

SBA 504 Loans and CRA

by kblanchard@keycomplianceservices.com - Friday, January 29, 2016

<http://www.kaybeescomplianceinsights.com/sba-504-loans-and-cra/>

While compiling community development loans in preparation for CRA submissions or for an upcoming examination, pay attention to SBA 504 loans.

SBA 504 loans qualify for community development consideration (depending upon the size of the loan as explained below) because the loans promote economic development and create and retain jobs.

Loans of \$ 1 million or less will of course be small business loans and considered under the lending test in a CRA examination for banks of all sizes. Intermediate-small banks have the opportunity to choose to have small business loans of \$1 million or less, which meet the regulatory definition of community development, evaluated as community development loans. Small banks and large banks under CRA do not have that opportunity (of course small banks only have a lending test, there is no separate community development test, all small bank loans are looked at together.)

Loans of greater than \$1 million made under the 504 program are considered community development loans either under the lending test (small bank) or the community development test for ISBs and large banks.

Banks that have a number of 504 originations that fall into small business loans can and should point these out in a CRA Examination so that examiners are aware of what is "hidden" in the small business portfolio. The fact that the bank is a 504 lender is beneficial.

See Page 11648 of the CRA Interagency Questions and Answers at [this link](#).

The OCC has an excellent writeup on SBA 504 loans available [here](#).