

504 PROGRAM RISK OVERSIGHT ACT

DECEMBER 12, 2025.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. WILLIAMS of Texas, from the Committee on Small Business,
submitted the following

R E P O R T

together with

MINORITY VIEWS

[To accompany H.R. 5788]

The Committee on Small Business, to whom was referred the bill (H.R. 5788) to amend title V of the Small Business Investment Act of 1958 to require an annual portfolio risk analysis of loans guaranteed under such title, and for other purposes, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

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I. PURPOSE AND BILL SUMMARY

On October 17, 2025, Representative Tran, along with Representative Patronis, introduced H.R. 5788, the *504 Program Risk Oversight Act*. H.R. 5788 requires the U.S. Small Business Administration (SBA) to conduct annual risk assessments of the 504 loan portfolio and provide comprehensive reports to Congress.

II. NEED FOR LEGISLATION

The SBA’s Office of Capital Access (OCA) administers SBA’s guaranteed lending programs, including the 7(a) loan, the 504 loan, and the Microloan programs.

The 504 loan program provides long-term, fixed-rate financing of up to \$5.5 million for the acquisition of fixed assets such as land, buildings, and heavy machinery.¹ The SBA’s 504 loans are available through Certified Development Companies (CDCs), community-based nonprofit partners who promote economic development within their communities.² This bill would require the SBA to conduct annual risk assessments of the 504 loan portfolio and provide comprehensive reports to Congress. These reports would be made available to the public within seven days of submission to Congress.

While the SBA already provides Congress with a program risk analysis of the 7(a) lending program, extending this requirement to the 504 program would enhance transparency and offer valuable insight into the health and risks of the program. Greater visibility into the program helps mitigate risks, support informed policymaking, and strengthen the long-term sustainability of the program.

III. HEARINGS

On September 16, 2025, the Committee on Small Business held a hearing examining matters related to H.R. 5788 entitled “Pathway to Capital: The Role of SBA Lending in Supporting Main Street America.”

IV. COMMITTEE CONSIDERATION

The Committee on Small Business met in open session, with a quorum being present, on November 18, 2025, and ordered H.R. 5788, to be reported favorably to the House of Representatives by a roll call vote of 27 ayes to 0 nos.

V. COMMITTEE VOTES

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee to list the recorded votes on the motion to report legislation and amendments thereto. The Committee voted to favorably report H.R. 5788 to the House of Representatives at 11:42 AM.

¹ *504 Loans*, U.S. SMALL BUS. ADMIN., <https://www.sba.gov/funding-programs/loans/504-loans> (last visited Nov. 14, 2025).

² *Id.*

Present	Representatives	Aye	Nay
	Mr. Stauber (MN-08)	X	
	Mr. Meuser (PA-09)	X	
	Ms. Van Duyne (TX-24)	X	
	Mr. Ellzey (TX-06)	X	
	Mr. Alford (MO-04)	X	
	Mr. LaLota (NY-01)	X	
	Mr. Finstad (MN-01)	X	
	Mr. Wied (WI-08)	X	
	Mr. Bresnahan (PA-08)	X	
	Mr. Jack (GA-03)	X	
	Mr. Downing (MT-02)	X	
	Ms. King-Hinds (Del.-CNMI)	X	
	Mr. Schmidt (KS-02)	X	
	Mr. Patronis (FL-01)	X	
	Ranking Member Velazquez (NY-07)	X	
	Mr. McGarvey (KY-03)	X	
	Ms. Scholten (MI-03)	X	
	Ms. McIver (NJ-10)	X	
	Mr. Cisneros (CA-31)	X	
	Ms. Morrison (MN-03)	X	
	Mr. Latimer (NY-16)	X	
	Mr. Tran (CA-45)	X	
	Ms. Simon (CA-12)	X	
	Mr. Olszewski (MD-02)	X	
	Mr. Conaway (NJ-03)	X	
	Ms. Goodlander (NH-02)	X	
	Chairman Williams (TX-25)	X	
	TOTALS	27	0

COMMITTEE ON SMALL BUSINESS119th Congress (*First Session*)

Date: 11/18/2025 _____

Time: 11:42 AM ET _____

Measure: H.R. 5788 – 504 Program Risk Oversight Act

Offered By: _____

Amendment #: _____

Result?	<u>Agreed To:</u> [X]		
	<u>Not Agreed To:</u> []		
	<u>Withdrawn:</u> []		
<i>Voice Vote</i>	<i>Ayes</i> 27	<i>Nays</i> 0	<i>Present</i>

FC Vote #	5
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VI. SECTION-BY-SECTION OF H.R. 5788

Section 1—Short title

This bill may be cited as the “504 Program Risk Oversight Act.”

Section 2—Portfolio risk analysis of loan guaranteed under the 504 program

This section requires the SBA Administrator to submit an annual report to Congress providing a risk analysis of the SBA’s 504 loan program. The report must be made publicly available no later than 7 days after it is submitted to Congress.

The report must include: an overall program risk analysis; risk analysis by industry concentration; risk analysis of CDCs responsible for greater than one percent of the total 504 loans; risk analysis of loans for limited or special purpose properties; steps taken by the SBA to mitigate identified risks; statistics on the number of development companies and loan amounts; purchase and charge-off statistics; and a description of the number and type of enforcement actions taken against a CDC by the SBA, including civil penalties, if any.

VII. CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

Pursuant to 3(c)(3) of rule XIII of the Rules of the House of Representatives, the Committee adopts as its own the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974. At the time this report was filed, the Committee has requested but not received a cost estimate from the Director of the Congressional Budget Office.

VIII. NEW BUDGET AUTHORITY, ENTITLEMENT AUTHORITY, AND TAX EXPENDITURES

Pursuant to clause 3(c)(2) of rule XIII of the Rules of the House of Representatives and section 308(a)(I) of the Congressional Budget Act of 1974, the Committee provides the following opinion and estimate with respect to new budget authority, entitlement authority, and tax expenditures. While the Committee has not received an estimate of new budget authority contained in the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974, the Committee does not believe that there will be any new or increased costs attributable to this legislation.

IX. OVERSIGHT FINDINGS & RECOMMENDATIONS

In accordance with clause 3(c)(1) of rule XIII and clause 2(b)(1) of rule X of the Rules of the House of Representatives, the oversight findings and recommendations of the Committee on Small Business with respect to the subject matter contained in H.R. 5788 are incorporated into the descriptive portions of this report.

X. PERFORMANCE GOALS AND OBJECTIVES

With respect to the requirements of clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the goal of H.R. 5788 is to improve transparency of the 504 loan program.

XI. STATEMENT OF DUPLICATION OF FEDERAL PROGRAMS

Pursuant to clause 3(c)(5) of rule XIII of the Rules of the House of Representatives, no provision of H.R. 5788 is known to be duplicative of another Federal program, including any program that was included in a report to Congress pursuant to section 21 of Public Law 111–139 or the most recent Catalog of Federal Domestic Assistance.

XII. CONGRESSIONAL EARMARKS, LIMITED TAX BENEFITS, AND LIMITED TARIFF BENEFITS

With respect to clause 9 of rule XXI of the Rules of the House of Representatives, the Committee finds that the bill does not contain any congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9(e), 9(f), or 9(g) of rule XXI of the Rules of the House of Representatives.

XIII. FEDERAL MANDATES STATEMENT

The Committee will adopt as its own the estimate of the Federal mandates prepared by the Director of the Congressional Budget Office pursuant to section 423 of the Unfunded Mandates Reform Act.

XIV. FEDERAL ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act were created by this legislation.

XV. APPLICABILITY TO LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act.

XVI. STATEMENT OF CONSTITUTIONAL AUTHORITY

Pursuant to clause 7 of Rule XII of the Rules of the House, the Committee finds that the authority for this legislation in Art. I, § 8, cl.1 of the Constitution of the United States.

XVII. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, and existing law in which no change is proposed is shown in roman):

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (new matter is printed in italics and existing law in which no change is proposed is shown in roman):

SMALL BUSINESS INVESTMENT ACT OF 1958

* * * * *

TITLE V—LOANS TO STATE AND LOCAL DEVELOPMENT COMPANIES

* * * * *

SEC. 511. PORTFOLIO RISK ANALYSIS.

(a) *IN GENERAL.*—*The Administrator shall annually conduct a risk analysis of the portfolio of the Administration with respect to all loans guaranteed under this title.*

(b) *REPORT TO CONGRESS.*—*Not later than December 1, 2025, and annually thereafter, the Administrator shall submit to Congress a report containing the results of each portfolio risk analysis conducted under subsection (a) during the fiscal year preceding the submission of the report, which shall include—*

(1) *an analysis of the overall program risk of loans guaranteed under this title;*

(2) *an analysis of the program risk, set forth separately by industry concentration;*

(3) *without identifying individual development companies by name, a consolidated analysis of the risk created by development companies making loans under this title that are responsible for not less than 1 percent of gross loan approvals under this title, set forth separately by—*

(A) *the dollar value of the loans made by such development companies;*

(B) *the number of loans made by such development companies; and*

(C) *an analysis of the program risk for such loans with a dollar value—*

(i) *less than or equal to \$500,000;*

(ii) *greater than \$500,000 and less than or equal to \$1,000,000;*

(iii) *greater than \$1,000,000 and less than or equal to \$2,000,000; and*

(iv) *greater than \$2,000,000 and less than or equal to \$5,500,000;*

(4) *an analysis of the program risk for loan guarantees made under this title for loans that were originated—*

(A) *less than one year before the date of submission of the report;*

(B) *at least one year, but not more than two years before such date; and*

(C) *more than two years before such date;*

(5) *an analysis of the program risk for loan guarantees made under this title for loans that were originated—*

(A) to a borrower that uses such loan to open a business;

(B) to a borrower not described in subparagraph (A) that is a business concern that has been in operation for less than or equal to two years before the date of origination; and

(C) to a borrower that is a business concern that has been in operation for more than two years on the date of origination;

(6) *an analysis of the program risk for loan guarantees made under this title for loans that were originated for limited or special purpose properties;*

(7) *steps taken by the Administrator to mitigate the risks identified in paragraphs (1), (2), (3), (4), (5), and (6);*

(8) *the number of development companies, the number of loans made, and the gross dollar amount of the loans made under this title;*

(9) *the number and total dollar amount of purchases by the Administrator of the principal and interest of loans guaranteed under this title that are in default, the total dollar amount of collections recovered on such purchases, and the number and total dollar amount of charge-offs for such purchases;*

(10) *the number and type of enforcement actions with respect to a loan made by a development company under this title recommended by the Administrator; and*

(11) *the number and dollar amount of any civil monetary penalty assessed pursuant to an enforcement action described in paragraph (10).*

(c) *AVAILABILITY OF REPORT.—The Administrator shall make available to the public on a website of the Administration the report required under subsection (b) not later than 7 days after the Administrator submits such report to Congress.*

(d) *LIMITED OR SPECIAL PURPOSE PROPERTY DEFINED.—In this section, the term “limited or special purpose property” has the meaning given by the Administrator in the guidance titled “Lender and Development Company Loan Programs” (SOP 50 10 8; as in effect on June 1, 2025).*

* * * * *

XVIII. MINORITY VIEWS

The Small Business Administration (SBA) administers multiple loan guarantee programs that provide affordable financing to America's small businesses, including the flagship 7(a) program and the 504/Certified Development Company (CDC) program. The 7(a) program provides loans to small businesses that cannot obtain financing on reasonable terms and conditions in the conventional markets; 7(a) loans can be used for working capital, refinancing, business debt, or purchasing equipment and supplies. In Fiscal Year 2024 (FY2024), the 7(a) program supported \$31.1 billion in lending across 70,242 individual loans.¹ The 504/CDC program is administered through nonprofit CDCs and provides long-term fixed rate financing for major fixed assets. In FY2024, the 504/CDC program supported \$6.6 billion in lending across approximately 6,000 loans.² Both the 7(a) and 504/CDC programs are intended to be zero-subsidy, meaning that the cost of administering the programs should be covered by the fees that the SBA receives for processing guarantees.

Federal law requires SBA's Office of Credit Risk Management (OCRM) to conduct an annual portfolio risk analysis of the 7(a) program and provide Congress with a detailed report containing the results.³ The report provides detailed information on the 7(a) program's overall risk, the program's risk set forth by industry concentration, the risk created by individual lenders responsible for not less than 1 percent of the gross loan approvals, the steps taken by OCRM to mitigate risk, statistics on the loans made, the number and dollar amount of losses, the enforcement actions recommended by OCRM, the enforcement actions approved by the Lender Oversight Committee, and the number and amount of civil penalties assessed.⁴ The most recent 7(a) Risk Analysis Report, provided by the SBA under the Biden-Harris Administration in December 2024, has given the Committee valuable insights into the operation and function of the 7(a) program and the risk posed by rising defaults, particularly in the manufacturing sector.⁵

Unfortunately, a similar statutory requirement does not exist for the 504/CDC program. While a rising level of loan defaults in the 504/CDC program does not currently seem to be a concern, and publicly available information does seem to demonstrate responsible operation of the program,⁶ without requiring the SBA to conduct an annual portfolio risk analysis and providing the results of

¹ U.S. SMALL BUSINESS ADMINISTRATION. *7(a) & 504 Lender Report, Fiscal Year 2025*. (Last Accessed: September 2, 2025).

² *Id.*

³ 15 U.S.C. § 657t(h).

⁴ *Id.*

⁵ U.S. SMALL BUS. ADMIN., FY 2024 7(A) PROGRAM RISK ANALYSIS. (Dec. 1, 2024).

⁶ U.S. SMALL BUS. ADMIN. *Small Business Administration Loan Program Performance*. (Last Updated: September 15, 2025). (Last Accessed: September 18, 2025).

that analysis in a detailed report, Congress lacks important information about the operation of the 504/CDC program.

The *504 Program Risk Oversight Act* would provide Congress with the information it needs in order to fulfill its oversight responsibility by creating a federal statutory requirement for the SBA to conduct an annual risk analysis of the 504/CDC program and provide the results of that analysis to Congress, similar to that required of the 7(a) program. In addition, this bill would require that the 504/CDC risk analysis and report assess loans originated under the program for limited or special use properties, as defined by the SBA in guidance titled “Lender and Development Company Loan Programs”.⁷ The National Association of Development Companies (NADCO) supports the bill.

NYDIA M. VELÁZQUEZ,
Ranking Member.

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⁷U.S. Small Business Administration *SOP 50.10.8: Lender and Development Company Loan Programs*. (June 1, 2025), (Pg. 140).