



Using the 504 Program to Build America's Manufacturing Future

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

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Submitted by:

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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.

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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

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

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

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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.