

116TH CONGRESS
2D SESSION

H. R. 7903

To amend the Small Business Act to establish the Community Advantage
Loan Program.

IN THE HOUSE OF REPRESENTATIVES

JULY 31, 2020

Ms. JUDY CHU of California (for herself and Mr. SPANO) introduced the
following bill; which was referred to the Committee on Small Business

A BILL

To amend the Small Business Act to establish the
Community Advantage Loan Program.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. COMMUNITY ADVANTAGE LOAN PROGRAM.**

4 Section 7(a) of the Small Business Act (15 U.S.C.
5 636(a)) is amended by adding at the end the following:

6 “(37) COMMUNITY ADVANTAGE LOAN PRO-
7 GRAM.—

8 “(A) PURPOSES.—The purposes of the
9 Community Advantage Loan Program are—

1 “(i) to create a mission-oriented loan
2 guarantee program that builds on the dem-
3 onstrated success of the Community Ad-
4 vantage Pilot Program of the Administra-
5 tion, as established in 2011, to reach more
6 underserved small business concerns;

7 “(ii) to increase lending to small busi-
8 ness concerns in underserved and rural
9 markets, including veterans and members
10 of the military community, small business
11 concerns owned and controlled by socially
12 and economically disadvantaged individ-
13 uals, women, and startups;

14 “(iii) to ensure that the program
15 under this subsection (in this paragraph
16 referred to as the ‘7(a) loan program’) is
17 more inclusive and more broadly meets
18 congressional intent to reach borrowers
19 who are unable to get credit elsewhere on
20 reasonable terms and conditions;

21 “(iv) to help underserved small busi-
22 ness concerns become bankable by utilizing
23 the small-dollar financing and business
24 support experience of mission-oriented
25 lenders;

1 “(v) to allow certain mission-oriented
2 lenders, primarily nonprofit financial inter-
3 mediaries focused on economic develop-
4 ment in underserved markets, to access
5 guarantees for loans under this subsection
6 (in this paragraph referred to as ‘7(a)
7 loans’) of not more than \$250,000 and
8 provide management and technical assist-
9 ance to small business concerns as needed;

10 “(vi) to provide certainty for the lend-
11 ing partners that make loans under this
12 subsection and to attract new lenders; and

13 “(vii) to encourage collaboration be-
14 tween mission-oriented and conventional
15 lenders under this subsection in order to
16 support underserved small business con-
17 cerns.

18 “(B) DEFINITIONS.—In this paragraph—

19 “(i) the term ‘covered institution’
20 means—

21 “(I) a development company, as
22 defined in section 103 of the Small
23 Business Investment Act of 1958 (15
24 U.S.C. 662), participating in the 504
25 Loan Guaranty program established

1 under title V of such Act (15 U.S.C.
2 695 et seq.);

3 “(II) a nonprofit intermediary, as
4 defined in subsection (m)(12), partici-
5 pating in the microloan program
6 under subsection (m);

7 “(III) a non-Federally regulated
8 entity certified as a community devel-
9 opment financial institution by the
10 Community Development Financial
11 Institutions Fund established under
12 section 104(a) of the Riegle Commu-
13 nity Development and Regulatory Im-
14 provement Act of 1994 (12 U.S.C.
15 4703(a)); and

16 “(IV) an eligible intermediary, as
17 defined in subsection (l)(1), as in ef-
18 fect on the day before the date of en-
19 actment of this paragraph, that par-
20 ticipated in the Intermediary Lending
21 Pilot Program established under sub-
22 section (l)(2);

23 “(ii) the term ‘existing business’
24 means a small business concern that has
25 been in existence for not less than 2 years

1 on the date on which a loan is made to the
2 small business concern under the program;

3 “(iii) the term ‘new business’ means a
4 small business concern that has been exist-
5 ence for not more than 2 years on the date
6 on which a loan is made to the small busi-
7 ness concern under the program;

8 “(iv) the term ‘program’ means the
9 Community Advantage Loan Program es-
10 tablished under subparagraph (C);

11 “(v) the term ‘Reservist’ means a
12 member of a reserve component of the
13 Armed Forces named in section 10101 of
14 title 10, United States Code;

15 “(vi) the term ‘rural area’ means any
16 county that the Bureau of the Census has
17 defined as mostly rural or completely rural
18 in the most recent decennial census;

19 “(vii) the term ‘service-connected’ has
20 the meaning given the term in section
21 101(16) of title 38, United States Code;

22 “(viii) the term ‘small business con-
23 cern in an underserved market’ means a
24 small business concern—

25 “(I) that is located in—

1 “(aa) a low- to moderate-in-
2 come community;

3 “(bb) a HUBZone;

4 “(cc) a community that has
5 been designated as an empower-
6 ment zone or an enterprise com-
7 munity under section 1391 of the
8 Internal Revenue Code of 1986;

9 “(dd) a community that has
10 been designated as a promise
11 zone by the Secretary of Housing
12 and Urban Development;

13 “(ee) a community that has
14 been designated as a qualified
15 opportunity zone under section
16 1400Z-1 of the Internal Revenue
17 Code of 1986; or

18 “(ff) a rural area;

19 “(II) for which more than 50
20 percent of the employees reside in a
21 low- or moderate-income community;

22 “(III) that is a startup or new
23 business;

24 “(IV) owned and controlled by
25 socially and economically disadvan-

1 tagged individuals, including Black
2 Americans, Hispanic Americans, Na-
3 tive Americans, Asian Pacific Ameri-
4 cans, and other minorities;

5 “(V) owned and controlled by
6 women;

7 “(VI) owned and controlled by
8 veterans;

9 “(VII) owned and controlled by
10 service-disabled veterans;

11 “(VIII) not less than 51 percent
12 owned and controlled by one or
13 more—

14 “(aa) members of the Armed
15 Forces participating in the Tran-
16 sition Assistance Program of the
17 Department of Defense;

18 “(bb) Reservists;

19 “(cc) spouses of veterans,
20 members of the Armed Forces, or
21 Reservists; or

22 “(dd) surviving spouses of
23 veterans who died on active duty
24 or as a result of a service-con-
25 nected disability; or

1 “(IX) that is eligible to receive a
2 veterans advantage loan;

3 “(ix) the term ‘small business concern
4 owned and controlled by socially and eco-
5 nomically disadvantaged individuals’ has
6 the meaning given the term in section
7 8(d)(3)(C);

8 “(x) the term ‘startup’ means a busi-
9 ness that has not yet opened; and

10 “(xi) the term ‘veterans advantage
11 loan’ means a loan made to a small busi-
12 ness concern under this subsection that is
13 eligible for a waiver of the guarantee fee
14 under paragraph (18) or the yearly fee
15 under paragraph (23) because the small
16 business concern is a concern described in
17 subclause (VI), (VII), or (VIII) of clause
18 (viii).

19 “(C) ESTABLISHMENT.—There is estab-
20 lished a Community Advantage Loan Program
21 under which the Administration may guarantee
22 loans made by covered institutions under this
23 subsection, including loans made to small busi-
24 ness concerns in underserved markets.

1 “(D) PROGRAM LEVELS.—In each of fiscal
2 years 2021 through 2025, not more than 10
3 percent of the number of loans guaranteed
4 under this subsection may be guaranteed under
5 the program.

6 “(E) NEW LENDERS.—

7 “(i) FISCAL YEARS 2021 AND 2022.—In
8 each of fiscal years 2021 and 2022—

9 “(I) not more than 150 covered
10 institutions shall participate in the
11 program; and

12 “(II) the Administrator shall
13 allow for new applicants and give pri-
14 ority to applications submitted by any
15 covered institution that is located in
16 an area with insufficient lending
17 under the program.

18 “(ii) FISCAL YEARS 2023, 2024, AND
19 2025.—

20 “(I) IN GENERAL.—In each of
21 fiscal years 2023, 2024, and 2025—

22 “(aa) except as provided in
23 subclause (II), not more than
24 175 covered institutions shall
25 participate in the program; and

1 “(bb) the Administrator
2 shall allow for new applicants
3 and give priority to applications
4 submitted by any covered institu-
5 tion that is located in an area
6 with insufficient lending under
7 the program.

8 “(II) EXCEPTION FOR FISCAL
9 YEAR 2025.—In fiscal year 2025, not
10 more than 200 covered institutions
11 may participate in the program if—

12 “(aa) after reviewing the re-
13 port under subparagraph (M)(iii),
14 the Administrator determines
15 that not more than 200 covered
16 institutions may participate in
17 the program;

18 “(bb) the Administrator no-
19 tifies Congress in writing of the
20 determination of the Adminis-
21 trator under item (aa); and

22 “(cc) not later than July 30,
23 2024, the Administrator notifies
24 the public of the determination of

1 the Administrator under item
2 (aa).

3 “(F) GRANDFATHERING OF EXISTING
4 LENDERS.—Any covered institution that par-
5 ticipated in the Community Advantage Pilot
6 Program of the Administration and is in good
7 standing on the day before the date of enact-
8 ment of this paragraph—

9 “(i) shall retain designation in the
10 program; and

11 “(ii) shall not be required to submit
12 an application to participate in the pro-
13 gram.

14 “(G) REQUIREMENT TO MAKE LOANS TO
15 UNDERSERVED MARKETS.—Not less than 60
16 percent of loans made by a covered institution
17 under the program shall consist of loans made
18 to small business concerns in underserved mar-
19 kets.

20 “(H) MAXIMUM LOAN AMOUNT.—

21 “(i) IN GENERAL.—Except as pro-
22 vided in clause (ii), the maximum loan
23 amount for a loan guaranteed under the
24 program is \$250,000.

25 “(ii) EXCEPTION.—

1 “(I) IN GENERAL.—The Admin-
2 istration may, in the discretion of the
3 Administration, approve a guarantee
4 of a loan under the program that is
5 more than \$250,000 and not more
6 than \$350,000.

7 “(II) NOTIFICATION.—Not later
8 than 2 days after approving the guar-
9 antee of a loan under subclause (I),
10 the Administration shall provide noti-
11 fication of the approval to the covered
12 institution making the loan.

13 “(I) INTEREST RATES.—

14 “(i) IN GENERAL.—Except as pro-
15 vided in clause (ii), the maximum allowable
16 interest rate prescribed by the Administra-
17 tion on any financing made on a deferred
18 basis pursuant to the program shall not
19 exceed the maximum allowable interest
20 rate in effect on September 1, 2018.

21 “(ii) MODIFICATION.—The Adminis-
22 tration shall not modify the maximum al-
23 lowable interest rate described in clause (i)
24 unless the Administration provides the
25 public with an opportunity to comment for

1 a period of not less than 180 days before
2 implementing the modified interest rate.

3 “(J) TRAINING AND TECHNICAL ASSIST-
4 ANCE.—The Administration—

5 “(i) shall in person and online, pro-
6 vide upfront and ongoing training and
7 technical assistance for covered institutions
8 making loans under the program in order
9 to support prudent lending standards and
10 improve the interface between the covered
11 institutions and the Administration;

12 “(ii) shall ensure that the training
13 and technical assistance described in clause
14 (i) is provided for free or at a low-cost;
15 and

16 “(iii) may enter into a contract to
17 provide the training or technical assistance
18 described in clause (i) with an organization
19 with expertise in lending under this sub-
20 section, mission-oriented lending, and lend-
21 ing to underserved markets.

22 “(K) DELEGATED AUTHORITY.—A covered
23 institution is not eligible to receive delegated
24 authority from the Administration under the

1 program until the covered institution makes not
2 less than 7 loans under the program.

3 “(L) REGULATIONS.—

4 “(i) IN GENERAL.—Not later than
5 180 days after the date of enactment of
6 this paragraph and in accordance with the
7 notice and comment procedures under sec-
8 tion 553 of title 5, United States Code, the
9 Administrator shall promulgate regulations
10 to carry out the program, which shall—

11 “(I) outline the requirements for
12 participation by covered institutions in
13 the program;

14 “(II) define performance metrics
15 for covered institutions participating
16 in the program for the first time,
17 which are required to be met in order
18 to continue participating in the pro-
19 gram;

20 “(III) determine the credit score
21 of a small business concern under
22 which the Administration is required
23 to underwrite a loan provided to the
24 small business concern under the pro-
25 gram and the loan may not be made

1 using the delegated authority of a cov-
2 ered institution;

3 “(IV) require each covered insti-
4 tution that sells loans made under the
5 program on the secondary market to
6 establish a loan loss reserve fund,
7 which—

8 “(aa) with respect to cov-
9 ered institutions in good stand-
10 ing, including the covered institu-
11 tions described in subparagraph
12 (F), shall be maintained at a
13 level equal to 3 percent of the
14 outstanding guaranteed portion
15 of the loans; and

16 “(bb) with respect to any
17 other covered institution, shall be
18 maintained at a level equal to 5
19 percent of the outstanding guar-
20 anteed portion of the loans; and

21 “(V) allow the Administrator to
22 require additional amounts to be de-
23 posited into a loan loss reserve fund
24 established by a covered institution
25 under subclause (IV) based on the

1 risk characteristics or performance of
2 the covered institution and the loan
3 portfolio of the covered institution.

4 “(ii) PILOT PROGRAM.—

5 “(I) REVERSION.—Beginning on
6 the date of enactment of this para-
7 graph and ending on the day before
8 the date on which the regulations pro-
9 mulgated by the Administrator under
10 clause (i) take effect, the Adminis-
11 trator may only carry out the Commu-
12 nity Advantage Pilot Program of the
13 Administration based on applicable
14 program guidelines, requirements, and
15 other policy in effect on September 1,
16 2018, except that the definition of un-
17 derserved market shall include—

18 “(aa) a community and an
19 area described in items (ee) and
20 (ff), respectively, of subpara-
21 graph (B)(viii)(I); and

22 “(bb) small business con-
23 cerns described in clauses (IV)
24 and (V) of subparagraph
25 (B)(viii).

1 “(II) TERMINATION.—Beginning
2 on the date on which the regulations
3 promulgated by the Administrator
4 under clause (i) take effect, the Ad-
5 ministrator may not carry out the
6 Community Advantage Pilot Program
7 of the Administration.

8 “(M) REPORTING.—

9 “(i) WEEKLY REPORTS.—

10 “(I) IN GENERAL.—The Admin-
11 istration shall report on the website of
12 the Administration, as part of the
13 weekly reports on lending approvals
14 under this subsection—

15 “(aa) on and after the date
16 of enactment of this paragraph
17 until the date on which the regu-
18 lations promulgated under sub-
19 paragraph (L)(i) take effect, the
20 number and dollar amount of
21 loans guaranteed under the Com-
22 munity Advantage Pilot Program
23 of the Administration; and

24 “(bb) on and after the date
25 on which the Administration be-

1 gins to approve loans under the
2 program, the number and dollar
3 amount of loans guaranteed
4 under the program.

5 “(II) SEPARATE ACCOUNTING.—

6 The number and dollar amount of
7 loans reported in a weekly report
8 under subclause (I) for loans guaran-
9 teed under the Community Advantage
10 Pilot Program of the Administration
11 and under the program shall include a
12 breakdown by the categories of race,
13 ethnicity, and gender of the owners of
14 the small business concerns.

15 “(ii) ANNUAL REPORTS.—

16 “(I) IN GENERAL.—For each of
17 the first 5 fiscal years in which the
18 program is in effect, the Administra-
19 tion shall submit to the Committee on
20 Small Business and Entrepreneurship
21 of the Senate and the Committee on
22 Small Business of the House of Rep-
23 resentatives, and make publicly avail-
24 able on the internet, information
25 about loans provided under the pro-

1 gram and under the Community Ad-
2 vantage Pilot Program of the Admin-
3 istration.

4 “(II) CONTENTS.—Each report
5 submitted and made publicly available
6 under subclause (I) shall include—

7 “(aa) the number and dollar
8 amounts of loans provided to
9 small business concerns under
10 the program and under the Com-
11 munity Advantage Pilot Program
12 of the Administration, including
13 a breakdown by—

14 “(AA) the gender of the
15 owners of the small business
16 concern;

17 “(BB) the race and
18 ethnicity of the owners of
19 the small business concern,
20 disaggregated in a manner
21 that captures all the racial
22 groups specified in the
23 American Community Sur-
24 vey conducted by the Bu-
25 reau of the Census;

1 “(CC) whether the
2 small business concern is lo-
3 cated in an urban or rural
4 area; and

5 “(DD) whether the
6 small business concern is a
7 startup, an existing busi-
8 ness, or a new business, as
9 provided in the weekly re-
10 ports on lending approvals
11 under this subsection;

12 “(bb) the proportion of loans
13 described in item (aa) compared
14 to—

15 “(AA) other 7(a) loans
16 of any amount;

17 “(BB) other 7(a) loans
18 of similar amounts;

19 “(CC) express loans
20 provided under paragraph
21 (31) of similar amounts; and

22 “(DD) other 7(a) loans
23 of similar amounts provided
24 to small business concerns
25 in underserved markets;

1 “(cc) a comparison of the
2 number and dollar amounts of
3 loans provided to small business
4 concerns under the program,
5 under the Community Advantage
6 Pilot Program of the Administra-
7 tion, and under each category of
8 loans described in item (bb), bro-
9 ken down by—

10 “(AA) loans of not
11 more than \$50,000;

12 “(BB) loans of more
13 than \$50,000 and not more
14 than \$150,000;

15 “(CC) loans of more
16 than \$150,000 and not more
17 than \$250,000; and

18 “(DD) loans of more
19 than \$250,000 and not more
20 than \$350,000;

21 “(dd) the number and dollar
22 amounts of loans provided to
23 small business concerns under
24 the program and under the Com-
25 munity Advantage Pilot Program

1 of the Administration by State,
2 and the jobs created or retained
3 within each State;

4 “(ee) with respect to loans
5 provided to small business con-
6 cerns under the program and
7 under the Community Advantage
8 Pilot Program of the Administra-
9 tion—

10 “(AA) the performance
11 of the loans provided by
12 each type of covered institu-
13 tion;

14 “(BB) the performance
15 of the loans broken down by
16 loan size;

17 “(CC) the predictive
18 purchase rate of the loans;

19 “(DD) the early default
20 rate of the loans;

21 “(EE) the 12-month
22 default rate of the loans;

23 “(FF) the cumulative
24 default rate for the loans for

1 the 5-year period preceding
2 the report;

3 “(GG) the charge-off
4 rates of the loans;

5 “(HH) the charge-off
6 rates as a percent of the un-
7 paid principal balance as in
8 table 9 of the annual budget
9 submitted by the Adminis-
10 tration; and

11 “(II) the purchase rates
12 as a percent of the unpaid
13 principal balance as in table
14 8 of the annual budget sub-
15 mitted by the Administra-
16 tion;

17 “(ff) a list of covered insti-
18 tutions participating in the pro-
19 gram and the Community Advan-
20 tage Pilot Program of the Ad-
21 ministration, including—

22 “(AA) the name, loca-
23 tion, and contact informa-
24 tion, such as the website and

1 telephone number, of each
2 covered institution; and

3 “(BB) a breakdown by
4 the number and dollar
5 amount of the loans ap-
6 proved for small business
7 concerns; and

8 “(gg) the benchmarks estab-
9 lished by the working group
10 under subparagraph (N)(i).

11 “(III) TIMING.—An annual re-
12 port required under this clause
13 shall—

14 “(aa) be submitted and
15 made publicly available not later
16 than October 15 of each year;
17 and

18 “(bb) cover the lending ac-
19 tivity for the fiscal year that
20 ended on September 30 of that
21 same year.

22 “(iii) GAO REPORT.—Not later than
23 3 years after the date of enactment of this
24 paragraph, the Comptroller General of the
25 United States shall submit to the Adminis-

1 trator, the Committee on Small Business
2 and Entrepreneurship of the Senate, and
3 the Committee on Small Business of the
4 House of Representatives a report—

5 “(I) assessing—

6 “(aa) the extent to which
7 the program fulfills the require-
8 ments of this paragraph; and

9 “(bb) the performance of
10 covered institutions participating
11 in the program; and

12 “(II) providing recommendations
13 on the administration of the program
14 and the findings under items (aa) and
15 (bb) of subclause (I).

16 “(N) WORKING GROUP.—

17 “(i) IN GENERAL.—Not later than 90
18 days after the date of enactment of this
19 paragraph, the Administrator shall estab-
20 lish a Community Advantage Working
21 Group, which shall—

22 “(I) include—

23 “(aa) a geographically di-
24 verse representation of members

1 from among covered institutions
2 participating in the program; and

3 “(bb) representatives from
4 the Office of Capital Access of
5 the Administration, including the
6 Office of Credit Risk Manage-
7 ment, the Office of Financial As-
8 sistance, and the Office of Eco-
9 nomic Opportunity;

10 “(II) develop recommendations
11 on how the Administration can effec-
12 tively manage, support, and promote
13 the program and the mission of the
14 program;

15 “(III) establish metrics of suc-
16 cess and benchmarks that reflect the
17 mission and population served by cov-
18 ered institutions under the program,
19 which the Administration shall use to
20 evaluate the performance of those cov-
21 ered institutions; and

22 “(IV) institute regular and sus-
23 tainable systems of communication be-
24 tween the Administration and covered

1 institutions participating in the pro-
2 gram.

3 “(ii) REPORT.—Not later than 180
4 days after the date of enactment of this
5 paragraph, the Administrator shall submit
6 to the Committee on Small Business and
7 Entrepreneurship of the Senate and the
8 Committee on Small Business of the
9 House of Representatives a report that in-
10 cludes—

11 “(I) the recommendations of the
12 Community Advantage Working
13 Group established under clause (i);
14 and

15 “(II) a recommended plan and
16 timeline for implementation of those
17 recommendations.

18 “(O) TERMINATION.—The authority to
19 carry out the program under this paragraph
20 shall terminate on September 30, 2025.”.

○