



# **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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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.<sup>1</sup>

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

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<sup>1</sup> Standard Operating Procedure 50 56 1 – Part 1, 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.

<b>Feature</b>	<b>Conventional CRE Loan</b>	<b>SBA 504 Loan</b>
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.<sup>2</sup> 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.

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<sup>2</sup> [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.