

Grady B. Hedgespeth,  
Director, Office of Financial Assistance  
U.S. Small Business Administration  
409 Third Street SW., Washington, DC 20416

January 8, 2013

Dear Grady:

Opportunity Finance Network appreciates the opportunity to comment on the changes to the Small Business Administration Community Advantage program, published in the *Federal Register* on November 9, 2012.

Since the SBA launched the CA program in 2011, Opportunity Finance Network has provided advice to the SBA about the needs and capacity of CDFIs participating in the pilot, supported its Members in pursuing this opportunity, and solicited feedback from CDFIs. We are pleased to see that the changes the SBA has made reflect attention to the issues that OFN and its Members identified as the key barriers to CDFIs' most effective participation as CA lenders. We commend the SBA on its responsiveness to the industry, particularly in implementing changes that:

- Extend the Community Advantage program through 2017. The pilot extension will allow the lessons from the first years of the program to be shared, and for additional CDFIs to learn more about the program and factor participation into their organizational strategies.
- Reduce the required Loan Loss Reserve to 5% in most cases. The initial 15% reserve requirement was inconsistent with CDFIs' business practices and track record. A lower LLR requirement will decrease the barrier for CDFIs that found tying up the larger cash reserve onerous.
- Relocate the processing of CA guarantees to a SBA facility more familiar with smaller loans. The long turnaround on guarantee requests was a frequent complaint of "early adopter" CDFIs participating as CA lenders, and the shift has already shortened processing time.

These updates to the CA program will help CDFIs make significant inroads as SBA's partners in this initiative. To continue this support and further improve CDFIs' experience as CA lenders, the SBA should continue its progress on additional issues:

- Ensure consistent knowledge of the CA program across SBA's local offices. CDFIs participating or considering participation as CA lenders have reported inconsistent information and training from the local offices. As SBA's regional network is the first contact for potential lenders, especially those that may not participate in other SBA lending programs, it is critical that local offices provide appropriate support.



- Consider raising the upper limit for guaranteed loans to \$350,000. CDFI business lenders often offer a range of business loan sizes, and even \$300,000 is low for many banks in CDFI markets to consider. In addition, a larger loan maximum would generate more interest from the secondary market in the guaranteed portion.
- Clarify the obligations, expectations, and processes for the new “Community Advantage Associates” category. The recent *Federal Register* notice mentions that such entities would be governed by the SBA’s policy and procedures covering referral agents. Especially if the SBA hopes to attract CDFIs that are not business lenders to participate in this way, it might want to develop “plain language” information or a separate participant guide for potential CA Associates.
- Continue development of a secondary market for guaranteed loans from CDFIs that accommodates CDFIs’ practice of restructuring or working out problem loans.

OFN and its Member CDFIs are grateful to the SBA for its efforts to bring capital and credit to small businesses often overlooked by mainstream institutions. We look forward to continuing this partnership and to the SBA’s continued responsiveness to CDFI concerns.

Thank you again for the opportunity to comment on this exciting program. Please do not hesitate to contact me if you have questions or would like to discuss any aspect of CDFIs’ participation in the Community Advantage Network.

Sincerely,

Mark Pinsky  
President and CEO