

119TH CONGRESS
1ST SESSION

S. _____

To amend the Small Business Investment Act of 1958 to improve the loan guaranty program, enhance the ability of small manufacturers to access affordable capital, and for other purposes.

IN THE SENATE OF THE UNITED STATES

Ms. KLOBUCHAR (for herself and Mr. YOUNG) introduced the following bill;
which was read twice and referred to the Committee on

A BILL

To amend the Small Business Investment Act of 1958 to improve the loan guaranty program, enhance the ability of small manufacturers to access affordable capital, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “504 Modernization and
5 Small Manufacturer Enhancement Act of 2025”.

1 **SEC. 2. ADDITIONS TO POLICY GOALS FOR THE DEVELOP-**
2 **MENT COMPANY PROGRAM.**

3 Section 501(d)(3) of the Small Business Investment
4 Act of 1958 (15 U.S.C. 695(d)(3)) is amended—

5 (1) by redesignating subparagraphs (A) through
6 (L) as subparagraphs (B) through (M), respectively;

7 (2) by inserting before subparagraph (B), as so
8 redesignated, the following:

9 “(A) workforce development through work-
10 based or work-integrated training, which shall
11 be satisfied by demonstrating that a small busi-
12 ness concern that is a subject of the project
13 has—

14 “(i) a documented in-house training
15 program, the duration of which is not
16 shorter than 12 weeks; or

17 “(ii) entered into a contract with an
18 entity—

19 “(I) to provide trained applicants
20 for any open position of employment
21 at the small business concern; and

22 “(II) that ensures that any appli-
23 cant provided to the small business
24 concern under subclause (I) has un-
25 dergone not fewer than 12 weeks of

1 training that is relevant to the open
2 position described in that subclause,”;

3 (3) by amending subparagraph (D), as so re-
4 designated, to read as follows:

5 “(D) expansion of minority-owned, em-
6 ployee-owned, or women-owned business devel-
7 opment,”;

8 (4) in subparagraph (L), as so redesignated, by
9 striking “producers, or” and inserting “producers,”;

10 (5) in subparagraph (M), as so redesignated, by
11 striking the period at the end and inserting a
12 comma;

13 (6) by inserting after subparagraph (M), as so
14 redesignated, the following:

15 “(N) enhanced ability for small business
16 concerns to reduce costs by using energy effi-
17 cient products and generating renewable en-
18 ergy,

19 “(O) aid revitalizing of any area for which
20 a disaster has been declared or determined
21 under subparagraph (A), (B), (C), or (E) of
22 section 7(b)(2) of the Small Business Act (15
23 U.S.C. 636(b)(2)), or

24 “(P) expansion of small business concerns
25 with 10 or fewer employees.”; and

1 (7) in the flush text following subparagraph
2 (P), as added by paragraph (6), by striking “sub-
3 paragraphs (J) and (K)” and inserting “subpara-
4 graphs (K) and (L)”.

5 **SEC. 3. INCREASE IN LOAN AMOUNTS FOR MANUFAC-**
6 **TURING LOANS.**

7 Section 502 of the Small Business Investment Act
8 of 1958 (15 U.S.C. 696) is amended—

9 (1) in the matter preceding paragraph (1), by
10 striking “The Administration” and inserting the fol-
11 lowing:

12 “(a) IN GENERAL.—The Administration”; and

13 (2) in subsection (a), as so designated—

14 (A) in paragraph (2)(A)—

15 (i) in the matter preceding clause (i),
16 by striking “section” and inserting “sub-
17 section”; and

18 (ii) in clause (iii), by striking
19 “\$5,500,000” and inserting
20 “\$10,000,000”; and

21 (B) in paragraph (3)(A), by striking “this
22 section” and inserting “this subsection”.

1 **SEC. 4. IMPROVEMENTS TO 504 LOAN CLOSING PROCE-**
2 **DURE.**

3 Title V of the Small Business Investment Act of 1958
4 (15 U.S.C. 695 et seq.) is amended—

5 (1) in section 502 (15 U.S.C. 696), as amended
6 by this Act, by adding at the end the following:

7 “(b) CLOSING.—An accredited lender certified com-
8 pany may take any of the following actions to facilitate
9 the closing of a loan made under subsection (a):

10 “(1) Reallocate the cost of the project with re-
11 spect to which the loan is made in an amount that
12 is not more than 10 percent of the overall cost of
13 the project.

14 “(2) Correct any name that is applicable to the
15 loan, including the name of any borrower, guarantor,
16 eligible passive company described in paragraph
17 (3)(A), and operating company described in para-
18 graph (3)(B).

19 “(3) Add any of the following to receive pro-
20 ceeds of the loan:

21 “(A) An eligible passive company that
22 complies with section 120.111 of title 13, Code
23 of Federal Regulations, or any successor regula-
24 tion.

25 “(B) If an eligible passive company is
26 added under subparagraph (A), an operating

1 company with respect to that eligible passive
2 company.

3 “(4) Correct the address of any property with
4 respect to which the loan is made.

5 “(5) Correct the name of any interim lender or
6 third-party lender.

7 “(6) Change any third-party lender or interim
8 lender if that lender is a financial institution that is
9 regulated by the Federal Government or a State
10 government.

11 “(7) Make a guarantor a co-borrower or a co-
12 borrower a guarantor.

13 “(8) Add a guarantor that does not change
14 ownership with respect to the loan.

15 “(9) Reduce the amount of standby debt before
16 the closing as a result of regularly scheduled pay-
17 ments.

18 “(10) Reduce the cost of the project with re-
19 spect to which the loan is made.

20 “(c) ACCREDITED LENDER CERTIFIED COMPANY
21 DEFINED.—In this section, the term ‘accredited lender
22 certified company’ means a certified development company
23 that meets the requirements under section 507(b), includ-
24 ing a certified development company that the Administra-

1 tion has designated as an accredited lender under such
2 section 507(b).”; and

3 (2) by adding at the end the following:

4 **“SEC. 511. CLOSING AND OVERSIGHT.**

5 “(a) SBA DISTRICT COUNSELS.—Beginning on the
6 date that is 180 days after the date of enactment of this
7 section, with respect to the program established under this
8 title, district counsels of the Administration shall be sub-
9 ject to the same requirements, and shall have the same
10 authority and responsibilities, as in effect with respect to
11 that program on the day before the date of enactment of
12 this section, except that—

13 “(1) the Office of Credit Risk Management of
14 the Administration shall have the responsibility for
15 all duties relating to conducting file reviews of loans
16 made under this title; and

17 “(2) district counsels of the Administration
18 shall not have any responsibility relating to the re-
19 view of closing packages with respect to a loan made
20 under this title.

21 “(b) DESIGNATED ATTORNEYS.—For the purposes of
22 this title, the following provisions and requirements shall
23 apply with respect to a designated attorney of a certified
24 development company:

1 “(1) A designated attorney that meets the re-
2 quirements determined under paragraph (2) shall be
3 responsible for certifying documents relating to the
4 closing of a loan described in this title.

5 “(2) The Administrator may determine any
6 continuing education requirements that the des-
7 ignated attorney shall be required to satisfy in order
8 to be permitted to close a loan made under this title.

9 “(3) If, as of the date of enactment of this sec-
10 tion, a certified development company does not have
11 a designated attorney, during the 180-day period be-
12 ginning on that date of enactment, the certified de-
13 velopment company may identify such an attorney,
14 subject to the approval of the Administrator.”.

15 **SEC. 5. CERTIFIED DEVELOPMENT COMPANY LOANS FOR**
16 **SMALL MANUFACTURERS.**

17 (a) CONTRIBUTION REQUIREMENT.—Section
18 502(a)(3)(C) of the Small Business Investment Act of
19 1958 (15 U.S.C. 696(a)(3)(C)), as so designated by this
20 Act, is amended—

21 (1) by redesignating clauses (i), (ii), (iii), and
22 (iv) as subclauses (I), (II), (III), and (IV), respec-
23 tively, and adjusting the margins of such subclauses
24 accordingly;

1 (2) by inserting before subclause (I), as so re-
2 designated, the following:

3 “(i) for a small business concern that
4 is not a small manufacturer (as defined in
5 section 501(e)(7))—”;

6 (3) in subclause (III), as so redesignated, by
7 striking “clauses (i) and (ii)” and inserting “sub-
8 clauses (I) and (II)”;

9 (4) in subclause (IV) as so redesignated, by
10 striking the period at the end and inserting “; or”;
11 and

12 (5) by adding at the end the following:

13 “(ii) for a small manufacturer (as de-
14 fined in section 501(e)(7))—

15 “(I) at least 5 percent of the
16 total cost of the project financed, if
17 the small business concern has been in
18 operation for a period of 2 years or
19 less;

20 “(II) at least 5 percent of the
21 total cost of the project financed, if
22 the project involves a limited or single
23 purpose building or structure;

24 “(III) at least 10 percent of the
25 total cost of the project financed if the

1 project involves both of the conditions
2 set forth in subclauses (I) and (II); or
3 “(IV) at least 5 percent of the
4 total cost of the project financed, in
5 all other circumstances, at the discre-
6 tion of the development company.”.

7 (b) COLLATERAL REQUIREMENTS.—Section
8 502(a)(3)(E)(i) of the Small Business Investment Act of
9 1958 (15 U.S.C. 696(a)(3)(E)(i)), as so designated by this
10 Act, is amended by adding at the end the following: “Addi-
11 tional collateral shall not be required in the case of a small
12 manufacturer (as defined in section 501(e)(7)).”.

13 (c) DEBT REFINANCING.—Section 502(a)(7)(B) of
14 the Small Business Investment Act of 1958 (15 U.S.C.
15 696(a)(7)(B)), as so designated by this Act, is amended—

16 (1) in the matter preceding clause (i), by insert-
17 ing “(or in the case of a small manufacturer (as de-
18 fined in section 501(e)(7)), that does not exceed 100
19 percent of the project cost of the expansion)” after
20 “cost of the expansion”;

21 (2) in clause (v), by adding “and” at the end;

22 (3) by striking clause (vi); and

23 (4) by redesignating clause (vii) as clause (vi).

24 (d) AMOUNT OF GUARANTEED DEBENTURE.—Sec-
25 tion 503(a) of the Small Business Investment Act of 1958

1 (15 U.S.C. 697(a)) is amended by adding at the end the
2 following:

3 “(5) Any debenture issued by a State or local devel-
4 opment company to a small manufacturer (as defined in
5 section 501(e)(7)) with respect to which a guarantee is
6 made under this subsection shall be in an amount equal
7 to not more than 50 percent of the cost of the project
8 with respect to which such debenture is issued, without
9 regard to whether good cause has been shown.”.

10 **SEC. 6. ASSISTANCE FOR SMALL MANUFACTURERS.**

11 Title V of the Small Business Investment Act of 1958
12 (15 U.S.C. 695 et seq.), as amended by this Act, is amend-
13 ed by adding at the end the following:

14 **“SEC. 512. ASSISTANCE FOR SMALL MANUFACTURERS.**

15 “(a) IN GENERAL.—The Administrator shall ensure
16 that each district office of the Administration partners
17 with not less than 1 resource partner to provide training
18 to small business concerns assigned a North American In-
19 dustry Classification System code for manufacturing on
20 obtaining assistance under the program carried out under
21 this title, including with respect to the application process
22 under that program and partnering with development
23 companies under this title.

24 “(b) RESOURCE PARTNER DEFINED.—In this sec-
25 tion, the term ‘resource partner’ means—

1 “(1) a small business development center, as
2 defined in section 3 of the Small Business Act (15
3 U.S.C. 632);

4 “(2) a women’s business center described in
5 section 29 of such Act (15 U.S.C. 656);

6 “(3) a chapter of the Service Corps of Retired
7 Executives established under section 8(b)(1)(B) of
8 such Act (15 U.S.C. 637(b)(1)(B)); and

9 “(4) a Veteran Business Outreach Center de-
10 scribed in section 32 of such Act (15 U.S.C.
11 657b).”.

12 **SEC. 7. LEASING RULES FOR NEW FACILITIES AND EXIST-**
13 **ING BUILDINGS.**

14 (a) IN GENERAL.—Section 502(a) of the Small Busi-
15 ness Investment Act of 1958 (15 U.S.C. 696(a)), as so
16 designated by this Act, is amended by striking paragraphs
17 (4) and (5) and inserting the following:

18 “(4) NEW FACILITIES.—

19 “(A) IN GENERAL.—With respect to a
20 project to construct a new facility, an assisted
21 small business concern may permanently lease
22 not more than 20 percent of the project to com-
23 mercial or residential tenants if such concern—

24 “(i) permanently occupies and uses
25 not less than 60 percent of the project;

1 “(ii) plans to occupy and use an addi-
2 tional portion of the project that is not
3 permanently leased not later than 3 years
4 after receipt of assistance under this sec-
5 tion; and

6 “(iii) plans to permanently occupy and
7 use 80 percent of the project not later than
8 10 years after receipt of such assistance.

9 “(B) SMALL MANUFACTURERS.—With re-
10 spect to an assisted small business concern that
11 is a small manufacturer (as defined in section
12 501(e)(7)), subparagraph (A)(i) shall apply
13 with ‘50 percent’ substituted for ‘60 percent’.

14 “(5) EXISTING BUILDINGS.—With respect to a
15 project to acquire, renovate, or reconstruct an exist-
16 ing building, the following shall apply:

17 “(A) OCCUPANCY REQUIREMENTS.—The
18 assisted small business concern may perma-
19 nently lease not more than 50 percent of the
20 project if the concern permanently occupies and
21 uses not less than 50 percent of the project.

22 “(B) EXCEPTION.—The assisted small
23 business concern may permanently lease more
24 than 50 percent of the project to commercial or
25 residential tenants if—

1 “(i) such concern—

2 “(I) has occupied and used the
3 existing building for a consecutive 12-
4 month period before submitting an
5 application for assistance under this
6 section;

7 “(II) agrees to permanently use
8 less than 50 percent of the existing
9 building and permanently lease more
10 than 50 percent for a consecutive 12-
11 month period after receiving such as-
12 sistance; and

13 “(III) affirms that the existing
14 building is appropriate for current
15 and reasonably anticipated needs; and

16 “(ii) the development company assist-
17 ing such project—

18 “(I) provides written notice to
19 the Administrator on the date on
20 which the development company closes
21 the loan for such project; and

22 “(II) once each year during the
23 first 5 years of the loan, and once
24 every 2 years for the remainder of the
25 loan—

1 “(aa) conducts an examina-
2 tion of the assisted small busi-
3 ness concern to ensure the con-
4 cern is not a real estate develop-
5 ment business; and

6 “(bb) files with the Adminis-
7 trator an anti-investor certifi-
8 cation signed by the development
9 company and the assisted small
10 business concern.

11 “(C) LEASE TERM.—Any residential lease
12 made under this paragraph shall be for a term
13 of not more than 1 year, and any commercial
14 lease made under this paragraph shall be for a
15 term of not more than 5 years.”.

16 (b) REPORT.—Not later than 5 years after the date
17 of enactment of this Act, the Administrator of the Small
18 Business Administration shall submit to Congress a report
19 analyzing the impact of the amendments made by this sec-
20 tion on access to capital for small business concerns (as
21 defined in section 3 of the Small Business Act (15 U.S.C.
22 632)), and recommending whether similar notice, exam-
23 ination, and certifications requirements should be made to
24 the program established under section 7(a) of the Small
25 Business Act (15 U.S.C. 636(a)).