

USING THE 504 PROGRAM TO BUILD AMERICA'S MANUFACTURING FUTURE

HEARING BEFORE THE COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP OF THE UNITED STATES SENATE ONE HUNDRED NINETEENTH CONGRESS FIRST SESSION

SEPTEMBER 17, 2025

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USING THE 504 PROGRAM TO BUILD AMERICA'S MANUFACTURING FUTURE

WEDNESDAY, SEPTEMBER 17, 2025

UNITED STATES SENATE,
COMMITTEE ON SMALL BUSINESS
AND ENTREPRENEURSHIP,
Washington, DC.

The committee met, pursuant to notice, at 2:31 p.m., in Room 428A, Russell Senate Office Building, Hon. Joni Ernst, chair of the committee, presiding.

Present: Senators Ernst [presiding], Hawley, Husted, Markey, Shaheen, Coons, Rosen, and Hickenlooper.

OPENING STATEMENT OF SENATOR ERNST

CHAIR. I call the Committee on Small Business and Entrepreneurship to order. We are here today to discuss the role that the Small Business Administration's 504 Certified Development Company, or CDC, loan guarantee program can play in supporting investment in America's small manufacturers.

Over the course of this year, the committee has examined the staggering decline of America's manufacturing sector. 40 years ago, factories across the country roared with activity, towns thrived, and America felt unstoppable. We were truly unrivaled as a nation. Today many of those same factories stand idle, communities that once depended on them fade and struggle, and millions of jobs have vanished.

Today, we're seeing some of the lowest levels of manufacturing employment that we've seen in nearly a century. Sadly, we're losing more than just jobs. We're losing America's knowledge, talent, innovative edge, and tradition of industrial excellence.

By neglecting our manufacturing sector and infrastructure, we've crippled our own ability to scale new technologies, leaving us less competitive on the international stage. Simply put, we've let our guard down, and it's our adversaries like China who stand to benefit.

To restore our economic resilience and global dominance, we must empower our small manufacturers to lead the way. That starts by providing them with the resources they need to reverse this decline and rebuild our domestic productive capacity.

In prior hearings, we have explored how we can channel more capital into American manufacturing, whether through private capital committed as part of the Small Business Investment Company program, or through 7(a) loans guaranteed by the SBA.

Today, we're focused on one program that is uniquely suited to helping small manufacturers build and expand: the 504 Loan Program. The 504 Loan Program is the primary way that SBA helps small business owners buy major fixed assets like real estate buildings, equipment, and machinery, and even construct facilities from the ground up. It gives borrowers long-term fixed rate financing of up to 25 years. That kind of predictability is exactly what small manufacturers need to establish or modernize their operations.

Thanks to the work of participating CDCs, the 504 Program has been able to maintain a low default rate of under one percent per year. In the last five years, it has been under half a percent. That is the hallmark of a loan program that is safe, reliable, and deeply impactful.

But it isn't perfect. Stakeholders have made clear that improvements can be made to eliminate red tape in the closing process and provide more flexibility to borrowers, especially for rural businesses.

This committee has continually looked at ways to build upon the program's success, including consideration of legislation introduced by Senator Young aimed at streamlining the Office of Credit Risk Management's oversight of CDCs.

Another way to strengthen our manufacturing future is by passing the Made in America Manufacturing Finance Act, which I introduced in April alongside Senator Coons. The committee reported out the bill in July. This bipartisan legislation would double the 504 loan limit from \$5 million to \$10 million for small manufacturers who need that capital to modernize, grow, and train a new generation of American workers.

I know from the countless conversations I've had with small business owners, that this makes a real difference. Many companies could have expanded faster, hired more workers, and invested in new technologies if only the loan limits had allowed it. CDCs tell us the same thing. Clients are forced to slow their growth or seek outside funding on less favorable terms simply because their needs couldn't be met by what is currently allowed.

I'm grateful that we're joined today by our panel of CDC lenders and program participants. I look forward to hearing from them about how Congress can improve the 504 Program and give American entrepreneurs what they need to build a stronger, more resilient manufacturing future.

And I now recognize Ranking Member Markey for his opening statement.

STATEMENT OF SENATOR MARKEY

Senator MARKEY. Thank you, Madam Chair. [Technical issue.]—manufacturers faring in the Trump economy. Well, the Institute for Supply Management reported that the manufacturing sector shrank for the sixth consecutive month in August as supply prices continue to rise.

According to a July survey from the National Association of Manufacturers, small manufacturers' positive outlook for their companies has dropped to the lowest level since the height of the COVID-19 pandemic. And since Trump's so-called "tariff liberation

day” in the beginning of April, the United States has lost more than 42,000 manufacturing jobs. They’ve disappeared.

And we’ve seen this before. During President Trump’s first administration, 200,000 manufacturing jobs were lost. And to hide the failing state of his economy, President Trump is following the three Ds; divert, distract, and deceive. Instead of taking responsibility, President Trump has fired the Bureau of Labor Statistics Commissioner and called to end quarterly earnings reports.

But no matter how hard President Trump tries to hide the data, it is crystal clear that it is his policies that are hurting small manufacturers across our country. President Trump’s tariffs are pushing up prices, making it difficult for our small U.S. manufacturers to compete. For too many small U.S. manufacturers, MAGA stands for “manufacturers are going abroad”. In May, our committee heard from Julie Robbins, CEO of EarthQuaker Devices in Ohio. She told us that she had faced tariffs as high as 185 percent forcing her to consider moving production overseas.

President Trump’s attack on clean energy is also fueling America’s manufacturing decline. Trump’s SBA ended their Green Lender Initiative, and the big ugly bill rolled back many of the clean energy incentives in the Inflation Reduction Act of 2022. These incentives and programs contributed to the almost 700,000 manufacturing jobs added during the Biden Administration.

And now, President Trump’s sweeping attacks on immigrants are crushing the manufacturing workforce from the largest manufacturers to the smallest of the small manufacturers in our country. And to add to the small business’ paying, President Trump’s SBA is adopting draconian requirements. These requirements bar small businesses with any amount of foreign investment and small businesses, partially owned by people who are lawfully here, including DACA recipients, assignee, and refugees from getting an SBA loan.

This breaks from at least a quarter of a century of SBA policy that allowed small businesses, including manufacturers, 51 percent owned and controlled by U.S. citizens, nationals, and green card holders to receive SBA loans. These changes are creating a chilling effect. In Massachusetts, one small business owner with a green card who was likely an eligible SBA borrower decided not to apply for an SBA loan because they feared their legal immigration status would be used against them in President Trump’s America.

If President Trump were serious about growing American manufacturing, he would be investing in our future not burning it down. So, I agree with raising the loan limits on SBA’s 504 Loan Program, or as I’d like to have it be called, the Economic Development Loan Program.

And I appreciate Chair Ernst and Senator Coons’ leadership on this issue, and the intent of the Made in American Manufacturing Finance Act. However, we should work to ensure that the larger loans allowed under this legislation lead to good-paying jobs. We should raise SBA loan limits specifically for our clean energy manufacturers to supercharge our economy, make our communities cleaner, and to create jobs.

We must return to the historic SBA lending rules that supported immigrant entrepreneurs, and we must break down barriers and create programs that are tailored to help our minority entre-

preneurs access capital. So, today, I look forward to hearing from our witnesses about how we can accomplish these goals. I thank you Madam Chair for calling this hearing and the legislation which you and Senator Coons have put together.

CHAIR. Wonderful. Thank you, Ranking Member Markey. And, again, I want to extend a warm welcome to all of our witnesses. I will now introduce our witnesses who are testifying today. I am thankful that you-all took time out of your busy schedules to join us here in DC and share your expertise on SBA's 504 Loan Program and access to capital through Certified Development Companies, or CDCs.

First, we have Mr. Karl Swanson. He is the president of PCT Ebeam and Integration, which is a small manufacturer of electron beam systems in Davenport, Iowa. Mr. Swanson previously served as director of sales and marketing at PCT Engineered Systems and began his career as an automation sales specialist at Industrial Engineering Equipment Company.

He received his bachelor's degree in electrical engineering from University of Illinois Urbana-Champaign, and his MBA from St. Ambrose University. And thanks for making the trip again from Iowa. Thank you, Karl.

Ms. Jean Wojtowicz is the executive director of the Indiana Statewide CDC. She is also the founder and president of Cambridge Capital Management Corporation, an Indianapolis-based manager of non-traditional sources of capital for businesses. She previously served as the lead independent director on the board of directors of Vectren Corporation, a New York Stock Exchange energy holding company serving Indiana and Ohio.

Ms. Wojtowicz who holds two bachelor's degrees in finance and real estate from the University of Wisconsin-Madison. I now recognize Ranking Member Markey to introduce his witnesses.

Senator MARKEY. Thank you, Madam Chair. Mr. David Raccio has been with CDC New England located in Wakefield, Massachusetts since 2017, and is currently the senior vice-president and director of SBA lending. CDC New England is one of the most active 504 lenders in Massachusetts. He brings deep expertise in helping small businesses grow. He's also a proud U.S. Air Force veteran serving six years on active duty and in the reserves. And we thank you so much for being with us today.

And Ms. Hilda Kennedy is the founder and president of AmPac Business Capital based in Ontario, California. AmPac participates in several SBA lending programs, including the 504 Program. She is a board member of the National Association of Development Companies, or NADCO, and she previously worked as the director of economic development for the City of Inglewood. And we look forward to hearing of all of the testimony that's going to be presented today. Thank you, Madam Chair.

CHAIR. Wonderful. Thank you, Ranking Member Markey. And briefly, I'd like to take a moment just to explain our lighting system that is there on the boxes in front of you. There are three lights in front of you. Green means go. Yellow means you're running out of time. And red means to please wrap it up.

I ask unanimous consent that the witness's full statements be included in the record. Without objection, so ordered. As your written

testimony has been made part of the record, the committee asks that you limit your oral remarks to five minutes. And with that, Mr. Swanson, you are now recognized for five minutes for your testimony.

**STATEMENT OF MR. KARL E. SWANSON, PRESIDENT, PCT
EBEAM AND INTEGRATION, LLC, DAVENPORT, IOWA**

Mr. SWANSON. Chair Ernst, Ranking Member Markey, and members of the committee, I'm humbled by the responsibility to represent the interest of the hundreds of thousands of small manufacturers that fuel the American economy.

As you said, my name is Karl Swanson, and I grew up on my family's farm near Rio, Illinois. Today I'm the President of PCT Ebeam and Integration located in Davenport, Iowa, which was founded in 1986.

When the original majority owner was looking to retire, the most attractive option was to be acquired by a Swiss company. The integration was unsuccessful, and when the business was getting ready to close, I found eight of my long-term coworkers willing to join me and buy the company back.

In November of 2018, we reached an agreement to make this a reality and embarked upon what has been a challenging and rewarding journey. We have experienced firsthand the advantages of, once again, being an American owned small business. In seven years, we have grown from 45 to 65 employees and have also reacquired many of the critical manufacturing capabilities that were divested by the previous owner.

PCT is both a systems integrator and a manufacturer of industrial electron beam systems. Our ebeam machines are used in a variety of different industries where they enable energy efficient production of prepainted steel, are used in the manufacturing of advanced medical materials, and can be used to achieve more sustainable production of lithium-ion batteries.

Building these specialized machines requires a skilled workforce and specific manufacturing capabilities. 50 percent of the ebeam systems we build are exported. Our foreign customers often require their advanced payments to be secured by local bank guarantees. The options for a small U.S. manufacturer to comply with these requirements are limited. For PCT, it is critical that we have access to funds to support our material and labor expenses throughout the lengthy production schedule.

The Small Business Administration has been a major source of support for our business. From purchasing our commercial real estate to expanding our export efforts following our purchase of the business, we have the opportunity to also purchase our building and thus secure our company's long-term future.

The SBA 504 Loan Program was recommended by our local bank and made this purchase possible. Following further success, we decided to expand our manufacturing shop. Once again, the SBA 504 was critical in helping us finance this expansion and add more production capabilities, facilitate better material flow, and increase our capacity to assemble and test more ebeam systems each time we look to invest in our long-term future. The SBA 504 gave us a financing solution that was both accessible and affordable. Our ex-

perience shows how central the SBA 504 is to long-term business growth and competitiveness.

But as that growth leads to bigger opportunities and our business takes on larger and more complex projects, we have experienced limitations in SBA's financing programs that impose undue constraints on the organic and profitable growth of manufacturing firms like ours.

The biggest limitation we faced was when our financing needs intersected with SBA aggregate program caps. For example, we received a multimillion-dollar order from a customer in Brazil. We needed to provide bank guarantees equal to the value of advance payments received before shipment.

The SBA 7(a) Export Working Capital Program would've been the ideal solution, but after securing \$2.956 million in SBA 504 financing, only \$794,000 remained available under the SBA 7(a) guarantee cap. These limitations create constraints not only for our business, but also for lenders who want to support U.S. manufacturers competing in global markets.

The Made in America Manufacturing Finance Act of 2025 introduced by Chair Ernst to increase the maximum total loan size to \$10 million would directly address our situation. Having access to this additional loan capacity would provide PCT with a cost-effective means of supporting more export business, which in turn improves our competitiveness in foreign markets, enables us to accelerate further investments in additional staff and production equipment domestically.

Another limitation we experienced was SBA loan approval times. The pace of business is fast, and America's small businesses must be able to move quickly to remain competitive. An agile SBA, equipped to scale staffing in response to loan volume and deliver timely approvals is essential to supporting the growth and success of our nation's entrepreneurs.

I respectfully request that you continue your efforts to strengthen and simplify the SBA 504 Program to ensure that growing manufacturers can expand capacity, compete internationally, and create more U.S. jobs.

Thank you for considering these requests to improve the valuable support the SBA provides to American manufacturers through the 504 Loan Program.

[The prepared statement of Mr. Swanson follows.]



Using the 504 Program to Build America's Manufacturing Future

Written Testimony before the
U.S. Senate Committee on Small Business & Entrepreneurship

September 17, 2025

Submitted by:

Karl E. Swanson
President
PCT Ebeam and Integration
Davenport, IA

Testimony of Karl E. Swanson, President, PCT Ebeam and Integration

Chair Ernst, Ranking Member Markey, and distinguished members of the Committee:

I appreciate the opportunity to testify today, and I am humbled by the responsibility to represent the interests of the hundreds of thousands of small manufacturers that fuel the American economy.

My name is Karl Swanson and I, like SBA Administrator Loeffler, grew up on my family's farm near Rio, Illinois. I graduated from the University of Illinois with a degree in Electrical Engineering and from Saint Ambrose University with an M.B.A. Today I am the President of PCT Ebeam and Integration located in Davenport, Iowa. In that role, I have the privilege of leading a talented team of outstanding individuals.

PCT was founded in 1986 by three engineers working at a local aluminum factory. When the original President and majority owner was looking to retire, the most attractive option was to be acquired by a Swiss company, which took place in 2015. The integration of the two companies was not successful, and the business declined to the point that it was decided to shut down our location. While considering what to do, I found eight of my long-term co-workers willing to join me in an effort to buy the company back. We shared a common belief that if we were allowed to make sensible decisions there was still a viable business opportunity. In November of 2018 we reached an agreement to make this a reality and embarked upon what has been a challenging and rewarding journey.

I am proud to be here today on behalf of my valued teammates. We have experienced first-hand the advantages of once again being an American-owned small business. In seven years, we have grown from 45 to 65 employees, and we have also re-acquired many of the critical manufacturing capabilities that were divested by the previous owner.

Testimony of Karl E. Swanson, President, PCT Ebeam and Integration

PCT is both a systems integrator and a manufacturer of industrial electron beam systems. Our ebeam machines are used in a variety of different industries where they enable energy efficient production of pre-painted steel, are used in the manufacturing of advanced medical materials, and can be used to achieve more sustainable production of lithium-ion batteries. Building these specialized machines requires a skilled workforce and specific manufacturing capabilities.

Fifty percent of the ebeam systems we build are exported. Our foreign customers often require their advance payments to be secured by local bank guarantees. The options for a small U.S. manufacturer to comply with these requirements are limited. For PCT it is critical that we have access to funds to support our material and labor expenses throughout the lengthy production schedule. The Small Business Administration has been a major source of support for our business from purchasing our commercial real estate to expanding our export efforts. While we are grateful for the opportunities provided, this hearing provides the opportunity to discuss ways the SBA programs, and particularly the 504 Loan Program, can be further leveraged for small manufacturers across the country.

Use of the SBA 504 Program. Following our purchase of the business, we had the opportunity to purchase our building and thus secure our company's long-term future in our current location. The SBA 504 Loan Program was recommended by our local bank and made this purchase possible. The favorable interest rate and long-term fixed rate financing allowed us to not only purchase the property, but to also continue investing in the growth of our business. Following further success in building back the business, we decided to expand our manufacturing shop. Once again, the SBA 504 was critical in helping us finance this expansion. With the new space, we were able to add more production capabilities, facilitate better material

Testimony of Karl E. Swanson, President, PCT Ebeam and Integration

flow, and increase our capacity to assemble and test more ebeam systems. Each time we looked to invest in our long-term future, the SBA 504 gave us a financing solution that was both accessible and affordable.

Our experience shows how central the SBA 504 is to long-term business growth and competitiveness. But as that growth leads to bigger opportunities, and our business takes on larger and more complex projects, we have experienced limitations in SBA's financing programs that impose undue constraints on the organic and profitable growth of manufacturing firms like ours.

Program Limitations and Improvements. The first limitation we faced was when our financing needs intersected with SBA aggregate program caps. For example, when we recently received a multi-million-dollar order from a customer in Brazil, we needed to provide bank guarantees equal to the value of advance payments received before shipment. The SBA 7(a) Export Working Capital Program would have been the ideal solution, but after securing \$2.956 million in SBA 504 financing, only \$794,000 remained available under the SBA 7(a) guarantee cap, which is \$3.75 million for a single borrower and their affiliates. As a result, we had to pursue more expensive alternatives, which significantly increased our costs for that contract. These limitations create constraints not only for our business, but also for lenders who want to support U.S. manufacturers competing in global markets.

The *Made in America Manufacturing Finance Act of 2025 (MAMFA)* (S. 1555) introduced by Chair Ernst, and cosponsored by Senator Coons, Senator Young, and Senator Hickenlooper, to increase the maximum total loan size to \$10 million would directly address our situation. Having access to this additional loan capacity would provide PCT with a cost-effective means of supporting more export business, which in turn improves our competitiveness in

Testimony of Karl E. Swanson, President, PCT Ebeam and Integration

foreign markets and enables us to accelerate further investments in additional staff and production equipment domestically. I strongly support this effort and hope Congress passes this legislation.

Another limitation we experienced was SBA loan approval times. With the first 504 loan PCT received in 2021, delays during the pandemic were understandable given the record-high loan volume. However, an approval time of more than 30 days can place a significant burden on small businesses. By comparison, our 504 Loan for the expansion was processed in roughly half that time—an improvement, but still a reminder of how critical speed is in today’s business environment. The pace of business is fast, and America’s small businesses must be able to move quickly to remain competitive. An agile SBA, equipped to scale staffing in response to loan volume and deliver timely approvals, is essential to supporting the growth and success of our nation’s entrepreneurs.

The last limitation I will address is regarding the EPC/OC structure. Under the EPC/OC structure, SBA allows small business owners to hold title to project property passively and lease it to their operating company. I understand the intent of the SBA is to ensure buildings are not purchased for investment purposes. However, SBA has imposed limits on the rent an Operating Company (OC) may pay to the Eligible Passive Company (EPC), capping it to the level of debt service plus building-related expenses. While this safeguard is logical, it presents unintended challenges for the owners of small businesses like PCT. For many of us, our real estate purchase serves as a cornerstone of our long-term retirement plan. By preventing owners from collecting market-rate rent, the policy reduces rental income and, ultimately, diminishes the value of the real estate asset itself. This restriction not only impacts retirement planning but also erodes an important component of wealth-building for America’s small business owners. I encourage the

Testimony of Karl E. Swanson, President, PCT Ebeam and Integration

Committee to consider removing this constraint to make this structure more user friendly for small businesses using the program.

Conclusion. I respectfully request that you continue your efforts to strengthen and simplify the SBA 504 Loan Program to ensure that growing manufacturers can expand capacity, compete internationally, and create more U.S. jobs – without lengthy delays or undue limitations. It is an honor to submit this testimony. Thank you for considering these requests to improve the valuable support the SBA provides to American manufacturers through the 504 Loan Program.

CHAIR. Thank you. And now, Mr. Raccio, you are recognized for five minutes for your testimony.

STATEMENT OF MR. DAVID P. RACCIO, SENIOR VICE PRESIDENT AND DIRECTOR OF SBA LENDING, CDC NEW ENGLAND, WAKEFIELD, MASSACHUSETTS

Mr. RACCIO. Chair Ernst, Ranking Member Markey, and distinguished members of the committee, thank you for the opportunity to testify today. I am honored to join my colleagues from the CDC industry to discuss the SBAs 504 Loan Program.

My name is Dave Raccio and I serve as the Senior Vice President and director of SBA lending at CDC New England, which is located in Massachusetts. We provide SBA 504 loans across five New England states, which include Massachusetts, Connecticut, Rhode Island, Vermont, and New Hampshire. And we are consistently ranked in the top 15 CDCs nationwide. Since our funding in 1982, we have delivered more than 1,600 loans totaling over \$1 billion in SBA financing, helping to create and retain more than 25,000 jobs.

The SBA program is unique. It provides small businesses with long-term, fixed rate capital for real estate and major equipment purchases while requiring measurable economic impact. In short, the program fuels growth, creates jobs, and strengthens communities, all while operating at zero subsidies to taxpayers, and a remarkably low one-year charge off rate of 0.08 percent.

As an industry, CDCs are proud of these accomplishments. That said, modernization is needed. I'd like to highlight four key areas where immediate reforms could expand impact. Number one; clean energy. In June, 2025, the SBA reimplemented an arbitrary \$16.5 million cap on energy projects and provided no data to support the need for such a cap. I recommend this cap be lifted to meet growing demand. We often have repeat customers, and we want to make sure they have continued access to capital to continue to grow their businesses.

A prime example of a business we assisted with the 504 energy efficiency program was the SBO Sports Center in Massachusetts. This company has been an outstanding corporate partner, not only providing free clinics for children of all ages, but also generating significant economic activity and local jobs.

To date, they have received three separate 504 loans and continue to grow their business. Today, in recognition of these contributions, the company was honored as a 2024 Massachusetts family-owned business of the year.

Number two; manufacturing and standard 504 limits. As an industry, we support increasing the SBA 504 loan maximum from \$5 million to \$10 million for manufacturers. If we are serious about revitalizing U.S. manufacturing, we must provide the capital tools needed for expansion. We also must address inflation in the loan limits for traditional 504. The current statutory caps have not been raised in more than 15 years. I recommend increasing these limits to \$7.5 million for standard 504 loans and \$10 million for manufacturers and renewable energy projects. This will account for inflation and continue to provide businesses with the capital they need to grow and create jobs.

Number three; citizen verification. New SBA rules require businesses to be 100 percent owned by U.S. citizens, nationals, or long-term lawful permanent resident. This change is already shutting out otherwise strong businesses.

We recently saw a stone importer, which was 85 percent owned by a female U.S. citizen denied financing because 15 percent of the ownership was held by her father from Brazil who provided the original startup capital. This policy unfairly blocks U.S. citizens from accessing growth. Capital SBA should revert to its long-standing more reasonable guidance.

Number four; down payment assistance. Our CDC provides down payment assistance designed to reach underserved borrowers and businesses in low to moderate income areas. For example, we recently helped an African American women-owned business secure \$100,000 down payment to purchase her building for her school serving children with autism.

With this support, she was able to move forward, and today her school is thriving, expanding, and providing stability and jobs for the families who depend on it. We also worked with a business owner in East Boston whose project qualified as both minority-owned and located in a low to moderate income community. With down payment assistance, he was able to expand his business and successfully repurpose a mixed-use property.

These stories show just how powerful targeted support can be with the 504 Program. Small businesses don't just grow, they build stronger, more resilient communities.

In conclusion, the SBA 504 Program is one of the most effective federal tools for supporting small business, creating jobs, and strengthening communities without taxpayer subsidy. By lifting outdated loan limits, restoring fair citizenship rules, and expanding down payment support, we can ensure the program continues to serve America's entrepreneurs for decades to come.

I thank the committee for your leadership on small business issues and look forward to your questions.

[The prepared statement of Mr. Raccio follows.]



Using the 504 Program to Build America's Manufacturing Future

Written Testimony before the
U.S. Senate Committee on Small Business & Entrepreneurship

September 17, 2025

Submitted by:

David P. Raccio
Senior Vice President & Director of SBA Lending
CDC New England
Wakefield, MA

Testimony of David P. Raccio, Senior Vice President & Director of SBA Lending, CDC New England

Chair Ernst, Ranking Member Markey, and distinguished members of the Committee: Thank you for the opportunity to testify today. I am honored to join my colleagues from the Certified Development Company (CDC) industry to discuss the Small Business Administration's 504 Loan Program.

My name is Dave Raccio, and I serve as Senior Vice President and Director of SBA Lending at CDC New England, based in Wakefield, Massachusetts. We provide SBA 504 loans across five New England states—Massachusetts, Connecticut, Rhode Island, Vermont, and New Hampshire—and are consistently ranked among the top 15 CDCs nationwide. Since our founding in 1982, CDC New England has delivered more than 1,600 loans totaling over \$1 billion in SBA 504 financing, helping to create and retain more than 25,000 jobs across the region. In Massachusetts alone, nearly 1,000 loans have supported 18,900 jobs.

The SBA 504 program is unique among federal financing tools. It provides small businesses with long-term, fixed-rate capital for real estate and major equipment purchases while requiring measurable economic impact—job creation, retention, and community development. In short, the 504 program fuels growth, creates jobs, and strengthens communities, all while operating at zero subsidy to taxpayers.

As an industry, CDCs are proud of that record. Through August 31, 2025, loan approval volume is up 15 percent year over year, with a remarkably low one-year charge off rate of 0.08 percent. These results reflect prudent underwriting and responsible stewardship. Equally important, CDCs are nonprofit, mission-based lenders deeply embedded in our communities. Beyond the SBA 504 program, many CDCs manage microloans, Community Advantage loans, USDA Intermediary Relending Program (IRP) loans, state and local lending programs, incubators, accelerators, grant-writing services, and partnerships with resource partners like

Testimony of David P. Raccio, Senior Vice President & Director of SBA Lending, CDC New England

Small Business Development Centers (SBDCs) and SCORE. We reinvest in our regions because we are committed to their long-term economic health.

Still, modernization is needed. Small businesses using the 504-program face unnecessary hurdles that reduce speed, transparency, and certainty. I would like to highlight several areas where this Committee's leadership can make an immediate impact.

Clean Energy & Loan Limits

In June 2025, SBA re-implemented an arbitrary \$16.5 million cap on energy projects and provided no data to support the need for such a cap. I recommend this cap be lifted to meet growing demand. We have funded hotels and sports facilities installing large-scale solar arrays that not only cut costs but contribute power back to the grid. The sports facility has been an outstanding corporate partner, not only providing free clinics for children of all ages but also generating significant economic activity and local jobs. Its continued investment in the community strengthens both the social fabric and the regional economy. In recognition of these contributions, the company was honored as the 2024 Massachusetts Family-Owned Business of the Year. They were also a repeat customer, a scenario we see frequently, and we want to make sure they have continued access to capital to continue to grow their businesses: not allowing borrowers the opportunity for growth is never going to truly unlock the potential of our economy.

Similarly, we support increasing the SBA 504 loan maximum from \$5.5 million to \$10 million for manufacturers. If we are serious about revitalizing U.S. manufacturing, we must provide the capital tools needed for expansion. Decreasing manufacturers' equity contribution

Testimony of David P. Raccio, Senior Vice President & Director of SBA Lending, CDC New England

from 10 percent to 5 percent is another great way to increase access to the 504 for manufacturers by allowing them to preserve more capital for expansion costs.

We also need to address inflation and loan limits for standard 504 loans. The current statutory cap of \$5 million for standard 504 loans and \$5.5 million for manufacturers or renewable energy projects has not been raised in 15 years. I recommend increasing these limits to \$7.5 million for standard 504 loans and \$10 million for manufacturers and renewable energy projects. Updating these caps will account for inflation and provide small businesses with access to the appropriate amount of capital they need to grow, expand operations, and create jobs.

Down Payment Assistance

CDC New England also operates a Community Development Financial Institution (CDFI) that provides down payment assistance to small businesses for 504 loans. This program has been especially impactful for borrowers from historically underserved demographics, as well as businesses located in low- to moderate-income areas across New England. Since its launch in late 2022, the program has closed 10 loans with an average size of \$82,000, and in 2025 alone we have six additional commitments pending closing. This year is on track to match the results of the past three years combined.

One example highlights the true power of this initiative: our CDFI provided a \$100,000 down payment assistance loan to an African American woman who owns and operates a school for children with autism. Without this support, the SBA 504 project to purchase her building would not have moved forward. Because of the CDFI loan, her school is now thriving in its own facility, expanding services, and creating stability for families who depend on it.

Testimony of David P. Raccio, Senior Vice President & Director of SBA Lending, CDC New England

Citizenship Verification

Recent rule changes require businesses to be 100 percent owned by U.S. citizens, U.S. Nationals or long-term Lawful Permanent Residents (LPRs). This change has already led to strong U.S. citizen majority-owned businesses being declined. For example, CDC New England worked with a stone importer for whom 85 percent ownership was held by U.S. citizens, but 15 percent was held by a father from Brazil who provided the start-up capital for his daughter. Though the business was financially strong and ready for growth, their application was declined. This rule change is creating the unintended consequence of denying access to capital to U.S. citizens, Nationals, and LPRs and I recommend SBA revert to its previous guidance, which had been in place for years.

Special Purpose Properties

The Small Business Investment Act currently requires an additional five percent down payment for “special purpose” properties—such as farms, urgent care centers, and auto repair facilities. This policy is outdated and penalizes experienced, successful operators simply because of the type of business they run. Striking this provision would ensure equal treatment across industries. Furthermore, 504 data shows these properties have comparably low default rates compared to other industries. Additionally, most of these sites can easily be converted to other uses. For example, a bowling alley can have the equipment/lanes removed and you are left with a large warehouse style building. An urgent care center can easily be converted to office space or housing.

We often see potential clients for whom the additional five percent down payment is prohibitive to moving forward with a 504 loan. Why should a physical therapist that has a small

Testimony of David P. Raccio, Senior Vice President & Director of SBA Lending, CDC New England

therapy pool or a farmer simply looking to purchase additional acres to grow crops be required to cut into the benefit of the 504 program with a significantly higher down payment? I urge removal of this burdensome, outdated requirement.

Occupancy Requirements

Current SBA rules require businesses to occupy 51 percent of an existing property or 60 percent of new construction. I recommend at minimum lowering these thresholds to 50 percent for both existing and new properties. As an industry, we have supported the modernized occupancy requirements included in the *504 Modernization and Small Manufacturer Enhancement Act of 2025* (S. 2662) that would expand eligibility for mixed-use projects, particularly in areas where small businesses often operate on the ground floor of multi-level buildings with mixed uses for the above floors. The updated requirements in this bill passed in this Committee in 2023 and have passed the House twice. Addressing the current occupancy requirements is integral for the program to continue supporting the needs of small businesses today and tomorrow.

Eliminate Credit Elsewhere Test and the Consideration of Personal Resources

The reinstatement of the consideration of personal resources of borrowers in June 2025 adds an unnecessary restriction for borrowers in the 504 Loan Program specifically. The 504 program's core purpose is economic growth and job creation and the structure of the program is intended to preserve liquidity for the borrower to help grow their business. This requirement imposes additional eligibility hurdles that are not required for the 504 program resulting in undercapitalizing the borrower or outright application denials

Testimony of David P. Raccio, Senior Vice President & Director of SBA Lending, CDC New England

Additionally, the SBA's credit elsewhere requirement, which is the primary eligibility requirement for the 7(a) program, has been inappropriately extended to the 504 Loan Program. I strongly urge the immediate removal of both the consideration of personal resources and the credit elsewhere requirement for the 504 program to ensure borrowers can utilize the program as congressionally intended.

Refinance Program

While refinancing is permitted in the 504 Loan Program, eligibility rules are overly complex. Businesses must trace original loans and prove 75 percent of the original loan was used for 504 eligible uses, creating unnecessary barriers. Too often, we are forced to turn away otherwise creditworthy businesses due to technicalities that do not make practical sense. For example, an assisted living facility that had been in a family for over 40 years and two generations was required to provide original loan documents from its past financing, including over six refinances undertaken throughout the years. Despite their best efforts, they were unable to locate some of these records, and as a result, their financing request could not move forward. This type of barrier prevents long-standing, successful businesses from accessing capital they need to continue growing and serving their communities.

I recommend simplifying criteria: if the borrower occupies the majority of the property, they should qualify to refinance their debt through the 504 program. Expanding refinance access would allow more businesses to lock in stable, long-term financing and free up cash flow for growth.

Testimony of David P. Raccio, Senior Vice President & Director of SBA Lending, CDC New England

Streamline the Closing Process

The closing process for 504 loans has long been a pain point for all involved, particularly for the small business borrower. Closing 504 loans more efficiently is critical to ensuring small businesses receive timely access to capital. One way to achieve this outcome is by delegating more autonomy to CDCs. Expanding CDC authority to make minor but essential corrections would reduce delays and increase efficiency. Examples include:

- Reallocating project costs by up to 10 percent
- Correcting typographical errors such as business names, addresses, or lender changes
- Processing decreases in overall project amounts
- Adding guarantors or co-borrowers

These adjustments do not change the fundamental risk of a project, but without delegated authority, they can create unnecessary bottlenecks. Allowing CDCs to resolve them directly would streamline the process, reduce burdens on SBA staff, and most importantly, speed the delivery of capital to small businesses.

Conclusion

The SBA 504 program is one of the most effective federal tools for supporting small businesses, creating jobs, and strengthening communities—without taxpayer subsidy. By making targeted reforms—restoring reasonable citizenship rules, expanding access to energy, manufacturing, and community-based projects, modernizing occupancy and refinance standards—we can ensure the program continues to serve America’s entrepreneurs for decades to come. I thank the Committee for your leadership on small business issues and your attention to these recommendations. I look forward to your questions.

CHAIR. Thank you very much, Mr. Raccio. And now, we will recognize Ms. Wojtowicz. And you are recognized for five minutes for your testimony.

STATEMENT OF MS. JEAN WOJTOWICZ, EXECUTIVE DIRECTOR, INDIANA STATEWIDE CDC, INDIANAPOLIS, INDIANA

Ms. WOJTOWICZ. Thank you, Chair Ernst, Ranking Member Markey, and distinguished members of the committee. Thank you for inviting me to join you today. I'm honored to represent the Certified Development Company industry to discuss the 504 Loan Program, which is firmly focused on economic development and job creation.

My name is Jean Wojtowicz, I am the executive director of Indiana Statewide CDC. Through this entity, we have funded more than \$750 million in 504 loans, and leveraged more than \$2.2 billion to over 1,500 Indiana companies, many of them manufacturers and companies located in rural areas. I'm also a past chair of NADCO, the trade association that advocates for the 504 Loan Program, and serve on the board of Eagle Compliance, which is the fiscal agent that sells the debentures that fund these loans.

CDCs are SBA-certified organizations dedicated to creating jobs and growing local businesses by delivering the 504 Loan Program. Many CDCs also deliver other federal, state, and local lending products and must invest in economic development beyond the 504 Program. This highly successful public-private partnership is structured with 50 percent provided by a private lender, 40 percent through the SBA backed CDC debenture, and 10 percent by the borrower.

This structure supports liquidity, retention and working capital preservation as a result of the low down payment, with terms conventional lenders rarely provide. The structure and terms provide certainty and help borrowers manage cash flow fluctuations that come with expanding a business and employing more citizens in their communities.

On March 10th of this year, Administrator Loeffler, along with Senator Young, and others, kicked off the Made in America tour in Indianapolis at Aerodyne Engineering, who utilized the 504 Loan Program four times to support their growth and expansion. It is companies like Aerodyne that are the backbone of growth, innovation, and the creators of jobs for citizens all over our country.

The CDC lending industry is proud of the work we're doing to support these companies, and we know the 504 Loan Program can do more. We have several recommendations that would enhance the program and allow us to serve more growing businesses.

Number one; pass the Made in America Manufacturing Finance Act. The CDC industry supports increasing the manufacturing loan size for borrowers to \$10 million. This statutory change would support the scaling of domestic manufacturing since a \$10 million 504 loan could support a total project cost of up to \$25 million.

Number two; reduce the equity contribution from manufacturers from 10 percent to 5 percent. Manufacturing is capital intensive, and reduced equity requirements will encourage investment and job creation while preserving critical working capital. These companies need to expand.

Number three; modernize the 504 loan size limit for all borrowers. We would ask you to consider raising the cap for all borrowers to \$7.5 million and index it to inflation reflecting the growth since the last adjustment was made in 2010.

Number four; eliminate the extra 5 percent borrower equity injection requirement for special purpose properties. This requirement negatively impacts borrowers and SBA's charge off data shows that these properties do not present a higher credit risk.

And number five; continue separating the 504 and 7(a) loan programs as they have separate purposes. The 504 Program is focused on fixed asset financing, supporting job creation, and economic development. The "credit elsewhere test", which is a 7(a) program requirement, should not apply to the 504 Program.

In conclusion, since 1986, the 504 Program has assisted over 200,000 small businesses with nearly \$140 billion in loans, and a total investment of almost \$400 billion and the creation of 3.3 million jobs. And it has done so with a charge off rate of only 0.08 percent for the most recent year. Enacting these recommendations will make the program more effective and accessible, allowing more small businesses to grow, create jobs, and strengthen our economy.

Thank you for your leadership on small business issues and the opportunity to testify today. I look forward to your questions.

[The prepared statement of Ms. Wojtowicz follows.]



Using the 504 Program to Build America's Manufacturing Future

Written Testimony before the
U.S. Senate Committee on Small Business & Entrepreneurship

September 17, 2025

Submitted by:

Jean Wojtowicz
Executive Director
Indiana Statewide CDC
Indianapolis, IN

Chair Ernst, Ranking Member Markey, and distinguished members of the Committee. Thank you for inviting me to join you today. I am honored to represent the Certified Development Company (CDC) lending industry to discuss the Small Business Administration's (SBA's) 504 Loan Program, which is firmly focused on economic development and job creation.

My name is Jean Wojtowicz, I am the Executive Director of Indiana Statewide CDC. Through this entity we have funded more than \$750 million to over 1,500 Indiana businesses including many manufacturers and companies located in rural areas of our state. These loans leveraged more than \$2.2 billion in total investment by these Indiana businesses. I also am a past Chair of NADCO's board, the trade association that advocates for the 504 Loan Program and I currently serve on the board of Eagle Compliance, the fiscal agent that sells the debentures that fund the SBA portion of 504 loans.

CDCs are organizations certified by the SBA to create jobs and grow businesses in local communities. We do this through delivery of the SBA's premier economic development program, the 504 Loan Program. Many CDCs also deliver other federal programs through the U.S. Treasury, the U.S. Department of Commerce, and U.S. Department of Agriculture, and CDCs were designated Community Financial Institutions (CFIs) to do our part to provide critical capital to small businesses during the COVID-19 pandemic. Finally, CDCs deliver a variety of state and local programs and resources to meet the needs of the businesses we serve. In fact, CDCs are required to provide

investments in economic development initiatives in their area of operations beyond their participation in the SBA 504 program.¹

The 504 Loan Program CDCs deliver is an example of a successful public private partnership with the banking partner providing a loan for 50 percent of the project, the CDC providing the SBA-backed debenture covering 40 percent of the project, and the borrower providing a 10 percent equity injection. This structure provides numerous benefits to small businesses who want to grow and create jobs:

The 504 portion of the loan is only 40 percent of the total project cost, which means the total capital investment of each 504 loan is much larger. For example, the maximum loan size for a small manufacturer is \$5.5 million, which means the total project cost/capital investment could be \$12 million. For projects larger than \$12 million, the 504 portion caps at \$5.5 million while the third party lending partner takes the balance of the financing. If Congress increases the 504 loan maximum, borrowers can better benefit from the program's favorable fixed long term rate and term.

On March 10, Administrator Loeffler kicked off the SBA's Made in America tour in Indianapolis at Aeordyn Engineering who utilized the 504 Loan Program four times to support their growth and expansion. She was joined by Senator Young and Senator Banks as well as our Governor, your former colleague, Senator Braun. Aeordyn Engineering is a precision manufacturing and engineering company that specializes in small batch manufacturing, design, and testing of various rotating engine hardware and slip rings in the

¹ Standard Operating Procedure 50.56.1 – Part I, Section B, Ch 1, pg. 64 [SOP 50.56.1 on SBA.gov](#)

aerospace sector that have significant defense sector applications. The company has 95 employees at two locations financed by the 504 program with the vast majority working highly skilled jobs in the manufacturing facility. It is companies like Aeordyn that are the backbone of growth, innovation, and the creators of jobs for citizens all over our country. The SBA 504 Loan Program is uniquely able to fund the needs of these critical businesses by providing long term fixed rate financing to support their growth.

The 504 loan provides terms not available conventionally. The 504 program is serving businesses and providing financing unavailable in the private market with a loan structure that offers fixed-rate, long-term capital that lenders typically cannot provide for commercial real estate. The chart below illustrates the differences between the terms for a conventional commercial real estate loan versus the SBA's 504 loan.

Feature	Conventional CRE Loan	SBA 504 Loan
Term	5–20 years (balloon)	Up to 25 years (no balloon)
Equity Injection	~25%	10%
Rate Type	Variable	Fixed
Structure	Full lender exposure	50/40/10 (Lender/SBA/Borrower)

Further, the **504 structure supports liquidity retention and working capital preservation** by enabling borrowers to preserve cash through a low down-payment, which is a critical feature of the program. This retained liquidity helps borrowers better manage cash flow fluctuations that come with growing and expanding a business and provides the capital

necessary for them to increase their employment, consistent with the programs' economic development goals.

Finally, the **eligible use of proceeds for the 504 loan are focused on fixed assets: the purchase, construction, remodeling, or expansion of real estate and large equipment.** The structure, terms, and use of proceeds of the 504 loan are uniquely suited to the needs of small manufacturers. According to the SBA's most recent data from 2021, the U.S. had over 600,000 small business manufacturers employing nearly five million workers with payroll over \$277 billion.² The CDC lending industry is proud of the work we are doing to support these manufacturers, and we know the 504 Loan Program can do more. My recommendations for maximizing the 504 program fall into two categories: policies specific to the manufacturing sector, and those applicable to all 504 borrowers that correlate with manufacturing policies.

First, **the CDC lending industry supports increasing the manufacturing loan size for borrowers accessing the 504 Loan Program to \$10 million** as outlined in the *Made in America Manufacturing Finance Act of 2025 (MAMFA)* (S. 1555) helmed by Chair Ernst and cosponsored by this Committee's Senators Coons, Young, and Hickenlooper. This statutory change would provide real leverage for the program to support the scaling of domestic manufacturing since a \$10 million 504 loan could support a total project cost of up to \$25 million and because the 504 program already engages in larger projects due to the structure of the loan product, it is uniquely suited to capitalize on this statutory change for the benefit of manufacturers.

² [Manufacturing Infographic Series 2025](#)

Second, **Congress should expand access to the 504 Loan Program and enable manufacturers to retain more capital by reducing the borrower equity injection from a required 10 percent to five percent.** Manufacturing is capital-intensive and reduced equity requirements will encourage investment and job creation and help preserve the critical working capital these companies need for greater expansion. This policy objective has enjoyed bipartisan support as part of the 504 Modernization and Small Manufacturer Enhancement Act (S. 2662) most recently introduced by Senators Klobuchar and Young, and which previously passed this Committee in 2023. This bill also requires SBA resource partners, like Small Business Development Centers (SBDCs), to conduct outreach specific to manufacturers. I would add to this requirement the recommendation that SBA, resource partners, and industry coordinate a marketing effort to increase engagement and education on the manufacturing opportunities through the 504 program, which will also increase education about the program generally.

Third, **Congress should increase the loan limit for regular 504 loans from \$5 million to \$7.5 million.** Like manufacturing loans, the regular 504 loan limits were last adjusted in the *Small Business Jobs Act of 2010* (P.L. 111-240). Since that time, we have weathered a pandemic, inflation, and skyrocketing construction costs. With over 60 percent of 504 loans involving construction, the current loan limits do not go nearly as far as they did in 2010. While the emphasis on manufacturing loans is timely, leveraging the 504 program and its job creation focus to support all borrowers through a regular 504 loan increase will contribute to a dynamic small business economy that boosts national

competitiveness. Indexing the 504 loan size – both regular and manufacturing – for inflation would also make the law much more durable for long-term small business support.

Fourth, **Congress should eliminate the additional five percent equity injection required for borrowers with designated “special purpose properties.”** This provision is a good example of lack of durability in the law that adversely impacts borrowers. As discussed earlier in my testimony, the general structure of the 504 loan is a 50/40/10 split, with the borrower providing a 10 percent equity injection and preserving liquidity for business growth. However, in certain cases, the Small Business Investment Act requires additional equity from the borrower. One instance is if the borrower’s business is designated as “special purpose” (i.e. farms, certain dental, veterinarian and medical operations) and one is for businesses under two years old. In each of these instances, the borrower must contribute an additional five percent.

The special purpose requirement was implemented in 1996, and SBA’s charge off data since then shows these properties do not present higher credit risk. This special purpose penalty applies to many manufacturers in Indiana, since properties with railroad access (needed by many heavy manufacturing operations) are considered special purpose and therefore require an extra five percent downpayment (making the downpayment as much as 15 percent, which is prohibitive). The extra five percent equity injection should still be required for new businesses less than two years old since historically these businesses do present higher credit risk. Eliminating this penalty for special purpose properties improves borrower access to affordable financing and removes a requirement that picks winners and losers.

Fifth, Congress should pass amendments filed by my home-state Senator Young in this Committee in 2023 to ensure the 504 Loan Program is appropriately delineated from the 7(a) Loan Program. In the late 1980s, the SBA began coupling the 504 and 7(a) programs in regulation and Standard Operating Procedure (SOP) where previously they were governed separately. In that process, SBA applied the “credit elsewhere test,” which is the main eligibility requirement for the 7(a) program, to the 504 program. The 504 Loan Program’s eligibility requirements are economic development focused: the borrower must create jobs or meet a congressionally specified public policy or community development goal to obtain a loan. The consequences of coupling the programs and applying the “credit elsewhere test” to the 504 program include a one-size-fits-all approach to two separate programs that negatively impacts 504 borrowers.

For example, SBA has elaborated on the credit elsewhere test in the past to include the consideration of a borrower’s personal resources, which makes sense in the context of the 7(a) Loan Program. However, the structure of the 504 loan is intended to help borrowers preserve liquidity through a low downpayment – when the same consideration of personal resources is applied to these borrowers, they are penalized and divested of one of the primary benefits of the program or have their loan application denied. In the case of manufacturing borrowers and increasing the loan size to \$10 million, the CDC lending industry has major concerns that consideration of personal resources will result in undercapitalizing manufacturers trying to grow and stymieing the effectiveness of the increased loan size. Senator Young’s amendments from 2023 would make clear these eligibility requirements do not apply to the 504 Loan Program and would also require the

SBA to separate the 504 and 7(a) programs in regulation and SOP to ensure each program has tailored rules that help them best meet the needs of small business borrowers.

Finally, **SBA should prioritize streamlining processes and delegation of certain activities to CDCs**, some of which my fellow witnesses will discuss, to make sure the 504 program and SBA are best positioned to smoothly adopt an increased manufacturing loan size and avoid delays in the approval process. Additionally, streamlining and delegation to CDCs will allow SBA staff to focus on larger, more complex manufacturing loans, which will require more efficiency and speed of delivery than currently occurs in the program.

Enacting the above recommendations will make the SBA 504 Loan Program more effective, more impactful, and easier for small businesses to access, thereby allowing more small businesses to grow, create jobs, and support a strong economy. The 504 program is a highly successful public private partnership with the SBA, CDCs, and private sector lenders. Since 1986, the program has assisted over 200,000 small businesses with almost \$140 billion in 504 loans, nearly \$400 billion in capital investment, and 3.3 million jobs in local communities around the country. And notably, CDCs have delivered this strong record of success while maintaining strong program performance with a one-year charge off rate of 0.08 percent according to the most recent data from SBA. In closing, I appreciate your leadership in calling this hearing to discuss the SBA's premier economic development program, the 504 Loan Program, and the opportunity to provide policy suggestions to make an already successful program as impactful as possible. Thank you and I look forward to answering the Committee's questions.

CHAIR. Thank you very much. And finally, we will hear from Ms. Kennedy. You are recognized for five minutes.

STATEMENT OF MS. HILDA KENNEDY, FOUNDER AND PRESIDENT, AMPAC BUSINESS CAPITAL, ONTARIO, CALIFORNIA

MS. KENNEDY. Thank you, Chair Ernst, Ranking Member Markey, and distinguished members of the committee. I'm delighted to be here as well to represent the CDC industry and is to discuss the 504 Loan Program, the agency's premier economic development program.

This year, AmPac proudly celebrates 20 years of service committed to serving small businesses and targeting those who control, own, and control little productive capital. As stated in the Small Business Act of 1953, through our partnership with SBA, AMPAC has leveraged the SBA 504 Program to provide more than \$2 billion in loans and creation of over 7,700 new jobs.

I want to focus my comments on three primary areas; energy efficiency, down payment assistance, and citizenship. The Congressionally authorized energy policy goals signed into law by President Bush in 2007 are delivering significant results. In California, where we serve Dahdoul Textile, a family-owned wholesaler and retailer of consumer goods, is a shining example.

They've used the SBA financing multiple times and have created new jobs with each expansion. In the last two years, they acquired two locations using the 504 energy public policy goal. They installed solar panels, and benefited from greater cost savings. With these two recent projects, Dahdoul created 33 new jobs, and revitalized two vacant stores.

SBA's current \$16.5 million cap on energy-related 504 loans limit businesses like Dahdoul from additional SBA financing to expand, reduce energy costs and create jobs. Eliminating the cap would ensure that small businesses can fully leverage energy efficiency and long-term growth and sustainability.

As noted, the 504 Program follows a basic structure. 50/40/10. 10 percent represents borrower equity. However, many small businesses, especially first-generation entrepreneurs and first-time commercial real estate buyers, may have 10 percent down, but the working capital is not there for growth. At AmPac, we launched our first "It Is Possible" down payment assistance loan program to help small businesses.

And I want to tell you about Jerry. He's the owner of Riggins Urban Barber College. He's a Navy veteran who's dedicated his life to giving young men and women a second chance by training them in barbering. As a first-generation entrepreneur, when he bought his building, AmPac's down payment assistance helped him to restore cash to support his expansion and add for new jobs.

I recommend establishing a pilot program under the 504 loan program for first-time commercial real estate buyers to qualify with 5 percent down, which would act as a floor and not a ceiling, and allow CDCs' flexibility to make credit decisions that also maintain our 0.21 percent default rate as noted in Fiscal Year 2024.

I want to also highlight recent changes in the SOP regarding citizenships. That's limited to 100-owned by U.S. citizens, U.S. nationals, and lawful permanent residents. I fully support SBA resources

going to U.S. citizens, but this change has negatively impacted some majority-owned and controlled U.S. citizen businesses.

One such business is a private school in Orange County, founded by three partners, two U.S. citizens, and a minority partner with 6.5 percent stake. The schools were looking for a 504 loan, but we were not able to help them because of this change.

I recommend restoring the SOP language that allowed SBA financing for businesses that were majority-owned and controlled by U.S. citizens by addressing citizenship, clean energy, and down payment assistance, as well as a thoughtful adjustment such as increasing 504 size limit and for manufacturing businesses.

The SBA can fulfill its Congressional mandate to fill market gaps for America's entrepreneurs and build on the economic development mission of the 504 loan program.

Thank you so much for the invitation, and we welcome your questions.

[The prepared statement of Ms. Kennedy follows.]



Using the 504 Program to Build America's Manufacturing Future

Written Testimony before the
U.S. Senate
Committee on Small Business and Entrepreneurship

September 17, 2025

Submitted by:
Hilda Kennedy
Founder/President
AmPac Tri-State CDC, Inc., dba AmPac Business Capital
Ontario, CA



Chair Ernst, Ranking Member Markey, and distinguished members of the Committee, thank you for inviting me to join you today. I am honored to represent AmPac Tri-State CDC, alongside my CDC colleagues, to discuss the Small Business Administration's (SBA) 504 Loan Program, the Agency's premier economic development program.

My name is Hilda Kennedy, and I am the Founder and President of AmPac Tri-State CDC, doing business as AmPac Business Capital. I am also a board member of our industry trade association, the National Association of Development Companies (NADCO). I established AmPac as a 501(c)(3) nonprofit in 2005, and this year we proudly celebrate 20 years of service to our community. AmPac is headquartered in Ontario, California, in the Inland Empire region, which encompasses Riverside and San Bernardino Counties—two of the largest counties in the nation by square miles and together, the 13th largest metropolitan statistical area in the United States.

AmPac has enthusiastically partnered with the SBA as a Certified Development Company (CDC) since 2007, established with a commitment to target those who “own and control little productive capital,” as stated in the Small Business Act of 1953. In so doing, AmPac intentionally engages the faith-based community as one of our key outreach targets because of the historical significance of faith communities being a center for education, economic empowerment, and community.



Our mission is to finance and foster small business success from cradle to legacy. We are committed to intentionally engaging small business owners with strong community ties to galvanize economic development and the creation of healthy local communities. This year, we will host our 17th Annual Connecting Faith & Business Summit, which continues to serve as a vital platform to reach purpose-driven entrepreneurs who seek to illuminate integrity, hope, and opportunity.

In addition to our 504 lending, AmPac has served as an SBA Microlender since 2016 and became an SBA Community Advantage lender, now a CA SBLC, in 2021. We are also a certified Community Development Financial Institution (CDFI) and a Community Development Entity with the U.S. Department of the Treasury. As a CDFI, AmPac provides financing, technical assistance, and trusted relationships in communities where traditional lenders have often stepped back. Thus in 2021, we launched our Entrepreneur Ecosystem to provide holistic support for small businesses—offering community, coaching and capital to help them thrive, especially as they recovered from the impacts of the pandemic.

Through our partnership with the SBA, AmPac has leveraged its 504 Loan Program to provide more than \$2 billion in loans, resulting in the creation of over 7,700 new jobs. Over the past two years, our CDFI down payment assistance program has leveraged \$3.3 million in private social impact investment to finance more than \$64 million in commercial real



estate loans for women, Black and Latino entrepreneurs, as well as first-time commercial real estate buyers. In addition, we have funded \$26 million in Community Advantage 7(a) loans and \$4.4 million in SBA Microloans.

I would like to expand upon my colleagues' testimony by focusing on the eligibility requirements of the 504 program, provide recommendations to ensure program requirements are leveraged, and discuss policy areas that would modernize and allow more borrowers to access the 504 Loan Program.

The 504 Loan Program is designed to provide long-term capital for economic growth. It can be used to finance or refinance fixed assets such as real estate and large equipment, and its eligibility requirements are rooted in economic goals. To qualify, a small business must create or retain one job for every \$90,000 borrowed (\$120,000 for manufacturers) or meet one of the program's public policy or community development goals. These goals are authorized by Congress and include objectives such as supporting manufacturers and revitalizing business districts.

To better fulfill Congress's aim, I join my colleagues in strongly supporting the proposed Made in America Manufacturing Finance Act of 2025 (MAMFA). Increasing the lending limit from \$5.5 million to \$10 million for manufacturers is essential, particularly in high-cost states like California. In a recent roundtable AmPac hosted with the Federal Reserve Bank



of San Francisco and several manufacturing CEOs, leaders shared that their future growth depends on investing in automation and advanced equipment—investments that often require millions of dollars. I also recommend raising the regular 504 Loan Program lending limit from \$5 million to \$7.5 million, as the program caps were last adjusted in 2010. Modernizing 504 loan limits will enhance access to capital for growing small businesses. Clean energy is also a critical and growing component of the manufacturing sector that would also benefit from such an increase. Manufacturing and clean energy are a winning combination for small businesses, for our economy, for our environment and for creating livable wage jobs, which brings to me my next point.

Congress authorized multiple policy goals prioritizing energy efficiency. These goals include:

- reducing energy consumption by at least 10 percent
- increasing the use of sustainable designs that reduce the use of nonrenewable resources and minimize environmental impact; and
- upgrading plant, equipment, and processes involving renewable energy sources.

The energy public policy goals are delivering meaningful results in California. Let me share the example of Dahdoul Textile, a family-owned wholesaler and retailer of discounted and liquidation consumer goods in Los Angeles. They have used SBA financing to purchase six buildings and have created new jobs with each expansion. AmPac financed four of these



projects. For their most recent acquisition in 2024—a 27,318 square-foot building in West Covina, formerly a Big Lots store—they leveraged the 504 Energy Public Policy goal. The project included the installation of solar panels to generate greater than 15% of the energy, as required, but the borrower opted to add more solar to obtain the benefit of greater cost savings since the store location will operate 11 hours a day, 7 days a week. In 2025, the business expanded again and utilized the SBA 504 Energy Public Policy goal to facilitate the purchase of another retail store that was a former Big Lots in the city of Victorville, CA. The loan is in the process of closing and will include solar panels to generate energy savings for the business in a high desert community known for cool winters and hot summers. Sixteen new jobs will be created. Like the other store, the purchase benefits the community by revitalizing the shopping center, filling vacant space, and adding new jobs. The business plans to continue to grow with the goal of purchasing more vacant stores and adding solar for the benefit of renewable energy and lowering costs.

Another project example that bears sharing is Summerset, located in Reno, Nevada. After successfully using the 504 program to open facilities in California, the company identified a site in Reno where they could develop a 63,700-foot memory care facility with assisted living residences. The \$30 million project was supported with a \$5.4 million SBA 504 loan leveraging the energy public policy goal. The business added 72 new jobs, and a photovoltaic solar system, which continued Summerset's commitment to sustainability through renewable energy.



Recommendation: In the newest version of SBA's Standard Operating Procedures (SOP) effective June 1, 2025, SBA implemented a \$16.5 million cap on energy-related 504 loans. I recommend agency leadership remove this cap, as it threatens to limit the ability of businesses like Dahdoul and Summerset to expand, modernize facilities, reduce energy costs, and create jobs. Eliminating the cap would ensure that small businesses can fully leverage renewable energy investments for long-term growth and sustainability.

Another area I would like to discuss is the 504 program's basic loan structure. As my colleague noted, typically, the program follows a 50/40/10 model: 50 percent financing from a private lender, 40 percent from the CDC/SBA, and 10 percent equity from the borrower. However, many small businesses, especially first-generation entrepreneurs, and first-time commercial real estate buyers, struggle to meet the 10 percent down payment while still preserving the working capital necessary to operate and grow. At AmPac, we launched our "It Is Possible" downpayment assistance loan program to support businesses with liquidity replacement.

One of my favorite success stories of this initiative is Jerry's story. Jerry is the owner of Riggins Urban Barber College, a navy veteran from San Diego. Jerry needed help to fulfill the dream of commercial real estate ownership. A first-generation entrepreneur and a first-time commercial real estate buyer who has dedicated his life to giving young men and



women a second chance by training them in barbering, his program provides students not only with technical skills but also with entrepreneurial training, empowering them to build businesses of their own. As the demand for enrollment grew, his leased space in a shopping center could no longer accommodate the students, which led him to look for a second location. His financials were strong enough to qualify for the loan, but the down payment would leave him without operational cash. AmPac's assistance provided liquidity replacement, restoring critical cash to support his expansion and to hire four new employees for the new location.

Recommendation -- Establish a pilot program under the 504 Loan Program to allow first-generation entrepreneurs and first-time commercial real estate buyers, who own and control little productive capital, to qualify with a five percent down payment. This adjustment would open the door for more small businesses to invest in commercial real estate, build equity, and create jobs, directly advancing the goals of the Small Business Act of 1953 to strengthen the economic well-being of our nation. For context, the 504 Loan Program is the only SBA lending program with a statutorily required down payment of 10 percent (and in some cases, 15 or 20 percent). A five percent down payment would act as a floor, not a ceiling, and allow CDCs the flexibility to make credit decisions that make sense for the borrower while maintaining the level of underwriting and servicing that resulted in a 0.21 percent default rate in FY 2024.



Next, I want to address the SBA's treatment of "special purpose properties" under the 504 Loan Program. Certain industries and property types are automatically designated as "special purpose," requiring an additional five percent equity injection. This designation often creates a significant barrier to entry without clear data supporting the higher requirement. For example, an urgent care practice would be considered special purpose. This is an essential service in the community, and it is common for medical groups to add an urgent care because of limited medical services in a community.

Recommendation: Remove the additional five percent borrower contribution required for SBA-designated "special purpose properties" in the Small Business Investment Act (SBIA). Data compiled by NADCO shows the charge-off rates for these properties are comparable to the rest of the 504 portfolio, which has a historically low one-year charge-off rate of just 0.08 percent. Eliminating this penalty would ensure that essential community-serving businesses, such as dental and urgent care practices, are not unfairly excluded from affordable 504 financing.

I also want to highlight a recent change to SBA's Standard Operating Procedures (SOP) that has impacted our ability to serve small businesses. The new SOP requires that SBA financing be limited to businesses 100 percent owned by U.S. citizens, U.S. Nationals, or Lawful Permanent Residents (LPRs). While I fully support ensuring SBA resources serve U.S. citizens, this change has negatively impacted our ability to serve businesses that



create jobs and provide services in our communities and are majority-owned and controlled by U.S. citizens, U.S. Nationals, and LPRs.

One such business is a private school in Orange County, founded by three partners—all U.S. citizens except one Canadian minority owner with a 6.5 percent stake. The school, inspired by the explorer Marco Polo, was created to foster curiosity, adventure, and discovery among its students. The school's leaders—all U.S. citizens—were seeking to secure a \$12 million 504 construction loan to expand their facilities and meet growing demand from local families. But because of the new citizenship rule, the project halted and the borrower, as of last week, was still trying to find an affordable financing solution.

I also want to share the story of Lorimar Winery. Starting their business in 2009, the local owners fulfilled a dream in 2012 when they obtained an SBA 504 loan to complete the construction of a winery in beautiful Temecula, CA and celebrated the opening with the community. In 2025, with the same ownership, the Winery was seeking to refinance high interest real estate debt from an expansion, and to pull cash out for eligible business expenses. The majority ownership of the winery remained the same as 2012, however, one of the partners passed away and his non- U.S. Citizen spouse retained his ownership shares. With the citizenship SOP changes, this minority Canadian citizen-partner with 37% ownership in the Winery, the same as 2012, impacted the eligibility of the majority U.S. citizen, who lives in the local community, from obtaining the fixed rate SBA 504 refinance



and the cash out option. This \$6.8 million refinance would have supported the four existing jobs and the seasonal jobs for events hosted at the winery throughout the year but was unable to move forward.

Recommendation: Restore the previous SOP language that allowed SBA financing for businesses majority-owned and controlled by U.S. citizens or LPRs. Minority ownership by non-citizens has not shown to increase risk to the program, and U.S. citizen entrepreneurs should not be denied access to capital because of the citizenship status of a small minority partner.

In conclusion, the SBA 504 Loan Program is one of the most powerful tools we have to help small businesses grow, create jobs, and build generational wealth through entrepreneurship and commercial real estate ownership. With thoughtful adjustments—modernizing 504 loan size limits for manufacturing, along with clean energy manufacturing, and the regular 504 program; lifting caps on energy projects, supporting first-generation entrepreneurs and first-time commercial real estate buyers, removing unnecessary barriers for special purpose properties, and restoring practical citizenship eligibility, this program and the SBA will fulfill the congressional intent of the Small Business Act of 1953, which is reinforced in the preamble of the Small Business Investment Act of 1958:



"It is declared to be the policy of the Congress and the purpose of this Act to improve and stimulate the national economy in general and the small-business segment thereof in particular by establishing a program to stimulate and supplement the flow of private equity capital and **long-term loan funds which small-business concerns need for the sound financing of their business operations and for their growth, expansion, and modernization, and which are not available in adequate supply...**"¹

On behalf of AmPac and the thousands of small businesses we have had the privilege to serve, I thank Ranking Member Markey for the honor of inviting me to testify, Chair Ernst for your leadership in calling this important hearing, and all members of the Committee for the opportunity to discuss the 504 Loan Program today. I deeply appreciate your commitment to strengthening America's small businesses—the backbone of our economy—and to ensuring they have the resources necessary to succeed and thrive.

¹ [Small Business Investment Act of 1958](#)

CHAIR. Wonderful. Thank you very much. And now we will go into our question and answer portion of today's hearing, and I will recognize myself for five minutes for questions.

And I'll start with Mr. Swanson. So, Mr. Swanson, thank you for making the trip to Washington, and for representing Iowa small businesses. In your testimony, you describe how you bought your business from an international owner and then used the SBA's 504 loan program to both purchase your business' building, and then expand your operation in Iowa.

Can you describe the investments that the 504 Program has enabled you to make, and how the program helps small manufacturers secure the capital they need to expand operations and maintain a steady pace of modernization?

Mr. SWANSON. Thank you, Senator Ernst. In our case, the structure of the 504 Program was essential for us as a relatively new ownership group to afford even considering the purchase of the building. And what that enabled us to do is secure the future of our business in that location within a purpose-built structure that, that met our needs very well.

The expansion following behind that, again, with the 504 Program was a very attractive way that we could do that while still maintaining enough working capital continue to hire the staff that we were building back.

As I indicated in my comments, additionally we were in need of bringing in more production equipment. And so, again, by having the capacity to continue to make those in incremental investments over the growth of our business, that is the end result of how we use that, the program, and how it benefited us.

CHAIR. Wonderful. I appreciate that. And then modernization, continual modernization. Really appreciate that.

Mr. SWANSON. Constantly. And we've made more investments this year in some new capabilities, a laser welder, plasma table, all things that we didn't have the internal capacity to do before. And it just all helps drive more of our capabilities internally.

CHAIR. Fantastic. Thank you. And Ms. Wojtowicz, over the last five years, we have seen demand for larger loans within this 504 Program. They've steadily increased. In Fiscal Year 2021, only four percent of loans reached the program maximum compared to over nine percent in Fiscal Year 2025. Over that same period, the share of these large dollar projects for manufacturers has grown at an even faster rate, nearly tripling.

My Made in America Manufacturing Finance Act in conjunction with Senator Coons—and thank you for partnering; really appreciate that—would double the loan limits for small manufacturers. So, if you could explain for us, what are the benefits of expanding the 504 loan program's limits for small manufacturers, and how can we do that while also mitigating taxpayer risk?

Ms. WOJTOWICZ. Thank you, Senator Ernst, and thank you for introducing that bill. We think it's going to be extremely impactful to manufacturers. Indiana is a very high level of manufacturing state. In fact, 45 percent of our 504 loans that we've made have been to the manufacturing sector. So, clearly important to our state and to the employees that work at those companies.

If you think about the cost of manufacturing, much of this equipment is multimillion dollar pieces of equipment. And for a company to expand, like Mr. Swanson's has expanded, and having to continue to bring current equipment in that will increase efficiencies and keep those companies competitive, is extremely important.

And so, not only do we use the higher loan limits so that they can build larger buildings and employ more people, but certainly also to purchase and put into production the very large pieces of equipment that are necessary for those companies to remain competitive and to continue to grow. So, it's extremely important to see those loan limits increased.

CHAIR. Oh, we appreciate the feedback very much. And just very briefly, Ms. Kennedy, I've always prioritized ensuring that the SBA programs provide that meaningful support to rural small business owners who often face substantial challenges in getting adequate access to capital. We hear about that all the time. Could you just briefly walk us through any efforts you've made to support rural small business owners?

Ms. KENNEDY. Thank you so much, Chair Ernst. We have actually made a number of loans to rural businesses. In fact, about \$70 million in 504 lending to rural businesses as well as loans to businesses for Microloans and Community Advantage loans. 2.3 million residents in California are rural, or 5.8 percent of the population. So, it's a very important part of the business that we do in the state. So, thank you for the question. Really appreciate that.

CHAIR. Thank you. And now I recognize Ranking Member Markey for five minutes.

Senator MARKEY. Thank you, Madam Chair, very much. And as I said in the opening, Senator Ernst and senator Coons' Manufacturing Act is one step forward. But as I also pointed out, President Trump's policies are four steps backwards for manufacturers at the same time, which is still hurting our economy.

And as I mentioned in my opening, Trump's SBA new severe citizenship verification requirements are cutting off small business access to capital. These requirements specifically bar small businesses with any amount of foreign investments or ownership through individuals lawfully in the United States of America, including DACA recipients and refugees from receiving a loan.

Now, to qualify for an SBA loan, small businesses must be 100 percent owned by U.S. citizens, nationals, or green card holders. Not even one percent can be owned by someone with a different legal immigration status. Let's just say your father from Brazil, one percent, you're up.

Mr. Raccio and Ms. Kennedy, I'm concerned about the chilling effects that these requirements will have on entrepreneurs looking for an SBA loan. Can you expand on how U.S. small businesses and local communities are hurt by these new requirements? Mr. Raccio.

Mr. RACCIO. Thank you for that question, Senator Markey. It has been challenging for many small businesses. As I alluded to in my testimony, we did have the Brazilian family that was unable to obtain a loan. We also had a more recent example in your home state of Massachusetts with a 80 percent American citizen, a 10 percent two-year green card holder, as well as someone on a work visa

owning the other 10 percent. That project was not able to move forward based on an ownership. So, that was difficult.

While we won't be able to completely quantify who is not applying, we are confident that we are seeing businesses not applying due to the lack of 100 percent ownership of a U.S. citizen or lawful permanent resident. We would urge the committee to return to the previous rules that allowed 51 percent ownership.

Senator MARKEY. Right. And 30 percent of all companies in Massachusetts are started by immigrants. So, that's a story across the whole country, too. So, it gets complicated. Ms. Kennedy.

Ms. KENNEDY. Senator Markey, we too. That matter regarding 100 percent citizenship, especially in the state of California, has been significant. And one of the examples that I included in my written testimony was a returning SBA 504 customer that we had served a local winery. Really a beautiful business, family-owned business in the community.

And they have a partner that is a 30 percent owner that is a Canadian native, a Canadian citizen. And when that first loan was done, we were able to serve that business because it's majority-owned and controlled by a U.S. citizen. When they came back to us, we were not able to serve that business because of the new citizenship rule.

And I agree with my colleague that if we rolled back to the requirements in the SOP that this change, we would be able to serve locally-owned, majority-owned and controlled U.S. citizens who are creating jobs here in America.

Senator MARKEY. Okay, thank you. So, small businesses are required to use the loans to accomplish certain goals, including to reduce energy consumption, increase the use of sustainable designs that reduce greenhouse gas emissions and use renewable energy.

These energy goals were passed on a bipartisan basis, signed into law by President Bush in 2007. I know because I stood over his shoulder when he signed it because I was the Democratic author of the bill. So, Mr. Raccio, can you explain how loans used to meet the clean energy goals have helped small businesses and their communities?

Mr. RACCIO. Absolutely. Thank you, Senator, for that question. We have had a lot of good success stories. One, as I mentioned earlier in testimony, was SBO Sport that was able to do multiple projects utilizing renewable energy.

As a matter of fact, they've had such success with the solar project they've done that they're able to feed electricity back to the grid. So, it's been a very nice project where they're able to provide other small businesses energy at peak times, all while creating jobs and growing their own business by being able to sell some of this energy back.

We also see many hotels that are doing this as well. They've got large flat rooftops. They are traditionally capped at the traditional 504 loan amount. So, by utilizing a renewable energy project, they're able to put solar panels on the roof, save themselves energy usage, and also move forward and obtain the financing that they're looking for.

Senator MARKEY. Thank you, Mr. Raccio. Thank you, Madam Chair.

CHAIR. Thank you, Ranking Member Markey. And now, I recognize Senator Jon Husted for five minutes.

Senator HUSTED. Thank you, Chair Ernst. I want to just reflect a little bit on some of the conversations I've had with Ohio businesses over the past few months because they were grateful that they have a more stable environment to operate in this country since the passage of President Trump's budget reconciliation bill, which passed here and was signed into law on July the 4th, which included expanded pass through income deductions, a hundred percent immediate expensing of business investments, an R&D expense and deduction for domestic R&D costs so that we can invest through the private sector in advancing innovation, employer-provided childcare credits and other employee benefits.

And I know that in talking with them. Like, what does this mean to you? What does it mean? It means more cash flow. It means more liquidity, lower compliance costs, greater incentives, and incentives to hire people. And because they can provide additional benefits to their employees and it encourages them to invest so they can compete with people around the globe.

And I know that's hard for small businesses, but we've done a great deal, and we can do more to create a better business environment in this country. But I was reflecting on Ms. Wojtowicz's testimony here. You said something that struck me. Indiana, Ohio, we have a lot of manufacturing in our respective states, and I know Chair Ernst touched on this as well, that we want to do Made in America.

We say we want more manufacturing jobs in this country. We know that all states are not made the same. Some have a high amount of manufacturing in their respective states as a part of their economy. And you said one of your recommendations—I want to give you a chance to just explain why you believe this is so important.

Because I agree with you that Congress should expand access to the 504 loan program to enable manufacturers to retain more capital by reducing the borrowing equity injection from 10 percent to 5 percent. It's almost a penalty to be a manufacturer even though those sites are coveted in states like ours where people want to have access to those facilities. And just talk about how you think that this will help boost manufacturing in your state and the country.

Ms. WOJTOWICZ. Certainly, Senator, thank you for the question. And manufacturing is critically important to our country in every state. And those states like ours that are heavy manufacturing-focused states, it's even more important in the manufacturing sector.

Again, buildings and equipment are extremely expensive, and often, those companies have working capital needs that are extreme as well. So, by limiting their down payment from 10 percent to 5 percent, they'll be able certainly to have more working capital.

But let me take one other step on there, because many of these manufacturing sites have rail access, which is critical to them to be able for them to deliver goods. If a rail site is on that property, it is currently classified as a special purpose property and they have to put another 5 percent down as equity.

So, instead of in a typical manufacturing project being 50 percent bank, 40 percent CDC, 10 percent equity, if there's a railroad spur on that property, the borrower has to put down 15 percent and only get 35 percent of the very attractive SBA 504 financing with a long-term fixed rate.

So, we're looking for all companies that are special purpose, and there are many, to not have to have that 5 percent penalty. And specifically, for manufacturers, to be able to reduce their equity contribution from 10 percent to 5 percent.

Senator HUSTED. And if you talk to a manufacturer, they need to compete because we have higher wage rates in our country. So, to compete, they have to have the capital to buy the new machinery and equipment that they can to up their productivity gains so that they can actually compete. This is an important part of them having the capital to do that in the big scheme.

Ms. WOJTOWICZ. Extremely important. So, they not only have to invest in that capital, and having a 10 percent down payment pulls some of the working capital out of the business.

Senator HUSTED. I see Mr. Swanson smiling and shaking his head. I think he wants to say something here. Would like to add?

Mr. SWANSON. Oh, Senator, I was just nodding in agreement. There's only one pool of capital we have available as a company. We have to elect where to deploy that, whether it's on equipment purchases and modernization, or hiring more staff, et cetera. So, my colleague's point is exactly on target with that.

Senator HUSTED. Great. Thank you.

CHAIR. Thank you. Senator Coons.

Senator COONS. Thank you, Chair Ernst, Ranking Member Markey. And thank you to our four great witnesses today.

Not everybody finds manufacturing capital needs riveting, but I do. I'm excited about this hearing. I think this is interesting. We all find manufacturing exciting. Some of you know I spent a decade in manufacturing before I ever ran for office, and then as county executive, and now as Senator, work closely with the CDCs in Delaware and with those who help with capital lending, and who compete globally as small and medium sized American manufacturers.

So, Mr. Swanson, Mr. Raccio, Ms. Wojtowicz, and Ms. Kennedy, thank you for what you do as small manufacturers, as CDC lenders, to help deploy the resources of the 504 Program. And thanks for helping us understand how the 504 Program helps bridge the gap, and CDCs help originate and put together and secure these.

I am proud to work with Chair Ernst on the Made in America Manufacturing Finance Act, recently approved by this committee and its corollary in the House by voice vote to increase the loan size available to small manufacturers.

Mr. Swanson, in your prepared testimony, you discussed the challenge of competing in foreign markets. I think you spoke earlier about competing in Brazil. How does the guaranteed lending offered by the 504 Program allow small manufacturers to successfully compete globally?

Mr. SWANSON. Well, thank you, Senator Coons. The starting point I would refer to would be as was discussed by allowing us to continue to invest particularly in the kinds of capital equipment.

That can be extremely useful for us to offset the challenges of labor supply, and with allowing us to, in our case, the specific requirements to produce the high-tech equipment that we're manufacturing. We leverage those advantages in, in terms of the international markets that we pursue.

Senator COONS. I remember meeting with Miller Metal in Bridgeville, Delaware, my first year as a Senator and seeing how both SCORE, which is an organization founded in Wilmington, Delaware of business executives who volunteer and consult, and the Manufacturing Extension Partnership Program helped this small, family-owned metal pressing and bending company figure out what capital investments they needed to make to get a cutting-edge bending, and welding, and punching machine. And then, they successfully competed against a Chinese manufacturer for a small part that went into thousands of assembled, what I would call a Hi-Fi system, but a stereo system. It was amazing to me a company from Bridgeville could compete directly with a Chinese manufacturer and win.

I was concerned to hear that their funding had been held up for months, and they were beginning to lay off people federally. They have 10,000 volunteer mentors. It's the most cost-effective federal program known. I was relieved to find out today that those withheld funds are now being released and flowing. You mentioned SCORE and other resource partners in your written testimony. How do they help reinforce your work delivering capital to manufacturers?

Mr. RACCIO. Thank you, Senator Coons, for that question. They help on almost a weekly basis. SCORE has been a monumental partner in helping our small businesses, whether it's finding access to certain SBA programs, helping them with business plans, is often critical for our small business partners. Whether they're looking to expand or simply start and they're not sure how to go about it.

Specifically, in New England, we have a lot of retired executives that have an extreme amount of industry knowledge, so it's been a really good partnership with SCORE. They'll also pair up with SBDC as well and work with them. So, they're out at events. They are a great product. Great set of people. I'm glad the funding was released. But they are out there and working with our businesses every day.

Senator COONS. Last question for anyone on the panel, if I might. There have been proposals to cut the SBA workforce by as much as 40 percent. At least in Delaware, I've seen how having the SBA office and staff with connections, and resources, and experience helps facilitate access, particularly to manufacturers who tend to be overextended, and overstretched, and only know about these programs because there's staff available to help with the outreach.

What sort of impact do you think we would see if they actually carry through with dramatic cuts to the total SBA staff? Anybody jump ball? Ms. Kennedy.

Ms. KENNEDY. Senator Coons, thank you very much for the question. You know the SBA staff is so resilient. We've just found them to be so committed to getting the work done and partnering with other economic development organizations like CDCs that we

would all have to jump in because small businesses are that important to our local economies and to creating jobs.

And so, certainly, cuts always hurt, but the rally for small businesses is absolutely there in our local communities, and we want to make sure that those employees are there for serving our community, but as well as having those partners like SCORE. So, that was really good news to hear. So, thank you for delivering that, too.

Senator COONS. Thank you. And thank you, Madam Chair, for the chance to work with you to help provide more capital to America's small business manufacturers.

CHAIR. I'm so glad to partner with you. Thank you. And, Senator Shaheen.

Senator SHAHEEN. Well, thank you, Madam Chair, and thank you to all of our witnesses today. We're really delighted to have you here and to have your experience to share with us. Just following-up on Senator Coons' question about staffing shortages. One of the things that I've heard from some of my constituents in New Hampshire is that 504 approvals are taking longer in large part due to staffing cuts, and the loss of some of the experienced staff that have been working on these kinds of loans for a long time.

Can any of you speak to what difference it makes when it takes longer to get a 504 loan approved? What does that mean for the small businesses who are affected?

Mr. RACCIO. Thank you for that question, Senator. Absolutely, it impacts our businesses and their ability to close on loans, whether it's real estate that needs to be purchased. For example, we had a recent deal where there was a 1031 real estate exchange which is a federally-timed product where we have to close. And we're waiting, and the business is very nervous if they're going to get the approval.

So, that's just one example of where when there are time delays it's very sensitive to the businesses, and it often leaves them feeling anxious, noticeably so. So, anything we can do to increase turn-around time, and have that accountability and predictability for the small businesses that they know, whether it's 5 days or 10 days, that would be immeasurable to the small business to know when they start their loan application with us, in this certain amount of time, they're going to have a decision.

Senator SHAHEEN. Thank you. Does anybody want to add to that?

Ms. KENNEDY. Senator, it's a great question. And again, I would say to you that SBA staff is so resilient in terms of trying to make sure they serve small business. They're committed to that. But I agree with my colleague, time matters, and time kills deals. And so, it's really important to have that level of certainty when they submit a loan that we can get that approved in a timely manner.

Senator SHAHEEN. Thank you. I appreciate that. And I would agree with you, the SBA field staff in New Hampshire is tremendously resilient and do a great job. And my experience is that all of the other SBA folks that we've worked with are in that category.

I know that Senators Young and Klobuchar have worked together on some improvements to the 504 Program. One change in particular that they've proposed that I think is really important is

shifting the occupancy rates to make it easier to use a 504 loan for mixed use building.

New Hampshire, like so many states is really an affordable housing crisis. There are a lot of New Hampshire towns that have main street buildings that are no longer occupied that could really benefit from investment to allow them to be used as housing, as well as commercial space.

So, I know, Mr. Raccio, or at least I understood, that you may have looked into this issue and maybe others have as well. Do you think that changing those occupancy requirements would be helpful as we're looking at how do we address both small business issues but also some of the housing challenges that we have in states?

Mr. RACCIO. Thank you, Senator, for that question. Yes, we would absolutely love to be able to change the occupancy requirements to a 50 percent owner-occupied versus 51 for existing and 60 for ground up new construction. What that would really do is it would allow more SBA borrowers to get access to these capital funds to purchase real estate.

We're often involved as a panel with customers that are buying much like you mentioned, Senator, buildings that may have two floors, you know, might have some investment space to it, which is great for our borrower to have some of that accountability.

And believe it or not, sometimes, especially in New England where I lend, we have a lot of buildings that are identical up and down. So, you're stuck at 50 percent. Yes, we understand that can't move forward. So, it would be really nice to be able to have it be 50/50, and be able to have more access for capital to borrowers.

Senator SHAHEEN. So, you said 50/50 on existing buildings, but what did you say about new buildings?

Mr. RACCIO. Same. 50/50.

Senator SHAHEEN. Do others want to address that? Ms. Wojtowicz.

Ms. WOJTOWICZ. Thank you, Senator. I would like to just add a little bit of clarification, because the current SOP also requires that even if it's at 51 percent, that over a period of time, they occupy up to 80 percent. So, that would not allow those kinds of projects to go forward unless we address both sides of that issue.

Senator SHAHEEN. Oh, that's a really good point. Thank you very much for that. Thank you-all very much for your testimony.

CHAIR. Thank you. Senator Rosen.

Senator ROSEN. Well, thank you. Thank you, Chair Ernst, Ranking Member Markey, for holding this hearing. I love to see everyone is smiling and agreeing. And this is a—you know, this committee, small businesses, the backbone of our country. And in Nevada, we have 280,000 small businesses. That's 99 percent of businesses in Nevada are small businesses. And right now, we have almost 100 approved 504 loans for, I think, over \$120 million total. And we want to keep that going. So, thank you for all being here.

And I know supporting clean energy businesses has been brought up by Senator Markey. I want to build on that a little bit because we know a little something about that. Nevada and some more, supporting small business in the clean energy SEC sector is beneficial for local national economies. Seeing these benefits firsthand.

Nevada is a leader in clean energy with the most solar jobs per capita of any state. We got plenty of Sun. We farm the Sun, Iowa, you've got the corn. Nevada, we've got the Sun, right? We farm what we can, and we're still growing. Last year, Nevada had its greatest expansion of solar capacity in a decade, which will create even more economic opportunity for clean energy small businesses.

So, this means a cancellation for funding streams like solar for all program and cuts to the clean energy tax credits in the recently enacted reconciliation bill. Well, it's going to have a devastating impact on the small businesses. We have tons of small businesses that make all the pieces and parts that go into building solar panels, a solar field, and all that support. And it's really important. We have a lot of businesses for our broader clean energy economy. So, due to these cuts, businesses in Nevada, they're uncertain. Will they close? Will they stay? Will they go? And it's a very, very stressful time for us.

So, Ms. Kennedy, you mentioned in your testimony a successful clean energy project in Reno. Thank you very much. It utilizes 504, maybe one of these nearly 100 programs. Can you speak to the importance of directing investment to emerging industries like clean energy and the ways we can make it easier, especially for those? We have wind, water, solar, geothermal, that's what Nevada has, our geography and geology and we want to be able to leverage that 504 funding.

Ms. KENNEDY. Well, thank you so much, Senator. And we certainly agree with that. When we think about that Somerset Reno project where we were able to assist a business that had gotten multiple SBA loans in California and moved into Reno. To do another Memory Care facility that included some senior housing as well, being able to get access to the SBA energy public policy goal and open up another location, creating over 70 jobs, a very significant project in Reno.

And so, being able to eliminate that cap, which was already in place in the previous administration, it really will make a difference for clean energy and energy cost, or increasing in states like California with all of the fires. And so, being able to sell back to the grid, as my colleague mentioned, being able to create that clean energy at solar and reduce energy costs is such a win-win for small businesses already dealing with so many additional costs.

Senator ROSEN. I agree. Thank you. And I want to move on. You talked about affordable housing, but I'm going to move on about expanding SBA loans for affordable housings because our nation is facing a severe shortage of affordable housing. It's forcing families into housing insecurity. It's creating challenges for small businesses. It's dragging down our local economies.

And in order to address the housing crisis, we must support small businesses in the housing industry working to tackle this issue; home builders, contractors, all the support businesses that do that to ensure they have the capital that they need to contribute to their communities.

And so, I recently sent a letter to SBA and HUD urging them to work together to better support small business in the housing industry, including by opening up SBA capital to home building those developers. Affordable housing, it really makes a difference.

So, Mr. Raccio, can you give us any stories here, discuss how you're working with small businesses in the housing space, and any stories that you want to share in this time I have left?

Mr. RACCIO. Thank you, Senator, for that question. As I'm sure you're aware, the SBA 504 isn't able to directly provide assistance for housing. But we do on a daily basis provide financing for some of those businesses to purchase their own real estate and expand.

I recently had a project up in Cape Cod, Massachusetts with a large contractor where we were able to utilize the SBA 504 refinance program and help that contractor out to refinance 19 pieces of heavy-duty equipment such as excavators and bulldozers.

So, while we might not be able to directly provide funds to the end user as of today, we're certainly involved with the industry helping them out on a daily basis.

Senator ROSEN. That's fantastic. Thank you. Well, it's an all of be above approach. So, thank you all for being here. Thank you, Madam Chair.

CHAIR. Absolutely. Thank you. And now I'll recognize Senator Hickenlooper for five minutes.

Senator HICKENLOOPER. Thank you, Madam Chair. This is a treat. We're watching you on TV. You don't see us all here, but we're watching, and really appreciate. There are not that many of us left, but I'm one the—I'm an entrepreneur in my own right. I started out as a geologist, and then in the big long kind of inflation—what'd you call it? The stagflation epics of the '80s, our company got sold and we all got laid off. And I was out of work for a couple years, but ended up opening a restaurant that brew its own beer.

And our lending parameters where no one—I went to 33 banks, and they turned me down every time. I was only trying to borrow 50 grand because the city would give us 125 grand, because we were at an abandoned warehouse district so they wanted to stimulate the area.

And so, we finally got open after all these banks—actually, the Women's Bank was the only bank that would give us a loan. And we had to put up about literally \$150,000 worth of collateral, stock certificates, and house deeds to get a \$50,000 loan.

Got going and things took off, and we needed—we had all of a sudden everyone copied us, and we had all these competitors. And we had to expand, and we were going to take this big old five story warehouse and put affordable housing up on top. Minor detail was, I didn't have any money still. We had a business that was doing great and cash flowing like crazy.

Anyway, the 504 program was what we used, and it allowed us to take the cash flow we have and then the asset. And we were gambling. If we put these millions of dollars into it, it would be worth this much more money. And it worked and really was—no one else would've talked to us, no one else would've given us that chance.

And I think if you look at so much of the good ideas and innovations that come out of this country, it's people that are not that smart. They're just about to lose their business, and they're fretting every hour, lying awake at night figuring how you're going to make

payroll, how can you get more customers, how can you get a better margin on those customers?

And that's what creates that devotion to trying to solve your problems. It's is really what leads to solutions that a lot of other people benefit from. It turned out we ended up making a whole bunch of money out of it, but I never intended that. You know, the only reason I was a small business person was because I didn't want to have a boss. [Laughter.]

Anyway, I appreciate very much all of you and what you've done. And let me start off with Ms. Kennedy. You know, as I said, major investments in things where you've got fixed assets. It's amazing resource for our businesses. And I think the renewable energy, obviously, we've seen a bunch of that. One of our first bills that we introduced was going to allow us to use 504 programs to invest in energy efficiency or clean energy projects.

Sometimes it's hard to get that improvement in cash flow to be monetized. Now more than ever, we're seeing them use these investments to navigate the increasing costs and the new energy sources that will lower energy costs.

But in this past June, the SBA put a cap on 504 financing that a business could receive for energy projects just as it were at that point where suddenly we had a bunch of projects lined up and ready to come through that ultimately, I think, were those small businesses that were so neurotic and driven that they would've come up with the innovations and the great ideas.

So, Ms. Kennedy, I'd ask, how have small businesses used 504 to invest in clean energy, and what does the cap do, in candid terms?

MS. KENNEDY. Thank you so much, Senator. As I mentioned in my written and oral testimony, this 504 cap will hinder small businesses from continuing to use the energy efficiency public policy goal by no longer being able to do multiple projects.

Dahdoul Textile is one of the businesses I mentioned. In Somerset, Reno, is another business I've mentioned. And we have a number of businesses in California, in particular, who could benefit from removal of that cap so that they can continue to grow using the energy public policy goal. It's really critical. In California, energy costs continue to go up because of the fires, and we need to have access to this particular public policy goal without those limitations.

Senator HICKENLOOPER. Great. Thank you. And can I steal another minute?

CHAIR. I suppose. [Laughter.]

Senator HICKENLOOPER. I told too long a story, and I apologize. Mr. Raccio, and I'll get rid of all the flowery preamble. But how do you describe how lenders can combine different types of financing to support businesses, and is there something we should be doing in Congress? Or is there something that we can kind of put our shoulder to the wheel, and try and get the SBA to do in terms of being innovative?

I ended up with four different loans to get that project done. And one of the great things about the 504 was it really, it would go below like the city loan, which just had a—it made all the difference.

Mr. RACCIO. Thank you, Senator. We have an amazing tool box set of products, whether it's the 504 for a fixed capital asset or it's the 7(a) to help out with working capital, a lot of the tools that the everyday business owner is going to need. We have, I think, being able to increase some of those limits.

And also, having some accountability with regards to timeframes will really help to boost where we go with those products. So, I would think the panel would agree. We've got a really good tool set. Just listening to your story, listening to Karl's story, at the end of the day, when we're able to do these loans, we can see the excitement in your face. We really do make small business owners dreams come true. And it's not every day we can say that, but we really have clients like yourself that really love what they do and are excited about taking the opportunity to purchase real estate.

Senator HICKENLOOPER. Yeah. I appreciate that, and thank you-all. It's funny, I came very close to doing a brew pub in Indianapolis, and came very close doing one in Davenport. Rock Island actually is where we were looking, but in that Quad City stuff. So, anyway, thank you-all. I yield back.

CHAIR. Okay. If there are no further questions, I want to thank our witnesses for being here with us today. I ask unanimous consent that the record of today's hearing remain open for two weeks for members to submit questions, revise and extend their remarks, and submit additional information into the record.

Without objection, so ordered. And with that, the Committee on Small Business and Entrepreneurship stands adjourned. Thank you all very much.

[Whereupon, at 3:44 p.m., the hearing was adjourned.]

Written Testimony of TMC Financing

Submitted to the U.S. Senate Committee on Small Business and Entrepreneurship

Date: September 17, 2025

Submitted by: Barbara Morrison, President & CEO of TMC Financing

Chairman, Ranking Member, and Members of the Committee:

Thank you for the opportunity to submit testimony. I'm Barbara Morrison, founder of TMC Financing, a nonprofit Certified Development Company I established in 1981 to help small businesses access affordable capital. Based in Oakland, California, TMC Financing has grown to become the nation's largest CDC, certified by the U.S. Small Business Administration to deliver SBA 504 loans. Over the past four decades, we've helped more than 8,000 small businesses secure over \$16 billion in government-backed financing across California, Nevada, Arizona, Oregon, and Hawaii.

The SBA 504 Loan Program offers long-term, fixed-rate financing for major fixed assets such as land, buildings, and machinery—investments that anchor businesses in their communities and fuel local growth. It is a vital tool for economic development, job creation, and wealth-building in underserved communities. However, recent regulatory changes, particularly those related to citizenship verification, have created unintended barriers for otherwise qualified borrowers. I respectfully urge the Committee to consider the following issues and recommendations.

Citizenship Verification Requirements: A Barrier to Access

The new citizenship verification rules have imposed significant administrative burdens and excluded deserving entrepreneurs from accessing SBA 504 financing. These rules disproportionately affect immigrant business owners, many of whom are building successful enterprises and contributing meaningfully to their local economies.

Case Example: Southern California Bath and Body Company

We recently worked with a woman-founded and owned business based in Southern California. Since its founding in 2015, the company has grown to nearly \$1 million in annual sales and employs three local workers. Its products have been featured in Business Insider, ELLE, Refinery21, and BuzzFeed. Despite qualifying for a refinance

that would have lowered monthly payments and provided cash for further expansion, the founder was deemed ineligible due to her conditional permanent residency status.

Conditional residency is a legal status granted to new immigrants who are married to U.S. citizens. This status becomes permanent after two years of marriage. Under the new SBA rules, however, conditional residents are excluded from 504 loan eligibility—penalizing them despite their lawful presence and long-term commitment to the U.S. economy. In this case, the founder's growth was stalled by a bureaucratic technicality, despite her business being firmly rooted in the U.S. and contributing to local employment and commerce.

Case Example: American Pintle Manufacturer

We recently worked with a third-generation, family-owned business that relocated its operations from Canada to the United States with a long-term vision to expand American manufacturing. The company is now the largest manufacturer of pintle wires and pintlepin accessories in its industry and has experienced steady growth since its move. To support its expansion, the business entered a lease-to-own agreement and invested significantly in upgrading its facility, machinery, and equipment—intending to eventually purchase the property through the SBA 504 Loan Program.

At the time of application, the business met all eligibility criteria for a 504 loan. However, recent changes to SBA rules requiring all owners of an applicant business to be U.S. citizens or legal permanent residents rendered them ineligible. In this case, the operator's parents were Canadian citizens and retained a minority ownership stake but, had no operational involvement in the business.

As a result, their plans to purchase the facility they've occupied and improved for the past five years were abruptly halted, putting their investment and long-term stability at risk. This case highlights how the new citizenship requirements, while well-intentioned, can unintentionally penalize thriving immigrant-owned businesses that are actively investing in U.S.-based manufacturing infrastructure and creating American jobs.

We have also encountered borrowers who chose not to apply for SBA financing due to fear and confusion surrounding citizenship documentation. These missed opportunities represent lost jobs, stalled innovation, and diminished community investment.

It is important to note that the SBA 504 Loan Program is inherently designed to safeguard U.S. economic interests. It does not finance rolling stock, inventory, working capital,

intellectual property, or any other assets that can leave U.S. territory. The program is strictly limited to U.S.-based fixed assets and infrastructure. Even if business owners are not U.S. citizens, we should still encourage foreign investment in domestic assets that contribute to local economic development, job creation, and long-term economic resilience.

We recommend that the SBA revise its citizenship verification requirements to:

- Accept conditional permanent residency as eligible status.
- Return to the previous policy of allowing an applicant business to be at least 51% owned by a U.S. citizen or legal permanent residents.
- Ensure that verification procedures do not create undue delays or disqualify borrowers who otherwise meet all other program criteria.

Policy Recommendations to Strengthen the 504 Program

Furthermore, we support the legislative and regulatory reform recommendations outlined in the “SBA 504 Policy Recommendations” submitted by our trade association, NADCO.

Key priorities include:

- **Eliminating the “Credit Not Available Elsewhere” Test:**

The “Credit Not Available Elsewhere” requirement, borrowed from the SBA 7(a) Loan Program, is inappropriate for the 504 Loan Program and discourages qualified borrowers. The 7(a) program is designed to improve access to capital for small businesses that cannot secure necessary financing on reasonable terms from other sources. Therefore, the credit elsewhere test is a logical and necessary eligibility requirement for that program.

However, the 504 Loan Program serves a fundamentally different purpose. It is an economic development program—not a credit gap program. All 504 loans must meet a job creation or public policy goal, such as revitalizing a low-income area, supporting small manufacturers, or promoting energy efficiency. The program is structured to finance long-term, fixed assets that contribute to local economic growth. Applying the credit elsewhere test to 504 loans adds unnecessary complexity and disqualifies borrowers who otherwise meet the program’s development objectives.

We strongly recommend that this requirement be removed from the 504 Loan Program to align eligibility criteria with original congressional intent and the program’s core mission.

- **Removing the \$16.5 Million Cap on Energy Projects:**

There is no statutory basis for this cap, and its removal would support clean energy investments domestically. This arbitrary limit restricts otherwise creditworthy businesses from investing in local economies, strengthening domestic infrastructure, and creating local jobs.

Conclusion

The SBA 504 Loan Program is a cornerstone of small business growth and local economic development. Its design already ensures that financing is directed toward U.S.-based economic development by limiting eligible uses to fixed assets and infrastructure located within the United States.

Given this structure, we should be encouraging investment in U.S.-based assets through the 504 program and not discouraging it through overly restrictive citizenship verification requirements. Immigrant entrepreneurs are vital contributors to our economy, and their exclusion from the 504 program undermines the program's mission and hampers further economic development.

We urge the Committee to act on reforms that:

- Remove unnecessary barriers that require Applicant Business to be 100% owned by US citizens.
- Eliminate unnecessary and restrictive requirements like "credit not available elsewhere."
- Expand access to clean energy investment and other public policy goals.

These changes will ensure the 504 Loan Program continues to serve as a powerful engine for economic growth, job creation, and community revitalization.

Respectfully submitted,

Barbara Morrison
President & CEO
TMC Financing

Response to Question 1 – Concerns About SBA Citizenship Rule Changes

Thank you for the question, Senator Hirono. Yes, I do have concerns regarding the recent changes to the citizenship requirements for SBA loans. Under the previous rule, businesses were eligible for SBA funding if at least 51% of the company was owned by a U.S. citizen or lawful permanent resident. The new requirement—mandating 100% ownership by U.S. citizens or lawful permanent residents—represents a significant shift.

This change penalizes businesses that have lawful foreign investors, including those who are physically present in the United States and contributing to our economy. Many of these individuals hold green cards, H-1B visas, or other work-based visas. They are here legally, working in critical industries, and often investing in American businesses because they believe in the strength and stability of our economy. Excluding them from SBA-backed funding opportunities sends the wrong message and undermines the inclusive spirit of American entrepreneurship.

Moreover, this rule change discourages foreign investment from individuals who may not reside in the U.S. but choose to invest in American companies because they see our economy as a safe and promising opportunity. These investors help fuel innovation, job creation, and growth. Blocking their participation not only limits access to capital for U.S. businesses but also weakens our global competitiveness.

In short, this policy shift punishes businesses that rely on diverse sources of capital and discourages legal, productive participation in our economy. It runs counter to the goals of the SBA, which is to support small businesses and foster economic development.

Response to Question 2 – Expected Impact of SBA Citizenship Rule Changes on Businesses

Thank you again for the question, Senator Hirono. Unfortunately, we may never be able to fully quantify the short-term and long-term effects this policy change will have on our economy.

What I can share is what we are seeing on the ground. For example, a U.S.-based manufacturer that exports globally may now struggle to secure the equipment needed to fulfill an order or obtain a working line of credit, simply because of these new restrictions. Access to SBA-backed financing is often the difference between a project moving forward or stalling indefinitely. And we've already seen multiple businesses turned away.

My fellow Certified Development Companies (CDCs) across the country have shared numerous examples of promising SBA loan applicants being rejected due to minority ownership by a foreign investor. These are not bad actors—they are legal investors, often family members, who are supporting U.S. citizens and lawful residents in building businesses here.

I've personally encountered several such cases, including the one mentioned in my submitted testimony involving a Brazilian father and his daughter, a U.S. citizen. She was denied SBA funding because of her father's minority stake in the company. Since I testified just 30 days ago, I've had to decline two additional loans due to foreign ownership. One of those was a repeat

customer who had previously qualified under the former rules. This time, they were denied because of a 5 percent investment from a Greek national.

That project may now be shelved entirely. The business had planned to use an SBA 504 loan to move forward. Without it, they will be forced to raise additional capital and seek higher-interest financing, both of which will strain their financials and potentially jeopardize their growth.

It is important to remember that many foreign investors are here legally. They include green card holders, H-1B visa holders, and other work visa recipients who are actively contributing to our economy. These individuals are often innovators, job creators, and strategic partners in American businesses. Excluding them from SBA eligibility not only limits access to capital but also negatively impacts our entrepreneurial ecosystem.

Reverting to the previous SOP rule—requiring 51 percent ownership by a U.S. citizen or lawful permanent resident—is both the prudent and fair course of action. It allows capital to flow to small businesses while maintaining a strong standard of domestic control. I urge you and your colleagues to advocate for this change and help restore access to critical funding for the businesses that need it most.

Thank you.

David P. Raccio

Senior Vice President
Director of SBA Lending
New England Certified Development Corp.

**Senate Committee on Small Business and Entrepreneurship Hearing
September 17, 2025
Follow-Up Questions for the Record**

Questions for Ms. Jean Wojtowicz

Questions from: Senator Young

In your testimony, you highlighted that through the Indiana Statewide Certified Development Corporation or CDC, you've helped fund more than 1,500 Indiana businesses with over \$750 million in loans—financing that has leveraged more than \$2.2 billion in additional private investment. While the program has an impressive track record, there's more we can do to modernize and streamline it, so it continues to deliver results for today's entrepreneurs.

QUESTION 1: For example, how do current loan limits compare to the actual costs of expansion projects, whether purchasing equipment, real estate, or new facilities?

***Answer:** The limits of \$5 million in debentures (supporting a \$12 million project) were last changed in 2010. If that were inflation adjusted, that same project today would cost \$18.5 million, and a debenture of \$7.5 million. This supports the industry's request to increase the limit for all projects to \$7.5 million and the debenture for manufacturing to \$10 million.*

As the country is supporting Made in America efforts, manufacturing will increase. Manufacturing is very capital intensive with a need for sophisticated, modern equipment and facilities.

The SBA 504 Loan Program, with its long-term low fixed rates, is uniquely positioned and well suited to support the revitalization of our manufacturing sector and meet the needs of all small businesses.

QUESTION 2: From your perspective, would raising loan limits make the program more effective in meeting the needs of modern small businesses, particularly in capital-intensive sectors like manufacturing?

***Answer:** The last time Congress addressed loan limits for the 504 Loan Program was in the Small Business Jobs Act of 2010 (P.L. 11-240), which set the current limits of \$5 million for regular 504 projects and \$5.5 million for manufacturing and energy efficiency projects. As you know, since 2010 we have weathered a global pandemic, rising construction costs, and inflation. Now, 15 years later, not only does \$5.5 million not stretch nearly as far as it used to, but the capital-intensive nature of manufacturing has become even more expensive with single pieces of cutting-edge machinery often costing millions of dollars. If we want to seriously move the needle to help small manufacturers grow, increasing the 504 loan size to \$10 million is a good first step.*

There are other measures that would also benefit small manufacturers, some I mentioned in my written testimony, and some I mentioned during the hearing. One example bears repeating in part because of its impact in Indiana specifically.

Current law requires 504 borrowers to provide a 10 percent downpayment, which allows the business to preserve cash for working capital and other needs of a growing business. However, the law requires five percent additional equity in certain cases: 1) for new businesses less than two-years-old, and 2) for designated “special purpose” properties.

While the extra five percent for new businesses makes sense due to the higher risk they present, the extra five percent for special purpose properties does not. These properties do not perform any differently than loans in the rest of the 504 portfolio, but the borrower is penalized with an extra five percent down.

To reiterate the example I provided during the hearing, this requirement impacts manufacturers in Indiana. Manufacturers do not have a special purpose property designation, but because many manufacturers in Indiana also need access to a railroad, they are deemed special purpose properties due to their proximity. That manufacturer, who needs every bit of cash they can get, must put 15 percent down instead of 10 percent. I urge Congress to address this issue by removing the requirement of an extra five percent extra equity injection for special purpose properties.

Manufacturing is capital intensive. Reduced equity requirements will encourage investment and job creation. We recommend reducing the

borrower equity contribution for small manufacturers to 5% and adjusting financing structure to: 45% Third-Party Loan, 50% 504 Loan, and 5% Borrower Equity.

This proposal was in prior legislation that passed the House twice and most recently passed out of the Senate Small Business & Entrepreneurship Committee last Congress.

QUESTION 3: I recently reintroduced with Senator Klobuchar, the 504 Credit Risk Management Improvement Act, which is designed to streamline oversight of the 504 program while increasing transparency and reporting. This legislation would strengthen the Office of Credit Risk Management, giving it clearer tools to oversee Certified Development Companies and ensure program integrity.

From your perspective, what are the biggest challenges your organization faces in meeting SBA's reporting and compliance requirements?

***Answer:** The SBA 504 Loan Program has operated effectively with no subsidy since 2015. The program is supported by the fees charged as part of the program construct. The industry is judicious in its underwriting, and the program has a very low .07% loss rate over the past year.*

To maintain these low loss rates, it is appropriate that SBA have an oversight role, but that should be done on a risk adjusted way. There is currently significant duplication in reporting through the Annual Report, the file reviews including complete file reviews for loan files, and IPIAA complete file reviews for loans prior to funding. In addition, SBA monitors compliance quarterly through the SMART Score and the LRR/LPR Scoring systems. The data the SBA already has for each CDC should be adequate to develop a risk-based oversight role that focuses on risk, rather than a "one-size-fits-all" approach.

SBA conducts extremely robust oversight over CDCs and while the CDC lending industry welcomes appropriate oversight to ensure programmatic health and longevity, there are redundancies and some requirements that cost CDCs crucial time and resources that could be better spent assisting small businesses. For example, a CDC cannot hire a new employee without first getting approval from the SBA even though CDCs are private entities with checks and balances in their hiring practices. This approval process can cause delays in hiring and training new employees to assist small businesses and is simply unnecessary.

This is one example of many – to provide some context around the level of oversight CDCs currently experience, I am including a brief overview of the various oversight components:

*A CDC must have **satisfactory SBA performance** as determined by SBA. Factors may include, but are not limited to, review/examination assessments, SBA SMART metrics, historical performance measures (like default rate, purchase rate, and loss rate), the CDC's Risk Rating, loan volume to the extent that it impacts performance measures, and other*

performance related measurements and information (such as contribution toward SBA's mission).

New CDC:

- *Extensive application to become a new CDC including ability to package, process, close, and service loans. SBA reviews/approves all CDC staff; board members; loan committee members (strict experience criteria).*

Permanent CDC::

- *Importance of loan quality: CDC staff underwrite each loan, CDC Loan Committee reviews and approves, CDC board reviews and ratifies. Bank lending partners underwrite each loan using their institution's requirements and regulations. Then SBA reviews and approves the loans.*
- *SBA mandates CDCs have specific levels for Errors and Omissions (E&O) and Directors and Officers (D&O) insurance based on revenue size.*
- *Requires review/examination assessments including two-year review of CDCs risk rating, historical performance measures (e.g. default rate, purchase rate and loss rate), portfolio compliance.*

Priority CDC:

- *With permanent status, a CDC goes through another application process and layer of SBA review and approval to become a Priority CDC, including satisfactory SBA performance requirements.*

ALP (Accredited Lenders Program):

- *A CDC must meet all requirements of Priority CDC to be eligible to apply for ALP status. The application process is extensive and includes OCRM review (ALP qualifications, compliance with program reviews including SMART Reviews and Annual Reports), Sacramento Loan Processing Center (SLPC) comments and Commercial Loan Servicing Center comments.*
- *CDCs must submit documentation to SBA every two years for ALP authority renewal. SBA goes through the application approval process above, obtaining comments from OCRM, SBA's processing, servicing and liquidation centers.*

Abridged Submission Method (ASM):

- *ALP or Premier Certified Lenders Program (PCLP) CDCs that have processed at least 10 loans in the last 12 months and have quality loan*

application packages are selected by SLPC to participate in a streamlined application process called the Abridged Submission Method (ASM).

- *SBA monitors CDCs continued eligibility by reviewing one out of 10 loan applications during a 12-month period. If a CDC fails to meet the required portfolio performance standards or any other criteria for ASM, the CDC will lose this status. SBA will rely more heavily on the analysis of the CDCs; therefore, continued quality performance of the CDCs portfolio is essential.*
- *The SLPC Center Director or designee may approve or remove ASM status at any time for good cause including, but not limited to, misrepresentation, quality of post-approval actions and findings of internal or external audits of the CDC.*

PCLP delegated authority:

- *CDCs must demonstrate the ability to process, close service and liquidate loans, performance factors include, review/examination assessments, SBA SMART metrics, historical performance measures (such as 60 days delinquent reports, 90 days or more past due reports, catch-up reports, liquidation rates, past 12-month active purchase rates, Small Business Predictive Score (SBPS) average used by SBA's Office of Credit Risk Management, default rate, purchase rate and loss rate), and the CDC's Risk Rating.*
- *PCLP designated CDCs are responsible for all loan approval decisions except eligibility and must hold 10% of every loan as a loan loss reserve for every loan approved using PCLP status.*
- *SBA requires renewal information and documentation every two years for extensive review including comments from OCRM, SBA's processing, servicing, and liquidation centers.*

Annual Report:

- *CDCs submit information and documentation for extensive SBA review of CDC performance every year. Much of the report is duplicative of data the SBA already has available to them.*

Independent Loan Review:

- *SBA annually approves a CDCs internal control policy. The internal control policy must ensure satisfactory monitoring and management of the SBA loan portfolio, including requirement of an independent loan review with risk rating performed at a minimum of every two years.*

SBA's Lender Portal – SMART Score:

- *This score is a holistic rating of a CDC's performance and risk to the SBA loan guarantee program. It is the aggregation of the SMART component scores (Solvency and Financial Condition, Management and Board Governance, Asset Quality and Servicing, Regulatory Compliance, and Technical Issues), which each focus on different types of CDC risk.*
- *Each metric within SMART is given a score of 1 (lower risk), 3 (moderate risk), or 5 (higher risk) and the summation of the scores within the different SMART components equate to the SMART component score.*

Loan and Lender Monitoring System (L/LMS):

- *L/LMS is an internal SBA data system that includes use of historical data and predictive small business credit scoring. All SBA 504 loans with an outstanding balance are credit-scored quarterly. This data is aggregated, analyzed, and evaluated to assess the credit quality of each individual CDC's portfolio of SBA loans. SBA uses this information to monitor the performance of individual CDCs, CDC peer groups, and the overall 504 loan portfolio.*
- *Using SBA's L/LMS system, SBA assigns all CDCs a composite rating. The composite rating reflects SBA's assessment of the potential risk to the government of that CDC's SBA portfolio.*
- *In general, these factors reflect both historical CDC performance and projected future performance. SBA performs quarterly recalculations on the common factors for each CDC, so a CDC's composite risk ratings are updated on a quarterly basis.*

SBA's Lender Portal:

- *SBA communicates CDC performance to individual CDCs using SBA's Lender Portal (Portal). The Portal allows a CDC to view its own quarterly performance data, including, but not limited to, its current composite risk rating and peer and portfolio metric averages and its SMART score (as discussed above).*
- *Portal data includes both summary performance and credit quality data. Summary performance data is largely derived from data that is provided to SBA through the Central Servicing Agent. If a CDC reviews its performance components and finds a discrepancy with its records, the CDC contacts OCRM.*

Monitoring and reviews:

- *L/LMS provides performance information that allows SBA to monitor and conduct reviews of all CDCs. L/LMS-related monitoring/reviews serves as the primary means of reviewing CDCs with less than \$30 million in gross outstanding SBA loan dollars.*
- *However, SBA may determine at its discretion to conduct other more in-depth reviews (e.g., Analytical, Targeted, Full, or Delegated Authority Renewal reviews) of these CDCs. SBA may also perform Desk Reviews, Loan-by-Loan Reviews, Other Reviews, and pilot test reviews. ("L/LMS-related" refers to the L/LMS reviews and the Lender Profile Assessment (LPA), including the SMART Score.) SBA will contact the CDC if the review detects performance issues or trends requiring further discussion.*

Additionally, when CDCs choose to leave the industry, SBA should transfer those portfolios to existing, well-run, low-risk CDCs. These CDCs are best equipped to service these portfolios. It is important for loan servicing to be accessible and available to the borrowers and the third-party lenders.

Local servicing improves borrower outcomes and program performance. Borrowers with 504 loans are best served by CDCs in the same state that have a mission of serving small businesses and promoting economic development in the local community. The small business and the third-party lending partner expect and deserve local servicing of their 504 loan. If a CDC withdraws from the loan program either voluntarily or involuntarily, SBA currently keeps the portfolio and services it from national loan servicing centers that are not in local communities or responsive to the needs of local businesses and lending partners. SBA has limited staff and resources and should allow local CDCs to service these loans and support these borrowers.

In conclusion, the CDC lending industry would welcome partnering closely with SBA and Congress to provide feedback on areas where streamlining and cutting red tape can help CDCs focus on small business borrowers while maintaining appropriate oversight.

QUESTION 4: What operational challenges do you encounter when processing 504 loans, particularly for larger or more complex projects?

Answer: *Larger, more complex projects do require more expansive underwriting and analysis. These larger projects often have complex capital structures. The recent streamline of the affiliation rules have made the process better. In addition, we feel it is imperative to eliminate the inappropriate application of the SBA 7(a) requirements to the 504 program.*

Recommendation: *Eliminate the "Credit Not Available Elsewhere" from the SBA 504 Loan Program.*

Justification: *This requirement discourages qualified borrowers by applying additional eligibility requirements that do not conform with congressional intent. It is important to clarify, the test does not apply to the 504 Loan Program.*

Credit elsewhere is a requirement of the SBA 7(a) Loan Program that has been inappropriately extended to the 504 Loan Program in regulation. Our CDC industry has been advocating with SBA leadership to remove this requirement from the 504 Loan Program in regulation and, if necessary, codify its removal in statute. In the last Congress, Senator Todd Young (R-IN) introduced an amendment in a Senate Small Business Committee markup to expressly state credit elsewhere does not apply to the 504 Loan Program. These larger, more complex transactions need the structure and benefits of the 504 Loan Program to continue to support their growth. Adequate working capital and owners with resources are critical to growing, stable companies. Imposing "Credit Not Available Elsewhere" to these borrowers will impede their success.

QUESTION 5: How can Congress continue to streamline and strengthen the 504 program through removal of regulatory redundancies or inefficiencies?

Answer: *The industry has proposed several recommendations to the Administration on ways to streamline and strengthen the 504 Program through removal of regulatory redundancies and inefficiencies. A few of the more impactful recommendations are noted below:*

1. *Recommendation: Modernize the process to access ALP designation by utilizing existing data that SBA has available, specifically the SMART Score and LPR Score.*

The ALP Program currently requires a very duplicative process to enter and excludes some high performing CDCs due to outdated requirements that do not reflect the quality of the organization or the servicing activities of the CDCs. This is even more important as the SBA considers providing more delegation to those ALP designated CDCs.

2. *Recommendation: Streamline the 504 Loan Closing Process.*

Delegate closing authority to CDC designated attorneys and ALP CDCs for specific administrative actions and remove SBA District Counsel from closing package reviews. Examples of specific 327 administrative actions to be delegated to the CDC:

- *Reallocating the line-item eligible project costs in an amount not more than 10% of the overall project costs*
- *Correct any name of a borrower, guarantor, eligible passive company*
- *Add an eligible passive company if formed after original loan approval and change the Borrower/Operating Company to Operating Company/Guarantor (or Co-Borrower) as appropriate under SBA Loan Program Requirements*
- *Correct the address if any property with respect to which the loan is made*
- *Correct the name of any interim lender or third-party lender*
- *Change any third-party lender or interim lender if that lender is a financial institution that is regulated by the Federal Government of a State Government*
- *Make a guarantor or co-borrower or a co-borrower a guarantor as required under SBA Loan Program Requirements*

- *Add a guarantor that does not change the ownership with respect to the loan*
- *Reduce the amount of standby debt before any closing as a result of regularly scheduled payments*
- *Reduce the cost of the project with respect to which the loan is made*

Justification: Reduced SBA workload, speeds closings, and maintains oversight through OCRM audits.

SBA could make these changes under its administrative authority. While no legislation is required, these items were included in prior legislation in the past several Congresses. Closed and funded loan files would be subject to ongoing file reviews from SBA's Office of Credit Risk Management (OCRM).

3. Recommendation: Modernize Eligible Passive Company (EPC) Lease Regulations

Allow EPCs to charge market-based rents

Justification: Aligns lease terms with commercial norms and simplifies compliance.

Currently, 13 CFR 120.111(a)(3) requires that the rent or lease payment cannot exceed the amount necessary to make the loan payment to the lender an additional amount to cover the Eligible Passive Company's direct expenses of holding the property, such as maintenance, insurance and property taxes. Since the loan is secured by the property and guaranteed by the Operating Company (OC), the Eligible Passive Company (EPC), and the principles, it should not matter if the OC pays the EPC a market rate that might exceed the debt service. This change would make the program more consistent with existing prudent banking practices.

The important role of congressional oversight, particularly coordination with SBA, is key to addressing regulatory redundancies and inefficiencies in the 504 program, as is the inclusion of industry stakeholders in the discussion. Industry stakeholders can identify pain points in the process, red tape that takes time and resources but does not provide a requisite cost benefit, and barriers to entry for small businesses.

Working together, we can maintain a strong program that is more nimble and able to meet small business needs more efficiently. We have the same goals:

To provide as much capital to small businesses as we can and protect taxpayer dollars through a strong, zero subsidy program. Working back from those goals to modernize the 504 program is an effort that will benefit small businesses for years to come.

