

Union Calendar No. 130

104TH CONGRESS
1ST SESSION

H. R. 2150

[Report No. 104-239]

A BILL

To amend the Small Business Act and the Small Business Investment Act of 1958 to reduce the cost to the Federal Government of guaranteeing certain loans and debentures, and for other purposes.

SEPTEMBER 6, 1995

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

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IN THE HOUSE OF REPRESENTATIVES

AUGUST 1, 1995

Mrs. MEYERS of Kansas introduced the following bill; which was referred to the Committee on Small Business

SEPTEMBER 6, 1995

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[Omit the part struck through and insert the part printed in italic]

A BILL

To amend the Small Business Act and the Small Business Investment Act of 1958 to reduce the cost to the Federal Government of guaranteeing certain loans and debentures, 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 “Small Business Credit
3 Efficiency Act of 1995”.

4 **SEC. 2. FEE FOR LOAN GUARANTEES SOLD ON SECONDARY**
5 **MARKET.**

6 Section 5(g)(4)(A) of the Small Business Act (15
7 U.S.C. 634(g)(4)(A)) is amended by striking “ $\frac{4}{10}$ of one
8 percent” and inserting “one-half of 1 percent”.

9 **SEC. 3. GENERAL BUSINESS LOANS.**

10 (a) **REDUCED LEVEL OF PARTICIPATION IN GUARAN-**
11 **TEED LOANS.**—Section 7(a)(2) of the Small Business Act
12 (15 U.S.C. 636(a)(2)) is amended to read as follows:

13 “(2) **LEVEL OF PARTICIPATION IN GUARAN-**
14 **TEED LOANS.**—

15 “(A) **IN GENERAL.**—In agreements to par-
16 ticipate in loans on a deferred basis under this
17 subsection, such participation by the Adminis-
18 tration shall be—

19 “(i) equal to 80 percent of the balance
20 of the financing outstanding at the time of
21 disbursement if such financing is less than
22 or equal to \$100,000; and

23 “(ii) equal to 75 percent of the bal-
24 ance of the financing outstanding at the
25 time of disbursement if such financing is
26 greater than \$100,000.

1 “(B) REDUCED PARTICIPATION.—The
2 guarantee percentage specified by subparagraph
3 (A) for any loan may be reduced upon the re-
4 quest of the participating lender. The Adminis-
5 tration shall not use the percent of guarantee
6 requested as a criterion for establishing prior-
7 ities in approving guarantee requests.

8 “(C) INTEREST RATE UNDER PREFERRED
9 LENDERS PROGRAM.—The maximum interest
10 rate for a loan guaranteed under the Preferred
11 Lenders Program shall not exceed the maxi-
12 mum interest rate, as determined by the Ad-
13 ministration, which is made applicable to other
14 loan guarantees under this subsection.

15 “(D) PREFERRED LENDERS PROGRAM DE-
16 FINED.—In this paragraph, the term ‘Preferred
17 Lenders Program’ means a program under
18 which a written agreement between the lender
19 and the Administration delegates to the lend-
20 er—

21 “(i) complete authority to make and
22 close loans with a guarantee from the Ad-
23 ministration without obtaining the prior
24 specific approval of the Administration;
25 and

1 “(ii) authority to service and liquidate
2 such loans.”.

3 (b) GUARANTEE FEES.—Section 7(a)(18) of the
4 Small Business Act (15 U.S.C. 636(a)(18)) is amended
5 to read as follows:

6 “(18) GUARANTEE FEES.—

7 “(A) GENERAL FEE.—~~The~~ *For any loan or*
8 *financing made under this subsection other than*
9 *a loan repayable in a period of one year or less,*
10 *the Administration shall collect a guarantee fee*
11 *equal to—*

12 “(i) 2 percent of the gross amount of
13 any loan guaranteed under this subsection
14 of an amount less than \$250,000;

15 “(ii) 2.5 percent of the gross amount
16 of any loan guaranteed under this sub-
17 section of an amount equal to or greater
18 than \$250,000 and less than \$500,000; or

19 “(iii) 3 percent of the gross amount of
20 any loan guaranteed under this subsection
21 of an amount equal to or greater than
22 \$500,000.

23 Such fee shall be payable by the participating
24 lending institution and may be charged to the
25 borrower.

1 “(B) ADDITIONAL FEE TO OFFSET
2 COST.—

3 “(i) IN GENERAL.—In addition to the
4 guarantee fee to be collected under sub-
5 paragraph (A), the Administration shall
6 collect a fee for loans guaranteed under
7 this subsection (other than loans for which
8 a guarantee fee may be collected under
9 section 5(g)(4)(A)) in an amount equal to
10 not more than four-tenths of 1 percent per
11 year of the outstanding principal portion of
12 such loan guaranteed by the Administra-
13 tion.

14 “(ii) USE.—Fees collected under
15 clause (i) shall be used solely to offset the
16 cost (as defined by section 502(5) of the
17 Congressional Budget Act of 1974) of
18 guaranteeing loans under this subsection.

19 “(iii) PAYMENT.—Fees collected
20 under clause (i) shall be payable by the
21 participating lending institution and shall
22 not be charged to the borrower.”.

23 (c) REPEAL OF PROVISIONS ALLOWING RETENTION
24 OF GUARANTEE FEES BY LENDERS.—Section 7(a)(19) of

1 the Small Business Act (15 U.S.C. 636(a)(19)) is amend-
2 ed—

3 (1) in subparagraph (B)—

4 (A) by striking “shall (i) develop” and in-
5 serting “shall develop”; and

6 (B) by striking “, and (ii)” and all that
7 follows before the period at the end; and

8 (2) by striking subparagraph (C).

9 **SEC. 4. MODIFICATIONS TO DEVELOPMENT COMPANY DE-**
10 **BENTURE PROGRAM.**

11 (a) **MAXIMUM LOAN AMOUNT.**—Section 502(2) of
12 the Small Business Investment Act of 1958 (15 U.S.C.
13 696(2)) is amended to read as follows:

14 “(2) Loans made by the Administration under
15 this section shall be limited to \$1,250,000 for each
16 such identifiable small business concern.”.

17 (b) **FEE TO OFFSET COST.**—Section 503(b)(3) of the
18 Small Business Investment Act of 1958 (15 U.S.C.
19 697(b)(3)) is amended by inserting before the semicolon
20 the following: “and includes a one-eighth of 1 percent fee
21 which shall be paid to the Administration and which shall
22 be used solely to offset the cost (as defined by section
23 502(5) of the Congressional Budget Act of 1974) of guar-
24 anteeing the debenture.”.