SBA Procedural Notice

TO: All SBA Employees and 7(a) Community Advantage Small Business Lending Companies

CONTROL NO.: 5000-864101

EFFECTIVE: January 15, 2025

SUBJECT**:** CA SBLC requests for increases in 7(a) loan size

The purpose of this Notice is to advise SBA Employees and 7(a) Community Advantage Small Business Lending Companies (CA SBLCs) that SBA is 1) expanding the 7(a) loan ceiling for approved CA SBLCs, and 2) initiating a process to enable qualifying Community Advantage Small Business Lending Companies (CA SBLCs) to apply to SBA for expansion of their 7(a) loan ceiling.

On April 12, 2023, SBA published a final rule at 88 FR 21890 on *Small Business Lending Company (SBLC) Moratorium Rescission and Removal of the Requirement for a Loan Authorization*. Through that rule, SBA created a new type of SBLC called a CA SBLC and provided for a grandfathering of CA Pilot Lenders that were participating in the CA Pilot Program (in accordance with 13 C.F.R. § 120.420(e)) to be licensed as CA SBLCs.

SBA Information Notice 5000-846918, effective May 1, 2023, states that SBA would be holding all CA SBLCs to the same requirements that had existed for the CA Pilot Program, as outlined in the Community Advantage Participant Guide (Version 7, effective May 31, 2022), which included a $350,000 loan limit.

SBA announced on December 17, 2024 (SBA Information Notice 5000-860909) that effective on or after January 1, 2025, SBA would increase the maximum aggregate loan amount available for all Active CA SBLCs with Satisfactory SBA Performance that are in Good Standing up to $500,000 (gross).

Expansion of 7(a) loan ceilings for CA SBLCs:

Loan ceilings above $500,000 up to $2,000,000:

SBA is increasing the CA SBLC loan amount maximum from $500,000 to $1,000,000 (gross) for any type of 7(a) loan, and up to $2,000,000 for climate-related projects.

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Climate-related projects include renewable energy projects (e.g., adding solar, wind, geothermal power, etc.) and those projects that reduce energy consumption (e.g. retrofits), and building design, construction, and retrofit for highly efficient and cost-saving green buildings. SBA in its sole discretion will determine whether it agrees that a project qualifies as a climate-related project. Such projects could include those with 20% or more spending dedicated to climate-related initiatives. Additionally, SBA will presume climate-related requirements are met if the loan supports a project for which the subject business obtains a certification from other Federal climate programs, such as the using Environmental Protection Agency's (EPA's) EnergyStar NextGen, Department of Energy's (DOE's) Zero Energy Ready Home Program or Leadership in Energy and Environmental Design certification; the business qualifies for funding through EPA's Greenhouse Gas Reduction Fund; or the business spending qualifies for federal climate tax incentives.

As further described below, CA SBLCs ,must request and receive approval from SBA to make 7(a) CA SBLC loans up to these increased loan amounts, and only up to the amount approved by SBA. Further, only those CA SBLCs that have been approved to make loans up to $1,000,000 may apply to make climate-related loans up to $2,000,000. Also, CA SBLCs with delegated lending authority may not use their delegated authority to process loans in excess of $500,000.

Application process for increased loan ceiling requests:

CA SBLCs may apply to SBA and request the authority to make 7(a) loans up to $1,000,000 and in cases of climate projects for up to $2,000,000. Only those CA SBLCs that have been confirmed by OCRM to make loans up to $500,000 are eligible to apply. Send applications to CAloans@sba.gov.

The CA SBLC's application must include:

1. The maximum dollar amount of individual 7(a) loans that the CA SBLC is seeking to make.

2. Copy of Board Resolution authorizing the CA SBLC's proposed new 7(a) lending dollar range.

3. Board-approved Business Plan addressing the CA SBLC's experience in making and servicing larger loans and its proposed operations for lending in this new dollar range. The business plan must include the following information:

    a. The CA SBLC must provide a narrative addressing the underserved or unmet demand for financial services in the new loan size. The narrative should address how the applicant's proposed increase in their maximum 7(a) loan lending authority will contribute to local economic development, job creation, and improved living standards and what support is available from local communities, businesses, and governments indicating a need for this increased lending authority.

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b. If the CA SBLC is seeking authority to make 7(a) loans of up $2,000,000 for climate-related projects, the business plan must include an explanation of the types of projects that the lender is seeking to support.

4. Most recent quarterly or annual financial statement if not already supplied to SBA for reporting requirements pursuant to 13 CFR §120.464.

5. Capital Plan: The CA SBLC's board is required to determine the CA SBLC's capital adequacy goals – that is, the total amount of capital needed to assure the CA SBLC's continued financial viability, the sufficiency of capital to make larger loans and to provide for any necessary growth. The Board of Directors must establish, adopt, and maintain a formal written Capital Plan pursuant to 13 CFR §120.462(c). The plan must include any interim capital targets that are necessary to achieve the CA SBLC's capital adequacy goals. Lender must maintain minimum capital amount as published in Loan Program Requirements. The Capital Plan must address the following: (i) management capability; (ii) quality of operating policies, procedures, and internal controls; iii) quality and quantity of earnings; iv) asset quality and the adequacy of the allowance for loan losses within the loan portfolio; v) sufficiency of liquidity; and vi) any other risk-oriented activities or conditions that warrant additional capital (e.g., portfolio growth rate).

6. Copy of your organization's updated loan policies (loan origination and servicing policies and internal control policy).

7. Copy of Lender's Loan Loss Methodology - pursuant to 13 CFR §120.463(e)(1) each CA SBLC must maintain an allowance for losses on loans and other assets that is sufficient to absorb all probable and estimated losses that may reasonably be expected based on the lender's historical performance and reasonably-anticipated events. Each CA SBLC must maintain documentation of its loan loss allowance calculations and analysis in sufficient detail to permit the SBA to understand the assumptions used and the application of those assumptions to the assets of the CA SBLC.

Questions:

Questions concerning this Notice may be directed to Nermeen Ghniem, Senior Financial Analyst, Office of Credit Risk Management at CAloans@sba.gov.

Susan Streich
Director
Office of Credit Risk Management

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