

# Using the 504 Program to Build America's Manufacturing Future

Written Testimony before the

**U.S. Senate**

**Committee on Small Business and Entrepreneurship**

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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 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...**”<sup>1</sup>

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.

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<sup>1</sup> [Small Business Investment Act of 1958](#)