

March 13, 2023

Via Electronic Submission

Mr. Patrick Kelley
Associate Administrator
Office of Capital Access
Small Business Administration
409 3rd Street, S.W.
Washington D.C. 20416

RE: Multi-participant securitization for unguaranteed portions of SBA 7(a) loans

Mr. Kelley:

We are writing you regarding a proposal to create a multi-participant securitization strategy for the unguaranteed portions of SBA 7(a) loans. As the voice and champion of banks with a mission of serving low- and moderate- income communities that are underserved by traditional financial service providers, we believe a multi-participant securitization pilot program could support a level playing field for Community Development Financial Institution (CDFI) and Minority Depository Institution (MDI) banks.

CDBA is the national trade association of banks and thrifts with a primary mission of promoting community development. As of January 18, 2023, there are 184 banks and 147 bank holding companies with the Treasury's CDFI designation. CDBA membership comprises approximately 68% of the total assets of the certified CDFI bank sector. Many of our members are also MDIs. Over the years, our members have contributed greatly to the SBA's ability to reach low- and moderate-income and otherwise underserved communities, including those with rural, minority, and women-owned businesses. For example, our members were among the earliest respondents to the urgent needs of small businesses and non-profits through participation in the Paycheck Protection Program (PPP).

However, CDFI and MDI banks are small. While they may be active SBA lenders, they do not have the volume or expertise to secure permanent non-recourse financing from capital markets by independently executing a securitization. At the same time, securitizations of unguaranteed portions of SBA 7(a) loans have been conducted, on a one-off basis, over the past 10 years by non-depository institutions but have never been done by any community bank. We believe the advantages of securitization can, and should, be made more accessible to the communities served by CDFI and MDI banks.

We understand you have been in discussions regarding a multi-participant securitization strategy for the unguaranteed portions of SBA 7(a) loans. We believe that a carefully designed pilot program, approved

under existing SBA regulations, and focused on enabling CDFI and MDI banks, can have multiple benefits for the communities served by these banks.

Upon approval, our goals for the pilot would be to understand its ability to:

- Provide additional liquidity for CDFI and MDI banks to expand their SBA 7(a) lending across asset classes;
- Provide access to the capital markets for 7(a) lenders with insufficient volume to support individual securitizations;
- Allow investors like insurance companies, mutual funds, pension plans to participate with the community banks in financing small businesses through the 7(a) loan program; and
- Provide additional liquidity, which would allow community and other smaller banks to continue to provide 7(a) loans to small business customers who may not be able to qualify for loans from larger institutions.

We sincerely request that you carefully review the proposal so that work moves forward to design and execute a pilot program. We know of CDBA member banks that are standing by to participate.

If you have questions, please contact me at blakeb@pcgloanfund.org or (646) 283-7929.

Thank you for your consideration on this important matter.

Sincerely,

A handwritten signature in black ink that reads "Brian A. Blake". The signature is written in a cursive style with a horizontal line underneath the name.

Brian Blake
Chief Public Policy Officer