

S. 2482, Community Advantage Loan Program Act of 2023

As reported by the Senate Committee on Small Business and Entrepreneurship on July 25, 2023

By Fiscal Year, Millions of Dollars	2024	2024-2029	2024-2034
Direct Spending (Outlays)	0	0	0
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	0	0
Spending Subject to Appropriation (Outlays)	*	6	not estimated
Increases <i>net direct spending</i> in any of the four consecutive 10-year periods beginning in 2035?	No	Statutory pay-as-you-go procedures apply?	No
		Mandate Effects	
Increases <i>on-budget deficits</i> in any of the four consecutive 10-year periods beginning in 2035?	No	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No
* = between zero and \$500,000.			

S. 2482 would permanently authorize the Small Business Administration’s (SBA’s) Community Advantage loan program, which is part of the SBA’s larger 7(a) loan program. From 2011 through 2023, the Community Advantage loan program operated as a pilot program that allowed nondepository lenders to make loans to small businesses in underserved and rural communities. Under a final rule that took effect in May 2023, those lenders were incorporated into the SBA’s existing Small Business Lending Company (SBLC) program.¹ Under the bill, Community Advantage SBLCs would be reclassified as Community Advantage lenders, similar to their classification under the pilot program.

By reclassifying Community Advantage SBLCs, the bill would make the following substantive changes to lender operations:

- The affected lenders could increase their maximum loan size from \$350,000 to a single borrower to \$750,000, and

1. See Small Business Administration, “Small Business Lending Company (SBLC) Moratorium Rescission and Removal of the Requirement for a Loan Authorization,” Final Rule, 88 *Fed. Reg.* 21890 (April 12, 2023), <http://tinyurl.com/yc2sc8sj>.



- The SBA would increase the loan guarantee percentage for such lenders from 85 percent to 90 percent for loans below \$150,000 and from 75 percent to 80 percent for loans between \$150,000 and \$350,000.

Finally, S. 2482 would require the Government Accountability Office (GAO) to study and report to the Congress on alternative credit models for 7(a) loans.

Administrative Costs

CBO estimates that the administrative costs required to implement S. 2482 would total \$6 million over the 2024-2029 period; any spending would be subject to the availability of appropriated funds.

The bill would require SBLCs to conduct stress tests and report those results to the SBA annually. Based on historical costs for the Office of Credit Risk Management, CBO expects that supervising stress tests and reviewing the 17 SBLCs each year would cost \$4 million over the 2025-2029 period.

The bill also would require the SBA to implement a training and education program for Community Advantage lenders. Based on the cost of similar activities, CBO estimates that requirement would cost \$2 million over the 2024-2029 period.

CBO expects that it would cost the SBA less than \$500,000 to issue and amend the rules for 7(a) loans and lenders in 2024 and 2025. Additionally, based on information in the final rule from May 2023, CBO estimates that any additional administrative costs to transition Community Advantage SBLCs back to their previous status would be insignificant. Finally, CBO estimates that the cost of the GAO report would not be significant.

Subsidy Costs

CBO estimates that S. 2482 would increase the subsidy cost of 7(a) loans by less than \$500,000 over the 2024-2029 period; any spending would be subject to the availability of appropriated funds.

The bill would increase the loan guarantee rate and maximum loan size and change other aspects of Community Advantage loans. Using information from the SBA, CBO also expects that Community Advantage loans are riskier, on average, than comparable 7(a) loans to underserved borrowers. Based on projected loan volume and default rates, and assuming that the SBA will increase the fees it collects from borrowers and lenders to cover some of those additional costs, CBO estimates that the increased subsidy cost for loans would be insignificant.



The CBO staff contact for this estimate is David Hughes. The estimate was reviewed by H. Samuel Papenfuss, Deputy Director of Budget Analysis.

A handwritten signature in black ink, appearing to read "Phillip L. Swagel". The signature is fluid and cursive, with a long, sweeping tail that curves upwards and to the right.

Phillip L. Swagel
Director, Congressional Budget Office