



February 13, 2025

Honorable Roger Williams
Chairman
Committee on Small Business
2361 Rayburn House Office Building
Washington, D.C. 20515

Honorable Nydia Velázquez
Ranking Member
Committee on Small Business
2069 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Williams and Ranking Member Velázquez:

The National Association of Development Companies (NADCO) represents nearly 200 Certified Development Companies (CDCs) across the country whose core mission is to foster economic development in local communities. The CDC lending industry appreciates you holding the hearing, “*Driving Economic Growth: SBA Lending Programs and the Vital Role of Community Banks,*” and focusing on the community-based lenders providing critical access to capital for small businesses to start and grow.

CDCs are community-based, non-profit lenders who primarily deliver the Small Business Administration’s (SBA’s) 504 Loan Program. The 504 program is the SBA’s premier economic development program, which requires small businesses to create jobs or meet specific public policy and community development goals. Since 1986, the 504 Loan Program has leveraged nearly \$400 billion in financing to Main Street businesses and facilitated the creation of over 3 million jobs.¹

The 504 Loan Program is delivered by CDCs in partnership with a third-party lender, usually a bank or credit union. This partnership is a 40 percent (CDC/SBA-guaranteed debenture), 50 percent (bank/credit union) break down, which provides the small business borrower the benefit of a low 10 percent downpayment to preserve capital to manage their business growth.

CDCs cannot deliver the 504 Loan Program without this collaboration with banks and credit unions. In fact, there are 1,340 third-party lenders who worked with CDCs to deliver 504 loans in FY 2024, of which the vast majority are community banks and credit unions.² This is not a surprise – CDCs, community banks, and credit unions share a deep understanding of the needs of their communities, know their small business borrowers, and strive to build local economies.

This partnership between CDCs and community banks and credit unions also means that 504 loans are underwritten twice: by the CDC and the banking partner. The numbers reflect the strength of this collaboration – according to SBA, 96 percent of 504 loan applications were

¹ [7\(a\) & 504 FOIA - Dataset - U.S. Small Business Administration \(SBA\) | Open Data](#)

² [504 Third Party Lender Statistics](#)

approved and funded in FY 2024. This scrupulous process, along with vigilant servicing and oversight resulted in the following 504 Loan Program performance as of September 30, 2024:³

- 12-month default rate: **0.31 percent**
- Early default rate: **0.21 percent**
- One-year charge off rate: **0.10 percent**, 7 basis points lower than the previous year
- 10-year charge off rate: **0.5 percent**
- Stressed loan rate: **1.11 percent**
- Early problem loan rate decreased from 3.57 percent to **1.96 percent** year over year

In addition to its strong performance, the 504 Loan Program also operates at zero cost to taxpayers and is comfortably paid for by fees. Taken together, the mission, structure, and performance of the 504 Loan Program make it a prime example of a successful public private partnership that stands ready to build on its strong foundation to help more small businesses grow.

NADCO and the CDC lending industry look forward to working with the Committee to meet our mutual goal of providing capital to entrepreneurs across the country in support of a robust small business economy.

Sincerely,



Rhonda Pointon
President & CEO
National Association of Development Companies (NADCO)

³ https://www.nadco.org/resource/resmgr/2025/504_Connect_Call_Slide_Prese.pdf, slide 46