

103^D CONGRESS
2^D SESSION

H. R. 3853

To stimulate private investment, economic development, and the creation of jobs in the private sector by authorizing the Secretary of the Treasury to participate in loans, and guarantee a portion of loans, made by banks and other qualified lenders for businesses with potential for expansion and growth and for other viable economic development projects, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 10, 1994

Mr. KLEIN (for himself, Mr. FRANK of Massachusetts, Mr. SCHUMER, and Mr. DEUTSCH) introduced the following bill; which was referred to the Committee on Banking, Finance and Urban Affairs

A BILL

To stimulate private investment, economic development, and the creation of jobs in the private sector by authorizing the Secretary of the Treasury to participate in loans, and guarantee a portion of loans, made by banks and other qualified lenders for businesses with potential for expansion and growth and for other viable economic development projects, 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,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Economic Revitaliza-
3 tion Act of 1994”.

4 **SEC. 2. PARTICIPATION AND COOPERATION BETWEEN PUB-
5 LIC AND PRIVATE SECTORS TO STIMULATE
6 ECONOMIC DEVELOPMENT.**

7 (a) IN GENERAL.—Title 31, United States Code, is
8 amended by redesignating subtitle VI as subtitle IX and
9 by inserting after subtitle V the following new subtitle:

10 **“Subtitle VI—Cooperation Between
11 Public and Private Sectors**

“CHAPTER
“75. Cooperative Economic Growth and Development Financing Sec.
7501

12 **“CHAPTER 75—COOPERATIVE ECONOMIC
13 GROWTH AND DEVELOPMENT FINANCING**

“Sec.
“7501. Definitions.
“7502. Financial participation.
“7503. Financing.
“7504. Participating financial institutions.

14 **“§ 7501. Definitions**

15 “For purposes of this chapter—

16 “(1) PARTICIPATING FINANCIAL INSTITU-
17 TION.—The term ‘participating financial institution’
18 means any depository institution (as defined in sec-
19 tion 19(b)(1)(A) of the Federal Reserve Act) or
20 other lending institution—

1 “(A) which meets such criteria as the Sec-
2 retary may establish for participating in any co-
3 operative economic growth and development fi-
4 nancing project established by the Secretary
5 under this chapter; and

6 “(B) whose application to participate as a
7 lender in any such project, subject to such con-
8 ditions as the Secretary may prescribe, is ap-
9 proved by the Secretary.

10 “(2) QUALIFIED LOAN.—The term ‘qualified
11 loan’ means a loan which—

12 “(A) is made to a business which—

13 “(i) is in good financial condition;

14 “(ii) has a strong potential for expan-
15 sion and growth; and

16 “(iii) is experiencing difficulty in ob-
17 taining sufficient amounts of credit on
18 terms which are economically viable for
19 such business due to prevailing economic
20 conditions or other circumstances unre-
21 lated to the financial condition of the busi-
22 ness;

23 “(B) is made for purposes which the Sec-
24 retary determines will—

1 “(i) produce a significant net increase
2 in the number of jobs relative to the total
3 amount of the loan; and

4 “(ii) stimulate economic growth in a
5 region or community in which such busi-
6 ness is located; and

7 “(C) meets such underwriting standards
8 and other criteria as the Secretary determines
9 to be appropriate.

10 “(3) SECRETARY.—The term ‘Secretary’ means
11 the Secretary of the Treasury.

12 **“§ 7502. Financial participation**

13 “(a) LOAN PARTICIPATIONS AND GUARANTEES.—

14 “(1) IN GENERAL.—Subject to subsections (b)
15 and (d), the Secretary may—

16 “(A) purchase a participation in any quali-
17 fied loan made by a participating financial in-
18 stitution; and

19 “(B) guarantee the payment of interest on,
20 and the repayment of principal of, a portion of
21 any qualified loan made by a participating fi-
22 nancial institution.

23 “(2) TERMS AND CONDITIONS.—The Secretary
24 may establish such terms and conditions for a loan
25 participation or loan guarantee under paragraph (1)

1 as the Secretary determines to be appropriate, in-
2 cluding—

3 “(A) minimum and maximum limitations
4 on the amount of any qualified loan which is el-
5 igible for any such participation or guarantee;
6 and

7 “(B) in the case of a loan guarantee with
8 respect to any qualified loan, a requirement
9 that the participating financial institution which
10 originated the loan maintain a prescribed
11 amount of reserves with respect to the loan or
12 retain a subordinated participating interest in
13 the loan.

14 “(3) FEES.—The Secretary may impose a fee
15 in such amount as the Secretary determines to be
16 appropriate for any loan participation or loan guar-
17 antee made by the Secretary under this section to
18 cover the costs incurred by the Secretary in carrying
19 out this subsection.

20 “(b) MAXIMUM AMOUNT LIMITATIONS ON PARTICI-
21 PATIONS AND GUARANTEES.—

22 “(1) LOAN PARTICIPATIONS.—Except with re-
23 spect to the purchase of loans in connection with the
24 securitization of qualified loans in accordance with
25 subsection (c), the amount of any loan participation

1 or other interest in any qualified loan acquired by
2 the Secretary under this chapter may not exceed the
3 amount which is equal to 70 percent of the total
4 amount of the loan.

5 “(2) LOAN GUARANTEES.—The amount of any
6 guarantee made by the Secretary under subsection
7 (a)(2) with respect to any qualified loan may not ex-
8 ceed 50 percent of the amount which is equal to—

9 “(A) the total principal of the loan; minus

10 “(B) the amount of any participation in
11 such loan which the Secretary has acquired.

12 “(c) SECURITIZATION OF QUALIFIED LOANS.—

13 “(1) IN GENERAL.—The Secretary may issue
14 securities backed by a pool of qualified loans ac-
15 quired by the Secretary for such purpose.

16 “(2) SECURITIES NOT BACKED BY FULL FAITH
17 AND CREDIT OF THE UNITED STATES.—

18 “(A) IN GENERAL.—A security issued by
19 the Secretary under paragraph (1) shall not be
20 an obligation of the United States, or guaran-
21 teed in any respect by, the United States.

22 “(B) COORDINATION WITH LOAN GUARAN-
23 TEES.—A loan guarantee provided by the Sec-
24 retary with respect to any portion of a qualified
25 loan shall cease to be effective at the time the

1 loan is acquired by the Secretary for inclusion
2 in a pool of qualified loans under paragraph
3 (1).

4 “(3) STANDARDS.—The Secretary shall estab-
5 lish standards governing the composition of a pool of
6 qualified loans under paragraph (1), including
7 standards requiring—

8 “(A) a broad geographical distribution of
9 the businesses which received the loans which
10 are in the pool;

11 “(B) a diversity in the types of businesses
12 which received the loans and in the purposes for
13 which the loans were made;

14 “(C) a wide variety in the amounts of prin-
15 cipal of the qualified loans included in the pool;
16 and

17 “(D) a large number of loans in the pool.

18 “(4) MAXIMUM SIZE OF LOAN INCLUDIBLE IN
19 POOL.—In order to be included in a pool under
20 paragraph (1), the total amount of principal of a
21 qualified loan may not exceed an amount equal to 10
22 percent of the total amount of all loans in such pool.

23 “(5) AUTHORITY TO PURCHASE QUALIFIED
24 LOANS FOR INCLUSION IN POOL.—Subject to sub-

1 section (d), the Secretary may purchase qualified
2 loans for inclusion in a pool under paragraph (1).

3 “(d) ANNUAL LIMITATION ON AGGREGATE AMOUNT
4 OF LOANS AND GUARANTEES.—

5 “(1) LOAN PARTICIPATIONS.—The aggregate
6 amount of qualified loan participations acquired by
7 the Secretary and the amount of qualified loans pur-
8 chased by the Secretary for inclusion in a pool under
9 subsection (c) shall not exceed \$100,000 in any fis-
10 cal year.

11 “(2) LOAN GUARANTEES.—The aggregate
12 amount of guarantees issued by the Secretary with
13 respect to qualified loans shall not exceed \$200,000
14 in any fiscal year.

15 **“§ 7503. Financing**

16 “(a) BOND AUTHORITY.—

17 “(1) IN GENERAL.—In order to obtain addi-
18 tional resources to carry out section 7503 at no ex-
19 pense to the Federal Government or the taxpayer,
20 the Secretary may issue bonds in accordance with
21 this section to obtain additional resources to carry
22 out section 7503.

23 “(2) PRIVATE GUARANTEE.—The Secretary
24 may not issue a bond under paragraph (1) unless
25 (a) the issuance is fully guaranteed by a financial in-

1 stitution which has the highest credit rating of any
2 financial institution in the United States by at least
3 1 unaffiliated, nationally recognized statistical rating
4 organization or (b) the loan obligation is insured or
5 underwritten by a letter of credit or credit insurance
6 issued by a financial institution which has the high-
7 est credit rating of any financial institution in the
8 United States by at least 1 unaffiliated, nationally
9 statistical rating organization.

10 “(3) TERMS AND CONDITIONS IMPOSED BY UN-
11 DERWRITER.—Except to the extent otherwise pro-
12 vided in this chapter, the Secretary shall comply
13 with any term or condition imposed by an under-
14 writer in connection with the issuance of any bond
15 under paragraph (1).

16 “(4) SECURITIES NOT BACKED BY FULL FAITH
17 AND CREDIT OF THE UNITED STATES.—A bond is-
18 sued by the Secretary under paragraph (1) shall not
19 be an obligation of the United States, or guaranteed
20 in any respect by, the United States.

21 **“§ 7504. Participating financial institutions**

22 “(a) STANDARDS AND APPLICATION PROCESS.—The
23 Secretary shall establish standards and application proce-
24 dures for the designation of participating financial institu-
25 tions for purposes of this chapter.

1 “(b) ADVERTISING AND PUBLIC NOTICE.—The Sec-
2 retary shall provide advertising and public notices, and
3 take such other actions as the Secretary determines to be
4 appropriate, to publicize—

5 “(1) the existence of the cooperative financial
6 participation projects established under this chapter;
7 and

8 “(2) the names and addresses of the participat-
9 ing financial institutions involved in such cooperative
10 projects.”.

11 (b) CLERICAL AMENDMENT.—The table of subtitles
12 for title 31, United States Code, is amended by redesignat-
13 ing the item relating to subtitle VI as subtitle IX and by
14 inserting after the item relating to subtitle V the following
15 new item:

“VI. Cooperation Between Public and Private Sectors 7501”.

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