

**Congress of the United States**  
**House of Representatives**  
109th Congress  
**Committee on Small Business**  
2361 Rayburn House Office Building  
Washington, DC 20515-6515

The Honorable Frank R. Wolf, Chairman  
Science, State, Justice, and Commerce, and Related Agencies Appropriations  
Subcommittee  
Room H-309, The Capitol  
Washington, DC 20515

The Honorable Alan B. Mollohan, Ranking Member  
Science, State, Justice, and Commerce, and Related Agencies Appropriations  
Subcommittee  
Room H-309, The Capitol  
Washington, DC 20515

Dear Chairman Wolf and Ranking Member Mollohan:

We are writing to express our strong support for the Small Business Administration's (SBA) 504 loan program and to respectfully request that the Science, State, Justice, and Commerce, and Related Agencies (SSJC) appropriations bill ensure that the 504 program operates at its full capacity.

The 504 program's objective is economic development through job creation and it accomplishes this by funding the expansion of successful, growing small businesses. The program has created more than 1,300,000 jobs and is a critical economic stimulus program designed to strengthen investment in our local communities.

To accomplish this, the program provides permanent, fixed rate financing for businesses needing to acquire industrial or commercial buildings or heavy equipment and machinery. The program is delivered by local Certified Development Companies (CDCs) working in partnership with private lenders and the SBA. For the first half of FY 2005, the program has provided more than \$2 billion to small businesses, which reflects a program growth rate of 16.1 percent over FY 2004.

Recently, substantial changes were made to the 504 program, which will allow CDCs to provide larger financing packages to small firms. These changes included increasing the total amount of financing available through this program from \$2.5 million to \$3.75 million for general financing purposes and the creation of a new financing alternative for up to \$10 million for small manufacturers. As a result, small businesses will be better able to meet their capital needs enabling them to modernize and expand their operations.

These changes are helpful to small businesses seeking larger amounts of capital. However, action taken by the Committee on Appropriations has produced some unintended consequences. Due to the incorporation of a "hard cap" on 504 program level in H.R. 4818, the Consolidated Appropriations Act for FY 2005, the increased loan sizes now available through the 504 program may exhaust the program level before the end of the fiscal year.

This "hard cap," which represents the first time that the annual appropriations legislation has incorporated a ceiling on the program level for the 504 program, limits 504 lending to \$5 billion in FY 2005, which is too low to fully accommodate the program's recent enhancements. The level proposed for FY 2006 of \$5.5 billion is also insufficient – as industry estimates put demand close to \$7 billion. If the cap is reached, the program will shutdown – leaving many pending loans unfulfilled and forcing local businesses to forgo plans for expansion and hiring. Such a shutdown could undo the recent efforts to strengthen the program, which have made it so successful in the past few years.

In order to ensure that a shutdown does not occur, we request that the Committee on Appropriations defer to the Committee on Small Business regarding the appropriate program level for the 504 program. The 504 program operates at a zero subsidy rate, which means that there is no cost to the taxpayer and no appropriation required for the program. As a result, there is no reason that the Committee on Appropriations should be placing a "hard cap" on 504 program level in the SSJC appropriations bill. By deferring to the Committee on Small Business on this matter, the 504 program would be better able to serve our nation's small businesses.

By doing this, we can ensure that the program achieves its full potential and that our communities will continue to reap the benefits of this critical economic development initiative. We recognize your support of our nation's entrepreneurs and appreciate your efforts in supporting the SBA's 504 program. We look forward to continuing our work with you on this important issue.

Sincerely,

  
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