

April 3, 2020

Mr. Daniel Upham
Chief, Microenterprise Development Division
Office of Financial Assistance
U.S. Small Business Administration
409 Third Street SW
Washington, DC 20416

Re: Docket No. SBA-2020-0006

Opportunity Finance Network appreciates the opportunity to comment on Docket Number SBA-2020-0006, "Notice of changes to Community Advantage Pilot Program and request for comments."

OFN is a national network of more than 280 community development financial institutions (CDFIs). CDFIs are mission-driven community development banks, credit unions, loan funds and venture capital funds investing to benefit low-income and low-wealth communities across America. OFN's membership has originated \$74 billion in financing in urban, rural and Native communities through 2018.

OFN commends the Small Business Administration (SBA) for its efforts to bring capital and credit to small businesses often overlooked by mainstream financial institutions through the Community Advantage pilot program. Since the program launched in 2011, mission-driven lenders have used it to expand access to credit for small businesses in underserved areas.

Certified CDFIs have been an integral part of the Community Advantage pilot program's success by helping to reach businesses in underserved markets.¹ The program has strengthened the CDFI industry's ability to deliver affordable, responsible financial products to small business owners. Community Advantage also helps the SBA achieve its priority goal to increase the number of loans to small businesses in socially and economically disadvantaged urban communities and rural areas.²

OFN appreciates the continued partnership the CDFI industry enjoys with the SBA, and we look forward to continuing to work together to deliver critical capital to businesses. We would like to provide comments on several aspects of the rule:

Renewal of Loan Guaranty Agreement for Community Advantage Lenders

The Office of Credit Risk Management (OCRM) indicated they were conducting reviews of all Community Advantage lenders performance and compliance with SBA policies and procedures. The assessments were to determine if a lender's license to make Community Advantage loans would be

¹ U.S. Small Business Administration, Office of Economic Opportunity, Presentation at the 2018 OFN Small Business Finance Forum, June 25, 2018.

² "SBA Reimagined: Powering the American Dream", Small Business Administration Strategic Plan Fiscal Years 2018- 2022", Published December 2017. Accessed November 10, 2018.



renewed, and the results were to be communicated to the lender by March 31, 2020. To date, the SBA has provided little insight into the progress of those reviews or the process by which lenders are being evaluated. A deeper understanding of the evaluation criteria would allow current Community Advantage lenders identify areas for improvement and could help overall lender compliance. OFN urges the SBA to share more detail on the results of those assessments. We also urge the SBA to provide guidance to Community Advantage lenders on the criteria SBA is using to determine risk, and the threshold at which a lender's delinquency or default rate would be deemed unacceptable.

The OCRM reviews were also to result in an updated list of eligible Community Advantage lenders, which is now more important than ever as Community Advantage lenders seek to participate in the Paycheck Protection Program. OFN also encourages the SBA to make public the updated list of Community Advantage lenders on its website.

OFN was pleased to hear that the SBA was planning to provide comprehensive in-person training for Community Advantage lenders. This training will only strengthen the ability of mission lenders to effectively deliver capital to low wealth markets while deepening their understanding of SBA policies and procedures. We look forward to learning more about the training opportunities from the SBA later this year.

Same Institution Debt Refinancing Requirements

OFN supports recent changes to the Community Advantage program rules that provide much needed clarity and additional flexibility related to same institution debt refinancing. CDFIs in our network previously expressed frustration about onerous restrictions on the ability of a lenders to refinance non-SBA guaranteed same institution debt into Community Advantage loan.

CDFIs have seen an increase in the number of borrowers seeking assistance after receiving a high-cost, unaffordable loan product, often from an online lender. These borrowers are often trapped in a cycle of expensive debt that jeopardizes the survival of the business and turn to CDFIs to help provide refinancing into a more affordable, responsible loan. For many CDFIs, this involved extending a short-term loan to provide immediate relief to the small business owner while processing their Community Advantage loan application, and then refinancing that bridge loan into a Community Advantage loan. However, those types of transactions were subject to significant restrictions and scrutiny by the SBA.

We were pleased to see that under the new same-institution debt requirements, Community Advantage lenders are permitted to issue temporary loans to borrowers in need of quick financing, with reasonable assurance that the debt can be refinanced into a Community Advantage loan. This is critical to helping CDFIs combat the rise of predatory small business lending.

Community Advantage Lenders as Eligible Lenders in the Paycheck Protection Program



OFN would welcome additional guidance from the SBA regarding Community Advantage lender participation in the Paycheck Protection Program. Community Advantage lenders can deploy critical funding to businesses in underserved markets, helping to ease the financial burden of small businesses impacted by the COVID-19 pandemic.

The scale of the crisis requires the full response of the CDFI community, who have both the skill and capacity to successfully navigate economic situation while being responsible stewards of federal resources. CDFIs have deep market expertise and can deliver capital effectively and efficiently to businesses in low-income and low wealth markets, and can help the SBA expand its reach to communities not well served by traditional financial institutions.

SBA should immediately lift the moratorium on new Community Advantage lenders to allow additional CDFI participation and expedite the approval process to onboard new lenders. There is an existing pipeline of lenders who can help these funds reach communities that need it most.

Thank you for the opportunity to comment on the Community Advantage program. We look forward to continuing to partner with the SBA to increase access to capital for small businesses. Please do not hesitate to reach out with any questions or concerns at dwilliams@ofn.org or 202.868.6922.

Kind Regards,

Dafina Williams

Dafina Williams

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