



SBA Small Loan Advantage and Community Advantage Loan Programs

The Small Business Administration (SBA) helps small businesses and entrepreneurs obtain loans, build skills, and access government contracts. The SBA works with approximately 5,000 banks to provide loans to small businesses that might not otherwise be able to obtain financing.

This fact sheet highlights two new SBA loan programs introduced in early 2011—the SBA Small Loan Advantage and Community Advantage—that are designed to expand access to capital for small businesses and entrepreneurs in underserved communities. The Advantage loan programs expand the SBA’s 7(a) Loan Program, which is a critical resource for banks, other lenders, and small businesses.

What Are Advantage Loans?

Advantage loans are designed to promote economic growth and jobs by improving access to capital for small businesses and entrepreneurs in underserved communities. The Small Loan Advantage and Community Advantage programs provide a federal guarantee of 85 percent on loans up to \$150,000 and 75 percent on loans greater than \$150,000 made by participating banks and lenders to eligible small businesses. The Small Loan Advantage program has a maximum loan size of \$350,000. The maximum loan size through the Community Advantage program is \$250,000.

The two programs target different lenders. The Small Loan Advantage program is designed to encourage existing, experienced SBA lenders to make smaller loans, which research shows are

more likely to benefit traditionally disadvantaged borrowers. Community Advantage expands the 7(a) program to mission-focused financial institutions that traditionally work with underserved communities and that have not previously had access to SBA loans programs. Both loan programs use a streamlined application process for borrowers and allow lenders, if qualified, to use their own note or guaranty agreement.

How Do Advantage Loans Benefit Lenders?

Like other SBA 7(a) loan programs, the Advantage programs are designed to provide loans to small businesses in need of flexible underwriting guidelines, extended loan terms, and low down payments. The program provides lenders a guaranty that if a loan defaults, the SBA will pay off a portion of the remaining balance. SBA-guaranteed loans are for loans that are not bankable without an SBA guaranty, usually because the collateral is not sufficient to cover the risk in case of default or the terms required to repay the loan in a timely manner are longer than what the lender normally provides.

The guaranteed portion of SBA loans carries a lower risk-based capital requirement. The guaranteed portion of the loan is also saleable on the secondary mortgage market, which can provide liquidity for qualified lenders. Loans made under the Advantage program may qualify for Community Reinvestment Act consideration.

What Is the Small Loan Advantage Program?

The Small Loan Advantage program is structured to encourage large, existing SBA lenders to make lower-dollar loans, the kinds of loans that often benefit businesses in underserved markets. The program does not require, however, that small business borrower be located in underserved markets.

Lender requirements: Open to banks participating in the SBA's Preferred Lending Program.

Application process: The Small Loan Advantage program features streamlined paperwork with a two-page application for the borrower. Loan applications submitted electronically and qualifying for delegated authority will be approved within minutes.

What Are Community Advantage Loans?

Community Advantage is a new, three-year pilot designed to increase the number of lenders making SBA 7(a) loans to small businesses in distressed and underserved communities. Lenders currently participating in the SBA's 7(a) Loan Program are not eligible to participate in the Community Advantage pilot.

Lender requirements: Lenders must be mission-focused, such as nonprofit financial intermediaries involved in community economic development, with experience lending to small businesses in underserved markets. Lenders may be non-supervised Community Development Financial Institutions, SBA-authorized Certified Development Companies, or SBA-authorized Microloan Intermediaries.

Lenders are encouraged to assist borrowers to access the technical assistance they need to grow and sustain their businesses. Lenders may offer technical assistance themselves, or through SCORE, SBA Small Business Development Centers (SBDC), or other resources.

At least 60 percent of a Community Advantage lender's SBA loan portfolio must be in underserved markets. This includes markets with small businesses located in low- to moderate-income communities, in Empowerment Zones, Enterprise Communities, or HUBZones. Loans in businesses with more than 50 percent of their workforce living in low- and moderate-income communities, in start-up firms in business for less than two years, and U.S. veteran-owned businesses (including Patriot Express eligible businesses) are also considered underserved markets.

Application process: The Community Advantage program features streamlined paperwork with a two-page application for the borrower. Loan applications submitted electronically and qualifying for delegated authority will be approved within minutes. Loan requests from non-delegated lenders will be approved within five to 10 days.

Lenders interested in participating in Community Advantage should apply to their SBA District Office.

For More Information

- [SBA Advantage Loan programs](#)
- [SBA 7\(a\) Loan Program](#)
- [The OCC's Community Developments Insights report on the SBA 7\(a\) Loan](#)
- [The OCC's District Community Affairs Officers](#)