

104TH CONGRESS
1ST SESSION

H. R. 288

To enhance the availability of credit to businesses in order to foster economic growth and stabilization and to create new employment opportunities in communities facing economic distress, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 4, 1995

Mr. KANJORSKI (for himself and Mr. HINCHEY) introduced the following bill;
which was referred to the Committee on Banking and Financial Services

A BILL

To enhance the availability of credit to businesses in order to foster economic growth and stabilization and to create new employment opportunities in communities facing economic distress, 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 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Economic Growth and
5 Stabilization Financing Demonstration Act of 1995”.

6 **SEC. 101. GUARANTEED LOAN DEMONSTRATION PROGRAM.**

7 (a) IN GENERAL.—In order to study the feasibility
8 and desirability of a program of loan guarantees for eco-

1 nomic growth and stabilization in communities facing eco-
2 nomic distress, the Secretary is authorized to guarantee
3 loans made to private borrowers by private lending institu-
4 tions, community development financial institutions, and
5 other lenders as the Secretary considers appropriate, ex-
6 cept that the Secretary may guarantee loans less than
7 \$750,000 only if the borrower is not eligible for a loan
8 guarantee under the Small Business Act.

9 (b) TERMS AND CONDITIONS.—

10 (1) IN GENERAL.—The Secretary may make
11 such guarantees upon application of the lenders and
12 upon such terms and conditions as the Secretary
13 may prescribe.

14 (2) PRESUMPTION OF VALIDITY.—Guarantees
15 under paragraph (1) shall be conclusive evidence
16 that the guarantee has been properly obtained, that
17 the underlying loan qualifies for such guarantee, and
18 that, but for fraud or material misrepresentation by
19 the holder, such guarantee will be presumed to be
20 valid, legal, and enforceable.

21 (3) LENDER RESPONSIBILITY.—No guarantee
22 will be provided unless the lender is responsible and
23 makes adequate provision for servicing the loan on
24 reasonable terms and for protecting the financial in-
25 terest of the United States.

1 (c) PREFERRED LENDER PREFERENCE.—To the ex-
2 tent feasible, the Secretary shall exercise the guarantee
3 authority established under this section on a preferred
4 lender basis and authorize lenders, in accordance with
5 agreements entered into between the Secretary and such
6 lenders, to take such actions on the Secretary's behalf as
7 the Secretary deems appropriate, including, but not lim-
8 ited to, the determination of eligibility and credit worthi-
9 ness and loan monitoring, collection and liquidation.

10 (d) TARGET SUBSIDY RATE.—In exercising the loan
11 guarantee authority provided under this section, the Sec-
12 retary shall attempt to administer the program in a man-
13 ner which results in a subsidy rate not to exceed approxi-
14 mately 6 percent of the amount of the overall loan guaran-
15 tees.

16 (e) AUTHORIZATION OF APPROPRIATIONS.—Of the
17 funds authorized to be appropriated under section 106,
18 for purposes of this section there are authorized to be ap-
19 propriated \$50,000,000 per fiscal year to cover the costs
20 (as defined in section 502(5) of the Federal Credit Reform
21 Act of 1990 (2 U.S.C. 661a(5))) of loan guarantees issued
22 pursuant to subsection (b)(3) of such section. Such sums
23 shall remain available until expended.

1 **SEC. 102. INTEREST RATE SUBSIDY DEMONSTRATION PRO-**
2 **GRAM.**

3 (a) IN GENERAL.—In order to study the feasibility
4 and desirability of a program of interest rate subsidies for
5 economic growth and stabilization in communities facing
6 economic distress, the Secretary is authorized to pay inter-
7 est rate subsidies to private lending institutions, commu-
8 nity development financial institutions, and other lenders
9 as the Secretary considers appropriate, for loans made to
10 private borrowers.

11 (b) TERMS AND CONDITIONS.—The Secretary may
12 pay interest rate subsidies upon application of the lenders
13 and upon such terms and conditions as the Secretary may
14 prescribe, except that no interest rate subsidy may be pro-
15 vided unless the lender is responsible and makes adequate
16 provision for servicing the loan on reasonable terms and
17 for protecting the financial interest of the United States.

18 (c) PREFERRED LENDER PREFERENCE.—To the ex-
19 tent feasible, the Secretary shall exercise the interest rate
20 subsidy authority established under this section on a pre-
21 ferred lender basis and authorize lenders, in accordance
22 with agreements entered into between the Secretary and
23 such lenders, to take such actions on the Secretary's be-
24 half as the Secretary deems appropriate, including, but
25 not limited to, the determination of eligibility and credit
26 worthiness and loan monitoring, collection and liquidation.

1 **SEC. 103. EQUITY FINANCE DEMONSTRATION PROGRAM.**

2 (a) IN GENERAL.—In order to study the feasibility
3 and desirability of a program of equity financing for eco-
4 nomic growth and stabilization in communities facing eco-
5 nomic distress, the Secretary is authorized to establish a
6 demonstration program under which the Secretary may di-
7 rectly, or indirectly through grants to eligible
8 intermediaries, purchase or commit to purchase warrants,
9 subordinated debt, or nonvoting preferred securities of pri-
10 vate United States businesses or nonprofit organizations
11 and associations.

12 (b) ESTABLISHMENT OF FUND.—For purposes of
13 conducting the program provided under subsection (a), the
14 Secretary shall establish an Equity Investment Revolving
15 Fund.

16 (c) DISPOSAL OF EQUITY INSTRUMENTS.—The Sec-
17 retary shall endeavor to dispose of any financial instru-
18 ments purchased or guaranteed under this section within
19 a period of 10 years after their date acquisition of such
20 interest.

21 (d) USE OF PAYMENTS.—

22 (1) USE OF PAYMENTS TO THE SECRETARY.—
23 Amounts received by the Secretary from the pay-
24 ment of dividends and the redemption of financial
25 instruments acquired under this section shall be de-
26 posited in the Equity Investment Revolving Fund

1 and shall, subject to appropriations, be available to
2 make or guarantee additional investments consistent
3 with this section.

4 (2) USE OF PAYMENTS TO ELIGIBLE
5 INTERMEDIARIES.—Of the amounts received by eligi-
6 ble recipient intermediaries from the payment of
7 dividends and the redemption of financial instru-
8 ments acquired under this section—

9 (A) up to 50 percent may be retained by
10 such eligible intermediaries to make or guaran-
11 tee additional investments consistent with this
12 section, and

13 (B) no less than 50 percent shall be re-
14 turned to the Secretary to be deposited into the
15 Fund established under subsection (b) to make
16 or guarantee additional investments consistent
17 with this section.

18 (e) INVESTMENT OF EXCESS FUNDS.—If the Sec-
19 retary determines that the amount of money in the Fund
20 exceeds the current requirements of the Fund, the Sec-
21 retary may direct the Secretary of the Treasury to invest
22 such amounts in obligations of the United States, in obli-
23 gations guaranteed by the United States Government, or
24 in such other obligations or securities of the United States
25 as the Secretary of the Treasury deems appropriate. Pro-

1 vided, however, that any subsequent use of monies so in-
2 vested shall be subject to appropriations.

3 **SEC. 104. SECONDARY MARKET CREDIT ENHANCEMENT**
4 **DEMONSTRATION PROGRAM.**

5 In order to study the feasibility and desirability of
6 a program of providing credit enhancements to pools of
7 financial instruments related to economic growth and sta-
8 bilization activities in communities facing economic dis-
9 tress, the Secretary is authorized to establish a dem-
10 onstration program under which the Secretary may pro-
11 vide credit enhancements to pools of financial instruments
12 related to economic growth and stabilization activities in
13 such areas.

14 **SEC. 105. PERFORMANCE EVALUATIONS; REPORT TO CON-**
15 **GRESS.**

16 (a) PERFORMANCE EVALUATIONS.—The Secretary
17 shall conduct performance evaluations of each of the dem-
18 onstration projects established under this Act to assess
19 their effectiveness in promoting economic growth and sta-
20 bilization in communities facing economic distress.

21 (b) ANNUAL REPORT.—Based on the evaluations
22 conducted under subsection (a), the Secretary shall pre-
23 pare and submit annually a report to the Congress con-
24 taining a full and detailed account of operations under this
25 Act. Such a report shall include—

1 (1) performance measures established under
2 subsection (a);

3 (2) an audit setting forth the amount, type, re-
4 cipient, and source of disbursements, receipts, and
5 losses sustained as a result of operations under this
6 Act during the preceding fiscal year and since incep-
7 tion of the demonstration programs; and

8 (3) recommendations with respect to program
9 changes, statutory changes, and other matters to im-
10 prove and facilitate the operations of the demonstra-
11 tion programs and to encourage the use of these
12 programs by qualified concerns.

13 **SEC. 106. AUTHORIZATION OF APPROPRIATIONS.**

14 For purposes of this Act, there are authorized to be
15 appropriated \$90,000,000 per fiscal year. Such sums shall
16 remain available until expended.

17 **SEC. 107. SEPARABILITY.**

18 If any provision of this Act, or any application of such
19 provision to any person or circumstance, shall be held in-
20 valid, the remainder of this Act, or the application of such
21 provision to person or circumstance other than those as
22 to which it is held invalid, shall not be affected thereby.

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