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Thursday, October 5, 2023

SMALL BUSINESS ADMINISTRATION

[Docket No. SBA–2023–0011]

13 CFR Part 120

Community Advantage Pilot Program

AGENCY: U.S. Small Business Administration.

ACTION: Notification.

SUMMARY: The Small Business Administration (''SBA'' or ''Agency'') is sunsetting the Community Advantage Pilot Program effective October 31, 2023.

DATES: The changes identified in this document take effect October 31, 2023.

ADDRESSES: You may submit comments, identified by SBA docket number SBA–2023–0011, by any of the following methods:

- *Federal eRulemaking Portal: https://www.regulations.gov/.* Follow the instructions for submitting comments.
- *Mail:* Dianna Seaborn, Office of Financial Assistance, U.S. Small Business Administration, 409 Third Street SW, Washington, DC 20416.
- *Hand Delivery/Courier:* Dianna Seaborn, Office of Financial Assistance, U.S. Small Business Administration, 409 Third Street SW, Washington, DC 20416.

SBA will post all comments on *https://www.regulations.gov.*

If you wish to submit confidential business information (''CBI'') as defined in the User Notice at *https://www.regulations.gov,* please submit the information to Dianna Seaborn, Office of Financial Assistance, U.S. Small Business Administration, 409 Third Street SW, Washington, DC 20416; or send an email to *communityadvantage@sba.gov.* Highlight the information that you consider to be CBI and explain why you believe SBA should hold this information as confidential. SBA will review the information and make the final determination as to whether it will publish the information.

FOR FURTHER INFORMATION CONTACT: Dianna Seaborn, Office of Financial Assistance, Small Business Administration, at (202) 205–3645 or *dianna.seaborn@sba.gov.* The phone number above may also be reached by individuals who are deaf or hard of hearing, or who have speech disabilities, through the Federal Communications Commission's TTY-Based Telecommunications Relay Service teletype service at 711.

SUPPLEMENTARY INFORMATION:

1. Background

As part of its efforts to increase the number of SBA-guaranteed 7(a) loans made to small businesses in underserved markets, on February 18, 2011, SBA issued a notice and request for comments introducing the Community Advantage (CA) Pilot Program (76 FR 9626). That notice provided an overview of the CA Pilot Program requirements and, pursuant to the authority provided to SBA under 13 CFR 120.3 to suspend, modify, or waive certain regulations in establishing and testing pilot loan initiatives, SBA modified or waived as appropriate certain regulations which otherwise apply to 7(a) loans for the CA Pilot Program.

Subsequent notices made changes to the CA Pilot Program to improve the program experience for participants, improve their ability to deliver capital to underserved markets, and appropriately manage risk to the Agency. These notices were issued on the following dates: February 18, 2011 (76 FR 9626), September 12, 2011 (76 FR 56262), February 8, 2012 (77 FR 6619), November 9, 2012 (77 FR 67433), December 28, 2015 (80 FR 80872), September 12, 2018 (83 FR 46237), and March 2, 2020 (85 FR 12369). In the notice published September 12, 2018 (the ''September 2018 Notice''), SBA extended the pilot program to September 30, 2022, and implemented a temporary moratorium on the acceptance of new Community Advantage Pilot Lender Participation Applications (CA Pilot Lender Applications) effective October 1, 2018, among other changes to the CA Pilot Program. On April 29, 2022, notice 87 FR 25398 announced SBA's intention to extend the CA Pilot Program through September 30, 2024, and to remove the temporary moratorium on the acceptance of new CA Lender Applications.

After evaluating the impact of the CA Pilot Program, on April 12, 2023, SBA published the Final Rule on Small Business Lending Company (SBLC) Moratorium Rescission and Removal of the Requirement for a Loan Authorization (SBLC Rule), 88 FR 21890. In the SBLC Rule, SBA lifted the moratorium on licensing new SBLCs and created a new type of SBLC called a Community Advantage Small Business Lending Company (CA SBLC). The SBLC Rule also provided for the grandfathering of current CA Pilot Lenders to be licensed as CA SBLCs with permanent 7(a) lending authority. This means when SBA authorizes a CA SBLC license for a CA Pilot Lender, the CA Pilot Lender will no longer be making 7(a) loans in a temporary pilot program but will instead be making regular 7(a) loans under a CA SBLC license in the 7(a) program.

On May 1, 2023, SBA published Information Notice 5000–846918, Community Advantage Small Business Lending Company Conversion, to announce that effective May 12, 2023, SBA's Office of Credit Risk Management (OCRM) initiated a program to enable current CA Pilot Lenders to become CA SBLCs. This notice also communicated to Lenders that SBA intended to sunset the CA Pilot Program on September 30, 2023.

SBA issued a notice and request for comments on May 22, 2023, 88 FR 32623, SBLC Application Process, to announce that SBA's Office of Capital Access (OCA) opened the application period for new SBLC licenses from June 1, 2023, to July 31, 2023, and shared the process by which interested entities may apply. SBA also announced in this notice that the CA Pilot Program will sunset on September 30, 2023.

2. CA Pilot Program Will Sunset October 31, 2023

As described above, SBA has previously announced on two separate occasions that the CA Pilot Program will sunset on September 30, 2023. The purpose of this notice is to provide a third and final public notice of the CA Pilot Program's termination. Although the previous notices announced the termination of the CA Pilot Program on September 30, 2023, the termination date has been extended and will now be October 31, 2023.

3. Program Evaluation

On April 1, 2022, SBA published a Notice in the **Federal Register** to, among other things, extend the term of the CA Pilot Program. In this notice, SBA stated that it will evaluate the CA Pilot Program to determine whether it should be made permanent, with evaluation criteria including, but not limited to, whether the pilot is achieving its objective(s), impact on job creation and retention, impact on business creation and/or business expansion, whether the costs (including losses) of the pilot are within an acceptable range, and portfolio performance as it relates to other 7(a) programs. SBA's program evaluation, found that the record on both job creation and retention and business creation and expansion, as discussed in this analysis, is unclear. While administrative and subsidy costs to SBA of the pilot program are unknown, indicators, such as hours spent on counseling and the riskiness of CA loans, are consistent with higher costs in both categories. Portfolio measures such as early loan problem rates, default rates, and Small Business Risk Portfolio (SBPS) Scores compare unfavorably with other 7(a) programs.

CA Pilot Program evaluation results:

A. General Community Advantage characteristics.

B. Increased access to credit for small businesses in underserved markets.

C. How have CA Pilot Lenders provided management and technical assistance to CA Pilot Program borrowers.

D. CA Pilot Program and job creation/retention and business creation/retention.

E. Are CA Pilot Program costs in an acceptable range?

F. How does CA Pilot Program portfolio performance relate to other 7(a) programs?

A. General Community Advantage Characteristics

As Table 1 indicates, the number of CA Pilot Lenders that made loans in a fiscal year has ranged from 22 in its first full year to a high of 75 in 2018 and 2019. Unique CA Pilot Lenders in the period of the program's existence number 121. CA Pilot Lenders have made a total of 8,248 loans to businesses totaling over $1.1 billion over the life of the program. Average loan size on an annual basis has ranged from $124,665 in 2014 to $176,937 in 2023, for a mean annual average of $140,728. In percentage terms, the annual averages have ranged from 89 percent of the mean annual average in 2014 to 26 percent above that mean for the first five months of 2023.

TABLE 1—CA LOANS, LENDERS, AND AMOUNTS

Year	Number of CA loans	Number of CA pilot lenders that made a loan	Average amount of CA loans	Volume of CA loans
2011	15	5	142,853	2,142,800
2012	188	22	134,260	25,240,900
2013	273	34	139,926	38,199,800
2014	453	46	124,665	56,473,500
2015	828	64	125,019	103,516,100
2016	988	69	124,671	123,175,000
2017	1,043	74	131,923	137,595,500
2018	1,118	75	140,903	157,529,200
2019	947	75	141,302	133,813,400
2020	538	67	141,663	76,214,700
2021	565	64	146,609	82,834,100
2022	717	63	158,995	113,999,400
2023	575	53	176,937	101,739,000
Total	8,248			1,152,473,400

B. Increased Access

The purpose of the CA Pilot Program is to promote lending by mission-oriented lenders, primarily non-profit financial intermediaries that operate in underserved markets. SBA assessed the performance of this objective by examining the number of new Lenders in the 7(a) market enabled by this pilot program and the amount of CA loans made to borrowers in underserved markets, which includes veteran-owned and women-owned businesses, loans to new businesses, and businesses in rural areas.

Over the period of CA Pilot Program, 121 unique CA Pilot Lenders have made CA loans. Of the CA loans, 30.98 percent were made to small businesses owned by women, 7.84 percent to veteran-owned small businesses, and 36.58 percent to small businesses owned by racial and ethnic minorities, with 11.00 percent of the CA loans going to small businesses with owners of undetermined ethnicity. Further, 12.25 percent of loans went to small businesses located in rural areas, with rural location defined in accordance with 13 CFR 120.10 as a political subdivision or unincorporated area in a non-metropolitan county (as defined by the Department of Agriculture), or, if in a metropolitan county, any such subdivision or area with a resident population under 20,000 which is designated by SBA as rural. For 7(a) loans other than CA loans, the numbers were 17.56 percent for small businesses owned by women, 18.10 percent for veteran-owned small businesses, 25.48 percent to small businesses owned by racial and ethnic minorities,15.47 percent going to small businesses with owners of undetermined ethnicity, and 18.10 percent for rural small businesses. For underserved borrowers, the picture of access has been mixed. Table 2 shows numbers of loans to women-owned small businesses, veteran-owned small businesses, and minority owned small businesses. The numbers may double-count some categories, such as businesses that qualify for two or all three categories.

A measure of increased access is the geographic distribution of the number of CA loans in Table 2. Two states—California and Texas—with a combined total of just over 20 percent of the US population, account for over 40 percent of the number of CA loans made. This imbalance could indicate an uneven distribution of the lending activity, or it could indicate that there are more borrowers in the underserved category living in these two states.

TABLE 2—PERCENTAGE OF CA LOANS BY STATE

State	Percent of CA loans
California	30.80
Texas	10.90
Ohio	6.46
New York	5.60
New Jersey	4.27
Wisconsin	4.11
North Carolina	4.00
Arizona	3.95
Florida	3.04
Georgia	2.16
Colorado	2.15
Michigan	1.98
Illinois	1.65
Indiana	1.64
Nevada	1.19
All others	16.11

TABLE 3—CA LOANS TO BORROWERS IN UNDERSERVED MARKETS

Year	Number of CA loans	Borrower was women-owned small businesses	Borrower was veteran-owned small business	Borrower was minority-owned small businesses
2011	15	4	0	2
2012	188	43	9	32
2013	273	77	15	73
2014	453	116	21	151
2015	828	249	61	293
2016	988	317	69	324
2017	1,043	308	92	350
2018	1,118	331	110	418
2019	947	307	88	355
2020	538	153	47	190
2021	565	180	35	233
2022	717	260	58	321
2023	575	210	42	275

As shown in Table 3, the number of veteran-owned small business loans has not risen above 10 percent of the number of CA loans in any year of the pilot program. Women-owned businesses have received between 26 percent and 36 percent of CA loans and minority-owned businesses have received a quarter of the loans since FY 2013 and over 40 percent in the post-pandemic years.

C. Management and Technical Assistance

Data gathered from the addendum to SBA Form 1919, ‘‘Borrower Information Form’’, submitted by lenders to SBA, indicate that borrowers have requested management and technical assistance over the period of the pilot program on 2,968 unique CA loans, or 35.98 percent of the loans. The addendum did not separate SBA-provided training from that provided by CA Pilot Lenders. The most common assistance type was Financing/Capital followed by Business Plan assistance. Some loans involved multiple types of assistance and these two categories were both involved in over half of the loans.

TABLE 4—CA ASSISTANCE BY TYPE

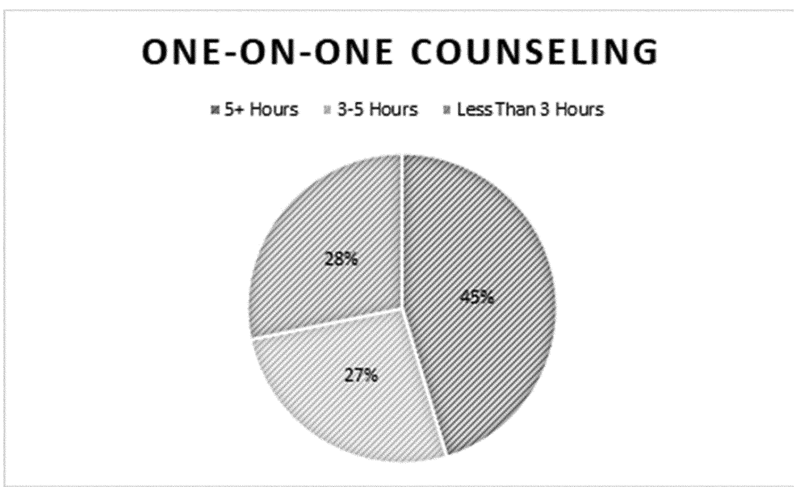
Assistance type	Loan count	Percent of loans receiving assistance type
Financing/Capital	1,860	62.67
Business Plan	1,561	52.59
Start-up Assistance	1,122	37.80
Cash Flow Management	960	32.35
Business Accounting/Budget	828	27.90
Marketing/Sales	696	23.45
Managing Business	694	23.38
Legal Issues	308	10.38
Tax Planning	277	9.33
Customer Relations	265	8.93
Human Resources/Employees	242	8.15
Other	230	7.75
Technology Computers	176	5.93
Buy/Sell Business	165	5.56
eCommerce	152	5.12
Franchising	119	4.01
Government Contracting	113	3.81
International Trade	27	0.91

Modes of delivery included group training, one-on-one counseling, telephone counseling, and web-based tutorials. One-on-one counseling was the most frequently employed mode, with over 80 percent of loans benefiting from this type of counseling and with over 36 percent of loans involving 5 or more hours. A borrower may have used more than one mode of delivery. Telephone Counseling was the second most common mode of delivery.

TABLE 5—MODES OF DELIVERY FOR ASSISTANCE TO CA BORROWERS

Assistance type	Assistance hours	Loan count	Percent of loans receiving assistance mode and hours
Group Training	5+ Hours	429	15.08
Group Training	3–5 Hours	119	4.18
Group Training	Less Than 3 Hours	322	11.32
Total Group Training		870	30.59
One-on-one Counseling	5+ Hours	1,037	36.46
One-on-one Counseling	3–5 Hours	604	21.24
One-on-one Counseling	Less Than 3 Hours	645	22.68
Total One-on-one Counseling		2.286	80.38
Telephone Counseling	5+ Hours	649	22.82
Telephone Counseling	3–5 Hours	529	18.60
Telephone Counseling	Less Than 3 Hours	607	21.34
Total Telephone Counseling		1,785	62.76
Web-based Tutorials	5+ Hours	340	11.95
Web-based Tutorials	3–5 Hours	208	7.31
Web-based Tutorials	Less Than 3 Hours	358	12.59
Total Web-based Tutorials		906	31.86

Figure 1. One-on-one Counseling



D. CA Pilot Program and Job Creation/Retention and Business Creation/Retention

Jobs created plus jobs retained over the life of CA Pilot Program total 59,487. This number represents 0.81 percent of the overall 7(a) portfolio of jobs. CA lending represents 0.39 percent of total 7(a) dollars approved; therefore, CA Pilot Program appears to be performing better than average when considering the number of jobs created and retained relative to dollars in loans. However, comparison with other 7(a) loan delivery methods, which have different equity and other loan criteria and, hence, lower lending risk, as discussed below, is not insightful. In Table 6, jobs created represent 54.87 percent or most of the total jobs in the CA portfolio. For comparison, jobs created represent 33.84 percent of the SBA Express loan jobs, while jobs retained account for the remainder.

TABLE 6—CA PILOT PROGRAM JOBS CREATED AND RETAINED BY YEAR

Year	Jobs created	Jobs retained	Total jobs
2011	61	122	183
2012	763	936	1,649
2013	1,015	1,085	2,100

TABLE 6—CA PILOT PROGRAM JOBS CREATED AND RETAINED BY YEAR—Continued

Year	Jobs created	Jobs retained	Total jobs
2014	1,563	1,473	3,036
2015	3,588	3,106	6,694
2016	3,834	2,861	6,695
2017	4,298	3,632	7,930
2018	4,886	4,437	9,323
2019	3,707	2,736	6,443
2020	1,703	1,878	3,581
2021	2,068	1,334	3,402
2022	2,723	1,631	4,354
2023	2,431	1,666	4,097
Total	32,640	26,897	59,487

Over the term of CA Pilot Program's activities, 57.78 percent of CA loans have been to new businesses, defined as in operations for 2 years or less. The percentage of CA loans going to new businesses has generally increased over the life of the program, as shown in Table 7.

TABLE 7—CA LOANS TO NEW SMALL BUSINESSES

Year	Number of CA loans	Number of CA loans to new businesses	Percentage of CA loans to new businesses
2011	15	7	46.67
2012	188	89	47.34
2013	273	134	49.08
2014	453	239	52.76
2015	828	423	51.09
2016	988	487	49.29
2017	1,043	580	55.61
2018	1,118	658	58.86
2019	947	576	60.82
2020	538	304	56.51
2021	565	394	69.73
2022	717	501	69.87
2023	575	374	65.04
Total	8,248	4,766	57.78

E. CA Pilot Program Costs

SBA does not disaggregate 7(a) administrative or subsidy costs. Therefore, the agency cannot determine if these costs are in an acceptable range. As the following section indicates, loans in the CA Pilot Program have characteristics that are consistent with higher administrative and subsidy costs. Specifically, the early problem loan rate for CA loans has been and remains significantly higher than for other 7(a) loans, including other small loans, and the SBPS Score for CA loans has remained in the high-risk range during the entire existence of the CA Pilot Program.

F. CA Pilot Program Portfolio Performance

A standard metric for loan portfolio performance is the early problem loan rate. This rate is the percentage of the gross amount of loans that have been in place for 36 months or less that have had either a deferred, delinquent (60 or more days past due), liquidated, purchased, or charged off status within 18 months of disbursement. SBA defines the threshold for higher risk loans as 4 percent or higher. For CA loans, the early problem loan rate has been above 4 percent since the first quarter of FY 2014 and has more than doubled to 8 percent in FY 2016. This increase is on pace with CA Pilot Program's expansion (see Table 1). Since FY 2016, the early problem loan rate has not dropped below 7 percent, and the average of annual early problem loan rates over the life of CA Pilot Program through the second quarter of FY 2023 is 8.28 percent. For comparison, the early problem loan rate for the entire 7(a) portfolio over the same period is 2.61 percent and for non-CA Pilot Program 7(a) loans of $250,000 or less, the rate is 3.10 percent. SBA compared CA Pilot Program loans with non-CA Pilot Program 7(a) loans of $250,000 or less because for the duration of the CA Pilot Program (until May 2023), the maximum loan amount for a CA Pilot Program loan was $250,000. Default rates for CA loans have also been higher. Quarterly default rates over a five-year period from March 2013 to March 2018 average 2.07 percent for CA loans, compared to 0.76 percent for the 7(a) portfolio. The averages for non-CA Pilot Program 7(a) loans of $250,000 or less and non-CA Pilot Programs 7(a) loans to underserved markets of $250,000 or less were 1.04 percent and 1.15 percent, respectively.

Another metric for comparison is the Small Business Risk Portfolio Solution (SBPS) Score, which assesses the likelihood of debt delinquency in the next 12 to 24 months. A higher measurement means lower risk of debt delinquency, with a score of below 180 defined as high risk. At the end of Q2 in FY 2023, the SBPS Score for CA loans was 170.94, well below the overall 7(a) score of 203.51 and below the score of 182.27 for non-CA Pilot Program 7(a) loans of $250,000 or less. The SBPS

Score for CA loans has never broken the 180 threshold score over the period of CA Pilot Program. In contrast, the SBPS Score for the 7(a) portfolio has not fallen below 180 for over the period of CA Pilot Program. SBPS Scores have averaged 172.62 for CA loans over the time of the pilot program, 180.2 for 7(a) loans of $250,000 or less, and 191.09 for the 7(a) portfolio over the same period.

4. General Information

Questions regarding the CA Pilot Program may be directed to the local SBA district office. The local SBA district office may be found at *http://www.sba.gov/about-offices-list/2.*

Authority: 15 U.S.C. 636(a)(25) and 13 CFR 120.3.

Isabella Guzman,

Administrator.

[FR Doc. 2023–22185 Filed 10–4–23; 8:45 am]

BILLING CODE 8026–09–P

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. FAA–2023–1056; Project Identifier MCAI–2023–00179–T; Amendment 39–22563; AD 2023–20–04]

RIN 2120–AA64

Airworthiness Directives; Airbus SAS Airplanes

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Final rule.

SUMMARY: The FAA is adopting a new airworthiness directive (AD) for certain Airbus SAS Model A350–941 and A350–1041 airplanes. This AD is prompted by reports that excessively deep spot faces on the front engine mounting bolt holes on the wing pylon were detected on the production line. This AD requires a one-time inspection for clash (interference) of the three front engine mounting bolt holes on both the left and right wing pylons, and, depending on findings, accomplishment of applicable corrective actions, as specified in a European Union Aviation Safety Agency (EASA) AD, which is incorporated by reference. The FAA is issuing this AD to address the unsafe condition on these products.

DATES: This AD is effective November 9, 2023.

The Director of the Federal Register approved the incorporation by reference of a certain publication listed in this AD as of November 9, 2023.

ADDRESSES:

AD Docket: You may examine the AD docket at *regulations.gov* under Docket No. FAA–2023–1056; or in person at Docket Operations between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays. The AD docket contains this final rule, the mandatory continuing airworthiness information (MCAI), any comments received, and other information. The address for Docket Operations is U.S. Department of Transportation, Docket Operations, M–30, West Building Ground Floor, Room W12–140, 1200 New Jersey Avenue SE, Washington, DC 20590.

Material Incorporated by Reference:

- For material incorporated by reference in this AD, contact EASA, Konrad-Adenauer-Ufer 3, 50668 Cologne, Germany; telephone +49 221 8999 000; email *ADs@easa.europa.eu;* website *easa.europa.eu.* You may find this material on the EASA website *ad.easa.europa.eu.*
- You may view this material at the FAA, Airworthiness Products Section, Operational Safety Branch, 2200 South 216th Street, Des Moines, WA. For information on the availability of this material at the FAA, call 206–231–3195. It is also available in the AD docket at *regulations.gov* under Docket No. FAA–2023–1056.

FOR FURTHER INFORMATION CONTACT: Dat Le, Aviation Safety Engineer, FAA, 1600 Stewart Avenue, Suite 410, Westbury, NY 11590; telephone 516–228–7317; email *dat.v.le@faa.gov.*

SUPPLEMENTARY INFORMATION:

Background

The FAA issued a notice of proposed rulemaking (NPRM) to amend 14 CFR part 39 by adding an AD that would apply to certain Airbus SAS Model A350–941 and A350–1041 airplanes. The NPRM published in the **Federal Register** on June 1, 2023 (88 FR 35785). The NPRM was prompted by AD 2023–0026, dated January 30, 2023, issued by EASA (EASA AD 2023–0026) (also referred to as the MCAI), which is the Technical Agent for the Member States of the European Union. The MCAI states excessively deep spot faces have been detected on the production line on rib 1 at the level of the front engine mount bolting. This could cause possible integration issues between the pylon and the front engine mount, which could lead to interference damage. This condition, if not detected and corrected, could lead to a reduced fatigue life, which could adversely affect the structural integrity of the airplane.

In the NPRM, the FAA proposed to require a one-time inspection for clash (interference) of the three front engine mounting bolt holes on both the left and right wing pylons, and, depending on findings, accomplishment of applicable corrective actions, as specified in EASA AD 2023–0026. The FAA is issuing this AD to address the unsafe condition on these products.

You may examine the MCAI in the AD docket at *regulations.gov* under Docket No. FAA–2023–1056.

Discussion of Final Airworthiness Directive

Comments

The FAA received comments from Air Line Pilots Association, International (ALPA) who supported the NPRM without change.

The FAA received additional comments from Delta Air Lines (Delta). The following presents the comments received on the NPRM and the FAA's response to each comment.

Request for Another Exception to the MCAI

Delta requested an exception to require only accomplishment of Airbus Service Bulletin A350–71–P011, Revision 01, dated December 20, 2022 (ASB A350–71–P011) and Airbus Service Bulletin A350–71–P015, dated December 20, 2022 (ASB A350–71–P015), ''in accordance'' with steps in those bulletins. Otherwise, the ''in accordance with'' in Airbus Service Bulletin A350–54–P006, Rev 01, dated December 20, 2022 (ASB A350–54–P006), and Airbus Service Bulletin A350–54–P008, dated December 20, 2022 (ASB A350–54–P008) might otherwise be inferred as requiring the entire service bulletin, ASB A350–71–P011 or ASB A350–71–P015, as mandatory.

Delta explained that ASB A350–54–P006 and ASB A350–54–P008 required to be accomplished by EASA AD 2023–0026, use the ''in accordance with'' language to call for implementation of ASB A350–71–P011, and ASB A350–71–P015 and states that ASB A350–71–P011 and ASB A350–71–P015 do not have the paragraph specifying ''Required for compliance'' (RC) actions. Delta states this might infer the entire ASB A350–71–P011 or ASB A350–71–P015 must be accomplished for AD compliance.

The FAA agrees to clarify. The FAA AD refers to EASA AD 2023–0026, which requires following the mandatory (required for compliance) actions in ASB A350–54–P006 and ASB A350–54–P008. These two service bulletins include RC actions that specify that specific actions must be done in