

Pilot Program Allows Accion Greater Flexibility in Business Lending

By Sandy Nelson and Taura Costidis for Finance New Mexico

Nonprofit lender Accion is partnering with the U.S. Small Business Administration to offer a type of business loan — the Community Advantage loan — that allows more entrepreneurs to have their loan requests approved.

Accion is the only Community Development Financial Institution in the state to participate in this pilot SBA program that began in 2012. And Accion offers the loan in all five states where it does business: New Mexico, Arizona, Colorado, Nevada and Texas.



The Community Advantage loan program reduces risk for lenders by guaranteeing 85 percent of the balance for loans between \$50,000 and \$150,000 and 75 percent for loans in the \$150,000 to \$250,000 range. That makes it easier for Accion to help borrowers who don't qualify for a traditional loan.

“We really like this product because it has created a pathway forward on some outstanding loan requests we wouldn't have been able to get to a ‘yes’ on without the guarantee,” said Metta Smith, vice president of lending and client relations at Accion.

Overcoming Barriers

Accion offers Community Advantage loans to clients who qualify to borrow between \$50,000 and \$250,000, Smith said. “Typically, we use the SBA Community Advantage guarantee to offset risk we see in the loan request, such as insufficient collateral to fully secure the loan amount, or the business is very new and lacks the history to qualify for as much as they are asking for, or some other perceived risk that can be mitigated by the (SBA) guarantee.”

Organizations approved as Community Advantage lenders must allocate at least 60 percent of these loans to underserved markets, which include low- to moderate-income communities, Empowerment Zones, Enterprise Communities, Historically Underutilized Business Zones and Promise Zones. Businesses eligible for SBA's Veterans Advantage also qualify, as do those that are two years old or younger and those whose work force is more than 50 percent low income or living in a low- to moderate-income neighborhood.

Loans of up to \$150,000 don't come with additional fees, but those in the \$150,000 to \$250,000 range are assessed a 3 percent SBA fee.

Community Advantage loans take an extra two weeks to process, Smith said, but they tend to have lower fees and interest rates due to the lender's reduced risk.

Spring Incentive

Getting onboard with the Community Advantage loan program recently earned Accion the SBA's 2017 Rising Star Lender of the Year accolade for the New Mexico district.

The program will operate through March 31, 2020, unless it's extended or made a permanent part of SBA's financial assistance programs.

In addition to the CA loan, Accion is offering — on all loans — six months of interest-free payments to the first 250 people who apply for a new \$1,000 to \$100,000 loan that closes by May 30.

For more information about the Community Advantage loan, contact Accion at <http://us.accion.org/>.

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