



SBA Information Notice

TO: All SBA Employees and Community Advantage Pilot Program Lenders

CONTROL NO.: 5000-846918

EFFECTIVE: May 1, 2023

SUBJECT: Community Advantage Small Business Lending Company Conversion

The purpose of this Notice is to announce that effective May 12, 2023, SBA's Office of Credit Risk Management (OCRM) is initiating a program to enable current Community Advantage Pilot Program Lenders (CA Pilot Lenders) to become Community Advantage Small Business Lending Companies (CA SBLCs).

On April 12, 2023, SBA published a final rule at 88 FR 21890 on [Small Business Lending Company \(SBLC\) Moratorium Rescission and Removal of the Requirement for a Loan Authorization](#). Through that rule, SBA lifted its moratorium on licensing new SBLCs and created a new type of SBLC called a CA SBLC. The final rule also provided for a grandfathering of current CA Pilot Lenders that are participating in the CA Pilot Program (in accordance with 13 C.F.R. § 120.420(e)) to be licensed as CA SBLCs. When SBA authorizes a CA SBLC license for a CA Pilot Lender, the CA Pilot Lender will no longer be making 7(a) Community Advantage loans in a temporary pilot program, but will instead be making regular 7(a) loans under a CA SBLC license in the 7(a) program.

CA SBLC Requirements

SBA will hold all CA SBLCs to the same requirements that have existed for the CA Pilot Program, as outlined in the [Community Advantage Participant Guide](#), including that a minimum of 60% of the number of CA loans closed meet the underserved market requirements currently in place for the CA Pilot Program, with the following updates:

- Loan loss requirements:
 - CA SBLCs with 5 or fewer years of participation in the program (including the CA Pilot Program) shall maintain a loan loss reserve of 5 percent of the outstanding amount of the unguaranteed portion of the loan portfolio of the CA SBLC under the program; and
 - CA SBLCs with more than 5 years of participation in the program (including the CA Pilot Program) shall maintain a loan loss reserve equal to the average repurchase rate of the CA SBLC over the preceding 36-month period.
- SBA's Administrator, in consultation with SBA's Associate Administrator for the Office of Capital Access (AA/OCA) or their designee(s), at their discretion, will determine the appropriate fidelity insurance coverage levels for CA SBLCs. At this time, SBA is not setting

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EXPIRES: 5/1/24.

SBA Form 1353.3 (4-93) MS Word Edition; previous editions obsolete

Must be accompanied by SBA Form 58

fidelity insurance requirements for CA SBLCs.

- Certified Development Companies that are also CA Pilot Lenders as of May 12, 2023 may be licensed as CA SBLCs without having to form a separate entity.

Process

To become a CA SBLC, current CA Pilot Lenders must execute a [Form 750](#), *Loan Guaranty Agreement (Deferred Participation)*. Current CA Pilot Lenders will receive an email from CAloans@sba.gov with an unexecuted 750 form to be reviewed, completed and signed. The completed and signed form should be submitted to SBA via email at CAloans@sba.gov. If the form is fully executed, SBA will sign it and finalize the CA Pilot Lender's transition to a CA SBLC. If the form requires any corrections, SBA will contact the CA Pilot Lender to address any discrepancies. CA Pilot Lenders are advised to review applicable SBA Loan Program Requirements, including but not limited to the final rule referenced above, prior to executing and submitting the Form 750.

SBA will provide further guidance on SBA Loan Program Requirements for CA SBLCs through additional SBA policy notices and/or SOPs.

SBA intends to sunset the CA Pilot Program on September 30, 2023. All current CA Pilot lenders must execute an SBA Form 750, in order to extend authority to make 7(a) loans (as CA SBLCs) after the CA Pilot Program sunsets, otherwise the CA Pilot Lender's authority to make 7(a) loans will terminate.

Questions

Questions may be directed to Betty Hill, Senior Financial Analyst, Office of Credit Risk Management at CAloans@sba.gov.

Susan E. Streich
Director
Office of Credit Risk Management