

# THE “COMMERCIAL REAL ESTATE AND ECONOMIC DEVELOPMENT (CREED) ACT”

## H.R. 1240



## BACKGROUND

As a result of the recession and the dissolution of community banks across the country, small business owners have found it difficult to obtain conventional financing for commercial real estate. In addition, heavy regulations in the banking industry have determined that loans for hotels constitute a high risk for banks. Consequently, borrowers have been forced to accept short-term, high-rate financing options. In 2010, Congress passed the “Small Business Jobs Act,” which included a program allowing small businesses to refinance eligible fixed assets as a part of the Small Business Administration’s (SBA) 504 program. The SBA’s 504 loan refinancing program was a tool designed to promote economic development, business growth and job creation. For hoteliers across the country – almost all of whom were current on their notes – the program provided a lifeline at a time when their traditional sources of financing were disappearing. As these small businesses continued to wait for the credit markets to adjust to new realities, the program expired on September 27, 2012.

## WHY AAHOA SUPPORTS THE LEGISLATION

- For hotel owners, the post-recession availability of commercial credit remains uncertain
- The SBA 504 refinancing program was widely used by AAHOA members, the vast majority of whom were current on their notes
- This access to capital allowed AAHOA members the ability to retain employees, create new jobs, modernize equipment, and improve infrastructure
- It is this certainty for hotel owners and job security for their employees, which sets the stage for future growth

**If enacted, this legislation would reinstate the ability of small businesses to use the SBA 504 program to refinance commercial real estate loans and reinvest in their businesses.**



### PROGRAM AND LEGISLATION FEATURES

- The CREED Act reauthorizes the highly successful SBA 504 refinancing program that allows business owners to lock-in stable refinancing options
- Borrowers gain access to capital and can refinance with lower rates and longer terms
- Through the program, small businesses refinanced 2,700 loans with over \$7 billion in debt in 2012
- Only one (1) default out of 2,700 loans
- **NO cost to taxpayers;** the program is paid for by fees levied on borrowers
- The Congressional Budget Office (CBO) scored the program at ZERO cost to the federal government
- Bipartisan support in the House of Representatives and the Senate