

103^D CONGRESS
2^D SESSION

H. R. 4686

To provide limited relief from high interest rates in certain debentures guaranteed or purchased by the Small Business Administration, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 30, 1994

Mr. LAFALCE introduced the following bill; which was referred to the
Committee on Small Business

A BILL

To provide limited relief from high interest rates in certain debentures guaranteed or purchased by the Small Business Administration, 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,*

3 That this Act may be cited as the “Small Business Pre-

4 payment Penalty Relief Act of 1994”.

5 **SEC. 2. MODIFICATION OF DEVELOPMENT COMPANY DE-**

6 **BENTURE INTEREST RATES.**

7 (a) IN GENERAL.—Upon the request of the issuer

8 and the concurrence of the borrower, the Small Business

9 Administration is authorized to transfer to the Federal Fi-

1 nancing Bank such sums as may be necessary to carry
2 out the provisions of this section in order to reduce the
3 interest rate on a debenture issued by a certified develop-
4 ment company. The reduction shall be effective January
5 2, 1995 and shall apply for the remainder of the term
6 of the debenture.

7 (b) INTEREST RATE MODIFICATION.—Upon receipt
8 of such payment, the Federal Financing Bank shall mod-
9 ify the interest rate of each debenture for which the pay-
10 ment is made. No other change shall be made in the terms
11 and conditions of the debenture, and the modification in
12 the interest rate shall not be construed as new budget au-
13 thority nor require any additional appropriation for credit
14 subsidy on account of the modification.

15 (c) DEFINITIONS.—For the purposes of this sec-
16 tion—

17 (1) the term “issuer” means the issuer of a de-
18 benture pursuant to section 503 of the Small Busi-
19 ness Investment Act of 1958 which has been pur-
20 chased by the Federal Financing Bank if the deben-
21 ture is outstanding on the date of enactment of this
22 Act, and neither the loan that secures the debenture
23 nor the debenture is in default on such date; and

1 (2) the term “borrower” means the small busi-
2 ness concern whose loan secures a debenture issued
3 pursuant to such section.

4 (d) OTHER RIGHTS.—A modification of the interest
5 rate on a debenture as authorized in this section shall not
6 affect any rights or options of the issuer or borrower which
7 are otherwise authorized by contract or by law.

8 (e) REFINANCING.—Debentures authorized by sec-
9 tions 504 and 505 of the Small Business Investment Act
10 of 1958 may be used to refinance debentures issued under
11 section 503 of such Act if the amount of the new financing
12 is limited to such amounts as are needed to repay the ex-
13 isting debenture, including any prepayment penalty im-
14 posed by the Federal Financing Bank. Any such refinanc-
15 ing shall be subject to all of the other provisions of sec-
16 tions 504 and 505 of such Act and the rules and regula-
17 tions of the Administration promulgated thereunder, in-
18 cluding, but not limited to, rules and regulations govern-
19 ing payment of authorized expenses and commissions, fees
20 and discounts to brokers and dealers in trust certificates
21 issued pursuant to section 505: *Provided, however,* That
22 no applicant for refinancing under section 504 of this Act
23 need demonstrate that the requisite number of jobs will
24 be created or preserved with the proceeds of such refinanc-
25 ing: *And provided further,* That a development company

1 which provides refinancing under this subsection shall be
2 limited to a loan processing fee not to exceed one-half of
3 one percent to cover the cost of packaging, processing and
4 other nonlegal staff functions.

5 **SEC. 3. MODIFICATION OF SMALL BUSINESS INVESTMENT**
6 **COMPANY DEBENTURE INTEREST RATES.**

7 (a) IN GENERAL.—Upon the request of the issuer,
8 the Small Business Administration is authorized to trans-
9 fer to the Federal Financing Bank such sums as may be
10 necessary to carry out the provisions of this section in
11 order to reduce the interest rate on a debenture issued
12 by a Small Business Investment Company under the provi-
13 sions of title III of the Small Business Investment Act
14 of 1958. The reduction shall be effective January 2, 1995
15 and shall apply for the remainder of the term of the deben-
16 ture.

17 (b) INTEREST RATE MODIFICATION.—Upon receipt
18 of such payment, the Federal Financing Bank shall mod-
19 ify the interest rate of each debenture for which the pay-
20 ment is made. No other change shall be made in the terms
21 and conditions of the debenture, and the modification in
22 the interest rate shall not be construed as new budget au-
23 thority nor require any additional appropriation for credit
24 subsidy on account of the modification.

1 (c) DEFINITIONS.—For the purposes of this section,
2 the term “issuer” means the issuer of a debenture pursu-
3 ant to section 303 of the Small Business Investment Act
4 of 1958 which has been purchased by the Federal Financ-
5 ing Bank if the debenture is outstanding on the date of
6 enactment of this Act, and is not in default on such date.

7 (d) OTHER RIGHTS.—A modification of the interest
8 rate on a debenture as authorized in this section shall not
9 affect any rights or options of the issuer which are other-
10 wise authorized by contract or by law.

11 **SEC. 4. MODIFICATION OF SPECIALIZED SMALL BUSINESS**
12 **INVESTMENT COMPANY DEBENTURE INTER-**
13 **EST RATES.**

14 (a) INTEREST RATE MODIFICATION.—Upon the re-
15 quest of the issuer, the Small Business Administration is
16 authorized to modify the interest rate on a debenture is-
17 sued by a Small Business Investment Company licensed
18 under the provisions of section 301(d) of the Small Busi-
19 ness Investment Act of 1958. The reduction shall be effec-
20 tive January 2, 1995 and shall apply for the remainder
21 of the term of the debenture. No other change shall be
22 made in the terms and conditions of the debenture, and
23 the modification in the interest rate shall not be construed
24 as new budget authority nor require any additional appro-
25 priation for credit subsidy on account of the modification.

1 (b) DEFINITIONS.—For the purposes of this section,
2 the term “issuer” means a Specialized Small Business In-
3 vestment Company licensed under the provisions of section
4 301(d) of the Small Business Investment Act of 1958
5 which has issued a debenture which has been funded by
6 the Small Business Administration providing the debenture
7 is outstanding on the date of enactment of this Act
8 and is not in default on such date.

9 (c) OTHER RIGHTS.—A modification of the interest
10 rate on a debenture as authorized in this section shall not
11 affect any rights or options of the issuer which are other-
12 wise authorized by contract or by law.

13 **SEC. 5. INTEREST RATE REDUCTIONS.**

14 (a) IN GENERAL.—Upon enactment of an Appropria-
15 tions Act providing funds to carry out the provisions of
16 this Act and limited to amounts specifically provided in
17 advance in Appropriations Acts, the Small Business Ad-
18 ministration shall evaluate the outstanding portfolio of de-
19 bentures which are eligible for interest rate relief under
20 this Act. The Administration shall apply the funds appro-
21 priated to carry out this Act in order to reduce the highest
22 interest rate on all eligible debentures to a uniform rate.

1 (b) AUTHORIZATION.—There are authorized to be ap-
2 propriated \$30,000,000 to carry out the provisions of this
3 Act in fiscal year 1995.

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