



# COMMUNITY REINVESTMENT ACT

## Obtaining CRA Credits with SBA 504 Loans

In general, loans that don't fall under the "conventional small business lending" category may be considered as community development loans. Loans and investments can get credit under the economic development category if they meet both a "size" and "purpose" test. It meets the size test if it is determined to reach a small business as defined by SBA standards or by having revenues of one million dollars or less. To meet the purpose test, the activity must promote economic development by supporting permanent job creation, retention, and/or improvement for persons who are currently low- and moderate-income (LMI) or in LMI geographies, or in areas targeted by the government for redevelopment.

Loans to businesses, when made as part of the SBA's 504 Certified Development Company program, automatically qualify for CRA credit as an economic development loan. However, it must be noted that an SBA 504 loan is like any small business loan, such that as long as the amount is one million dollars or less, it will likely be evaluated under the CRA small business lending test and not as a community development loan.

**Banks have a continuing obligation to help meet the needs of the neighborhoods in which they do business, consistent with safe and sound business practices.**

Banks that have a number of 504 loan originations that fall into "small business loans" should point these out in a CRA examination so that examiners are aware that these loans are contained within the small business loan portfolio.

### Obtaining CRA Credits When Originating 504 Loans

If the amount is one million dollars or less, it will likely be evaluated under the CRA small business lending test

Large banks can typically report business loans of one million dollars or less under the CRA small business portion of the lending test; loans above that amount can be presented for consideration as community development loans

Intermediate small banks can typically present any business loan for consideration as a community development loan

Given that regulations can be interpreted differently by different regulators, the best thing to do is to check with your regulatory agency's point of contact