

Newsletter

Fulfill Community Reinvestment Act Credits with SBA 504 Program

SBA 504 Effective Rates for April 2024

25-year - 6.70% / 6.72% Refi ~ 20-year - 6.77% / 6.79% Refi ~ 10-year - 6.60% / 6.64% Refi

Nationwide Preliminary Injunction on Updated CRA Regulations

On March 29, 2024, the U.S. District Court for the Northern District of Texas granted a preliminary injunction preventing the Federal Reserve, the FDIC, and the OCC from implementing their Final Rule on updates to Community Reinvestment Act (CRA) regulations pending resolution of a lawsuit filed on February 5, 2024 by several national and Texas banking and trade groups. **This Final Rule is all on hold due to the court's injunction. The agencies' prior CRA guidance remains in effect until the injunction is lifted.** Because of this injunction, the agencies' prior CRA guidance remains in place. Specifically, bank financing related to a 504 project can qualify under CRA as Community Development if the financing meets **BOTH** a size test and a purpose test (outlined below).

Below is the final rule with updated CRA Regulations. We will send updates as we learn more.

SBA 504 Loan Program and CRA Credit

The Final Rule has amended regulations by the Federal Reserve, FDIC, and OCC, expanding CRA options. These changes ensure that practically any bank loan associated with the SBA 504 loan program is now automatically categorized as economic development, satisfying the Community Development Financing Test for CRA credit. This includes both interim and permanent third-party loans.

Components of Economic Development

The Final Rule establishes three essential components under the "Community Development" category of economic development:

1. Government-related Support for Small Businesses and Farms: This involves collaborative activities with federal, state, local, or tribal governments, including investments, services, and direct or indirect loans.
2. Intermediary Support for Small Businesses and Farms: It provides assistance through intermediaries to small businesses or farms.
3. Other Support for Small Businesses and Farms: This covers additional aid such as financial counseling, shared space, technology, or administrative assistance.

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SBA 504 Loan Program: Direct Loans to Small Businesses

Direct loans to small businesses are central to the SBA 504 loan program. These loans must pass two critical tests to qualify under the Community Development Test:

1. Size Test: The small business must meet the SBA size definition standards.
2. Purpose Test: Loan proceeds must facilitate permanent job creation or retention for low- or moderate-income individuals or in specific census tracts.

Introduction of the Retail Lending Test

A significant addition is the introduction of the "Retail Lending Test." Under this test, any size loan to a small business with \$1 million or less in gross annual revenues can potentially qualify for CRA credit. This expansion aims to provide flexibility for banks and promote broader access to credit.

Overlapping Opportunities

Certain loans to small businesses can now be considered under both the Community Development Financing Test and the Retail Lending Test if they meet the criteria of both.

The recent revisions have ushered in a more inclusive and adaptable framework for CRA credit eligibility, unlocking opportunities for the flourishing of small businesses. The SBA 504 loan program remains a stellar choice for funding deserving small enterprises, offering both credit enhancement and CRA credit to participating banks.

Please reach out with any questions or to partner with NWBDA on your SBA 504 Loan!

March's Loan Fundings

NWBDA funded **2** new projects for a total amount of **\$3,828,479**

March's Loan Approvals

NWBDA approved **2** new projects for a total amount of **\$9,985,000**

In the month of March, NWBDA helped **create 9 new jobs** in its local communities

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