



# **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

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

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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.

### **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

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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

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.

### **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.