weaknesses in these areas. "Significance" may be evidenced by the number or seriousness of the deficiencies, as determined by SBA in its discretion. SBA will verify any good standing statement where possible with public (e.g., Cease and Desist Orders and Call Reports) and/or non-public information from the lender's other regulators.
6. Compliance with capital requirements as prescribed by the CA Lender's state regulator, if applicable.
7. Financial viability including adequacy of capital and/or loan loss reserve account.

8. No outstanding enforcement actions (proposed or final) issued by the SBA or State regulator against the CA Lender and/or employees, officer or directors.
9. Adequate staff to manage and service the CA Lender's portfolio and key personnel has requisite skills and abilities to underwrite, approve, service and liquidate small business loans, particularly the CA loan portfolio.
10. Current in submitting required monthly, quarterly and annual reports including 1502 reports; is responsive to SBA program office's request for information; and is current in remitting required guaranty, servicing and review fees.
11. Disclosure and approval by SBA of changes to the CA Lender's organizational structure, CA Lender's SBA loan department, CA lender's business plan and/or business model.
12. Other relevant factors (e.g., risk or program integrity related) that may be identified by SBA.

The D/OCRM makes the final determination on the renewal of delegated authority and notifies the CA Lender, SBA Field Office, and the D/OEO. If the renewal of delegated authority is approved, OCRM and CA Lender shall execute an Addendum to the SBA Form 750CA. If the renewal is not approved, the CA Lender must process new loans using non-delegated procedures and may reapply for delegated authority after it overcomes the reasons for the decline.

Appendix F: Glossary of Terms and Definitions

Associate of Lender – As defined in [13 CFR 120.10](#), an Associate of a Lender is:

- (i) An officer, director, key employee, or holder of 20% or more of the value of the Lender's or CDC's stock or debt instruments, or an agent involved in the loan process;
- (ii) Any entity in which one or more individuals referred to in paragraphs (1)(i) of this definition or a Close Relative of any such individual owns or controls at least 20%.

CDFI – A Community Development Financial Institution (CDFI) is a financial institution that provides economic development, affordable housing, and/or community financial services. CDFIs are certified by the CDFI Fund, U.S. Department of the Treasury.

CFR – The Code of Federal Regulations, the codification of the general and permanent rules and regulations published in the Federal Register by the executive departments and federal agencies of the U.S.

CLSC - AR–The Commercial Loan Servicing center in Little Rock, AR where CA loan servicing and liquidation actions and guarantee purchase requests are sent for CA Lenders located in SBA Regions 1, 2, 3, 4, and 6, excluding Louisiana and New Mexico.
(<http://www.sba.gov/LittleRockCLSC>)

CLSC - CA– The Commercial Loan Servicing center in Fresno, CA, where CA loan servicing and liquidation actions and guarantee purchase requests are sent for CA Lenders located in SBA Regions 5, 7, 8, 9, 10 and the states of Louisiana and New Mexico.
(<http://www.sba.gov/FresnoCLSC>)

Community Advantage Network Partner– (formerly called Community Advantage Associate in Participant Guide 3.0) – A loan referral agent under agreement with a CA Lender to be a deal referral source. The CA Lender and the CA Network Partner can represent the latter as part of the Lender's CA Network for marketing and advertising purposes. Per SBA policy for all referral agents no remuneration for the CA Network Partner referral can be charged to the borrower. Any payment for the referral from the CA Lender must be reported per the requirement of SOP 50 10 5(H) on [SBA Form 159\(7a\)](#).

D/OCRM – The Director of the Office of Credit Risk Management.

D/OEO – The Director of the Office of Economic Opportunity.

Empowerment Zone (EZ) and Enterprise Community (EC) – A distressed urban or rural community where qualifying businesses are eligible for tax incentives and low-cost loans. The Departments of Housing and Urban Development (HUD) and Agriculture (USDA) designate EZs and ECs. The Census Bureau defines these areas in tracts to collect data and make generalizations for an area. To find out if your business is located in an EZ or EC please visit: <http://www.hud.gov/offices/cpd/economicdevelopment/programs/rc/tour/index.cfm>.

Form 159(7a) – The Fee Disclosure Form and Compensation Agreement for Agent Service is the form used to disclose fees paid in connection with an SBA-guaranteed loan.

Form 1502 – The Guaranty Loan Status and Lender Remittance Form is used for the monthly reporting of the outstanding loan balance on a 7(a) loan and the remittance of the on-going guarantee fee(s).

FTA – SBA’s Fiscal and Transfer Agent. The FTA acts as a conduit between the lenders, broker/dealers, and investors for all secondary market processes, including loan sales, payment pass-through, deferments and modifications, prepayments and defaults, and pooling. The FTA also processes all 1502 reports and remittances of fees for all 7(a) loans. The current FTA is Colson Services Corp. For further information see SOP 50 10 5(H), Subpart B, Chapter 8.

HUBZone – means a historically underutilized business zone, which is an area located within one or more: (1) Qualified census tracts; (2) Qualified non-metropolitan counties; (3) Lands within the external boundaries of an Indian reservation; (4) Qualified base closure area; or (5) Redesignated area.

The HUBZone Empowerment Contracting Program, which is included in the Small Business Reauthorization Act of 1997, stimulates economic development and creates jobs in urban and rural communities by providing contracting preferences to small businesses that are located in a HUBZone and that hire employees who live in a HUBZone. SBA is responsible for regulating and implementing the HUBZone Program. It certifies concerns for eligibility to receive HUBZone contracts and maintains a listing of qualified HUBZone small businesses federal agencies can use to locate prospective vendors. To find out if your business is located in a HUBZone visit this site: <http://www.sba.gov/content/hubzone-maps>.

Intermediary Lending Pilot Program (ILP) – The SBA Intermediary Lending Pilot Program (ILP) provides direct loans to ILP Intermediaries in order to assist small businesses in areas suffering from a lack of credit due to poor economic conditions or changes in the financial market. An ILP Intermediary may be a private, nonprofit organization such as a Community Development Financial Institution (CDFI), Community Development Corporation, SBA Certified Development Company (CDC), or an agency established by a Native American Tribal Government.

Lender Portal – A secure web-based tool that shares SBA’s lender data with that lender and increases transparency of the data used for oversight. It displays confidential information, including the lender’s Risk Rating and PARRiS score, rating components, other performance and credit quality metrics, net cash flow metrics, and other information. The Portal is updated quarterly. For more information, please visit: <http://www.sba.gov/category/lender-navigation/lender-portal>.

LGPC – The Standard 7(a) Loan Guaranty Processing Center with locations in Citrus Heights, CA and Hazard, KY.

Loan and Lender Monitoring System (L/LMS) – OCRM’s offsite monitoring and review system. L/LMS is a database of information on individual SBA lenders and active loans. It

contains comprehensive portfolio data that allows lenders to compare performance within their peer group. A Lender's L/LMS data can be accessed by that Lender using the **Lender Portal**. This allows an institution to proactively manage and monitor its SBA portfolio performance.

LMI-Low-to-Moderate Income Communities – Census tracts of low income or moderate income as recognized by the Federal Financial Institutions Examination Council (FFIEC) and reported on its website: <http://www.ffiec.gov/geocode/>.

Microloan Program – The SBA Microloan Program provides direct loans to Microloan Intermediaries to assist women, low income, veteran, and minority entrepreneurs, and other small businesses in need of small amounts of financial assistance. Microloan Intermediaries provide training and technical assistance and make small loans of up to \$50,000 to eligible microloan borrowers.

OCRM – Office of Credit Risk Management – SBA's office responsible for monitoring, oversight, supervision and enforcement of SBA's lending partners, including Community Advantage Lenders.

OEO – Office of Economic Opportunity – SBA's office responsible for delivering the Community Advantage Pilot Program, Microloan Program, Intermediary Lending Pilot Program and related economic opportunity financing programs to underserved markets.

Promise Zones – The Promise Zone Initiative is a Presidential plan that seeks to partner with local communities and businesses to create jobs, increase economic security, expand educational opportunities, increase access to quality, affordable housing and improve public safety. The first five Zones, located in San Antonio, Philadelphia, Los Angeles, Southeastern Kentucky, and the Choctaw Nation of Oklahoma, have each put forward a plan on how they will partner with local business and community leaders to make investments that reward hard work and expand opportunity.

Small Business Predictive Score (SBPS) – The SBPS is a composite business score comprised of Consumer Credit Bureau and Business Credit Bureau data which predicts the likelihood of a loan going into default. The consumer data are similar to those used for consumer credit scores, just modeled differently. The business data are based on third party-reported credit history data (vendors, utilities, insurance companies), similar to consumer data. The SBPS uses statistical probabilities to classify small businesses into a score range, where the lowest score has the highest likelihood of severe delinquency. The SBA uses the SBPS to predict the likelihood of a guaranty purchase. SBA lenders can access the dollar weighted average SBPS of their active 7(a) disbursed loans, as well as a stratification of individual loans by high, medium and low risk categories through use of the SBA's Lender Portal.

SBA Veterans Advantage -- SBA Veterans Advantage is an initiative to facilitate lending to veteran-owned small businesses so that they have the tools they need to start and grow their businesses. Businesses eligible for SBA Veterans Advantage must be 51% or more owned and controlled by an individuals in one or more of the following groups: Veterans (other than dishonorably discharged, Service-Disabled Veterans, Active Duty Military service member

participating in the military's Transition Assistance Program (TAP), Reservists and National Guard Members, or current spouse of any Veteran, Active Duty service member, or any Reservist or National Guard member, or widowed spouse of a service member who died while in service or of a service-connected disability.

SOP – SOPs are SBA Standard Operating Procedures, as issued and revised by SBA from time to time. SOPs are publicly available on SBA's web site at <http://www.sba.gov> in the online library.