What is it that every nonprofit director spends his/her life seeking?

Look no further than...
Community Advantage (CA)

- Enables non-profit lenders to make government guaranteed loans to small businesses in underserved markets
- Guaranteed portions can be pooled and sold on the Secondary Market
- Unrestricted, earned income from sales (the Holy Grail of non-profit funding)
- Since inception, over $400 million in loans were approved for more than 3,000 emerging/underserved borrowers

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Approved Loans</th>
<th>Approved Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>987</td>
<td>$123,025,000</td>
</tr>
<tr>
<td>2015</td>
<td>828</td>
<td>$103,516,100</td>
</tr>
<tr>
<td>2014</td>
<td>452</td>
<td>$56,473,500</td>
</tr>
<tr>
<td>2013</td>
<td>273</td>
<td>$38,199,800</td>
</tr>
<tr>
<td>2012</td>
<td>188</td>
<td>$25,240,900</td>
</tr>
<tr>
<td>2011</td>
<td>15</td>
<td>$2,142,800</td>
</tr>
</tbody>
</table>

Distribution of Sale Proceeds

Distribution of Proceeds
$100,000 Loan – 85% Guaranty
Sold at a 10% Premium

Sale Proceeds: $93,500

Return of Capital: $85,000

Return on Capital: $8,500
Sources of Revenue

Three sources of revenue from an SBA loan sold into the Secondary Market at a premium:

- Gain on Sale Above Par Value
- Interest Income on the retained or unguaranteed portion of the loan
- Servicing Fee Income on the sold or portion of the loan

Who is eligible for Community Advantage?

**As CA Lenders**
- U.S. Treasury Certified Development Financial Institutions (CDFIs)
- SBA Certified Development Companies (CDCs)
- SBA Micro Loan Intermediaries
- SBA Intermediary Lending Pilot (ILP) Program Intermediaries

**As Partners in the CA Network**
- Lender Service Providers (LSPs)
  - Agents who carry out lender functions such as originating, disbursing, servicing or liquidating SBA loans for compensation
- Community Advantage Network Partners
  - Mission-oriented organizations that may act in partnership with a CA Lender to source and originate SBA loans
**Community Advantage Loan Parameters**

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum loan size</td>
<td>$250,000</td>
</tr>
<tr>
<td>Maximum interest rate</td>
<td>Prime + 6%</td>
</tr>
<tr>
<td>LLRF requirement</td>
<td>5% cash reserve on unguaranteed portion of loan</td>
</tr>
<tr>
<td>Markets served</td>
<td>60% of the number of CA loans must be in underserved markets</td>
</tr>
<tr>
<td>Management and technical</td>
<td>Encouraged when appropriate but not required</td>
</tr>
<tr>
<td>assistance</td>
<td></td>
</tr>
</tbody>
</table>

**Key Community Advantage Program Features**

<table>
<thead>
<tr>
<th>Feature</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent of Guaranty</td>
<td>85% guaranty for loans of $150K or less</td>
</tr>
<tr>
<td></td>
<td>75% guaranty for loans above $150K</td>
</tr>
<tr>
<td>Maturity</td>
<td>Max of 10 yrs for working capital</td>
</tr>
<tr>
<td></td>
<td>Max of 10 yrs or useful life for equipment</td>
</tr>
<tr>
<td></td>
<td>Maximum of 25 years for real estate</td>
</tr>
<tr>
<td>Guaranty Fees</td>
<td>For maturities &gt; 12 months:</td>
</tr>
<tr>
<td></td>
<td>2.0% for CA loan ≤ $150,000 (guaranteed portion, lender can retain ¼ fee)</td>
</tr>
<tr>
<td></td>
<td>3.0% for CA loan &gt; $150,000 (guaranteed portion, full fee paid to SBA)</td>
</tr>
<tr>
<td></td>
<td>0.55% on-going guaranty fee paid by lender</td>
</tr>
</tbody>
</table>
Connecting the dots...

Lender Loans

SBA Secondary Market

Pieces to the Puzzle

SBA Forms (147, 1086, 1502)

SBA Fiscal and Transfer Agent

SBA Pool Assemblers
https://www.sba.gov/content-active-list-sba-pool-assemblers
SBA Form 1086

The legal form of agreement used by SBA to evidence a sale of an SBA loan guarantee by a Lender participant.

The Sales Process

<table>
<thead>
<tr>
<th>Company</th>
<th>Contact</th>
<th>Address</th>
<th>Phone</th>
<th>Fax</th>
<th>Email</th>
<th>Website</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Swiss Bank Co.</td>
<td>Swiss Bank</td>
<td>123 Main St, New York</td>
<td>555-1234</td>
<td>555-1234</td>
<td><a href="mailto:swissbank@swissbank.com">swissbank@swissbank.com</a></td>
<td>swissbank.com</td>
<td>Global Lender</td>
</tr>
<tr>
<td>Citibank</td>
<td>Citibank</td>
<td>456 Main St, New York</td>
<td>666-5432</td>
<td>666-5432</td>
<td><a href="mailto:citibank@citibank.com">citibank@citibank.com</a></td>
<td>citibank.com</td>
<td>Community Bank</td>
</tr>
<tr>
<td>Chase Bank</td>
<td>Chase Bank</td>
<td>789 Main St, New York</td>
<td>777-6543</td>
<td>777-6543</td>
<td><a href="mailto:chasebank@chasebank.com">chasebank@chasebank.com</a></td>
<td>chasebank.com</td>
<td>National Bank</td>
</tr>
</tbody>
</table>

The Sales Process

- Lender places bids with Broker/Dealers, and parties provide documents for sales settlement to FTA.

- Colson examines the documents for accuracy, completeness and errors, and works with the Broker/Dealer and Lender to fix any deficiencies.

- Colson issues confirmation of sale and remits funds to Lender.

- Colson issues a Guaranteed Interest Certificate to the investor, evidencing investor ownership of the guaranteed portion of the SBA. The certificate is backed by the full faith and credit of the U. S Government.
The SBA Guaranty

- An SBA loan sold in the Secondary Market carries an unconditional guaranty to the investor

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Loan Servicing

- Any modifications to the Note, such as deferments, interest rate and maturity changes, or changes to how the loan floats if it is variable rate, must be submitted to Colson for approval from the investor
  - (Form 1086 Section D Payment Modifications)

- The Lender is allowed one three-month deferment on the Note without investor approval, but Colson must be notified of the deferment so it can record it
Portfolio Reporting

SBA Form 1502
Payment Remittance and Loan Reporting

- Captures ALL loan data and payment remittances.
- Acts as pass through report.
- Drives SBA Loan Performance Measures.
- Timely submission is required under Section 6 of the Form 1086

Servicing The Loan

Repurchases and Payoffs

- Pursuant to Paragraphs 10 and 15 of the 1086, the Lender must provide Colson with a 10-business day notification of a Borrower payoff or a Lender repurchase.

- Payoffs must be submitted via wire with a 1502 and interest must be paid to the date of the payoff.

- Lender must also send Colson a Prepayment Certification stating that the payoff represents the Borrower’s own funds, funds Borrowed pursuant to a separate transaction or the borrower has defaulted.
Secondary Market Resources

Forms and Information

- SBA Form 1086, SBA Form 1502, the Prepayment Certificate and all other Secondary Market forms will be available on either SBA’s website www.sba.gov/for-lenders and on Colson’s website, www.colsonservices.com

Contact Us to Get Started

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