

103<sup>D</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 2308

To assist in the development of microenterprises and microenterprise lending.

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IN THE HOUSE OF REPRESENTATIVES

MAY 27, 1993

Mrs. COLLINS of Illinois introduced the following bill; which was referred jointly to the Committees on Ways and Means and Banking, Finance and Urban Affairs

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## A BILL

To assist in the development of microenterprises and  
microenterprise lending.

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 “Microenterprise Oppor-  
5 tunity Expansion Act”.

6 **SEC. 2. PUBLIC ASSISTANCE PROVISIONS.**

7 (a) BUSINESS ASSETS EXCLUDED FROM RESOURCES  
8 AND INCOME.—

9 (1) AFDC.—

1 (A) EXCLUSION FROM RESOURCES.—Sec-  
2 tion 402(a)(7)(B) of the Social Security Act  
3 (42 U.S.C. 602(a)(8)(A)) is amended—

4 (i) by striking “or” at the end of  
5 clause (iii); and

6 (ii) by inserting before the semicolon  
7 the following: “, or (v) any asset of the  
8 family which is primarily used for business  
9 purposes in a business owned, in whole or  
10 in part, by an individual eligible for aid  
11 under any State plan approved under this  
12 part; and”.

13 (B) EXCLUSION FROM INCOME.—Section  
14 402(a)(8)(A) of such Act (42 U.S.C.  
15 602(a)(8)(A)) is amended—

16 (i) by striking “and” at the end of  
17 clause (vii); and

18 (ii) by inserting after clause (viii) the  
19 following:

20 “(ix) shall disregard from the income of  
21 any child, relative, or other individual specified  
22 in clause (ii) any asset which is primarily used  
23 for business purposes in a business owned, in  
24 whole or in part, by an individual eligible for

1 aid under any State plan approved under this  
2 part; and”.

3 (2) SSI.—

4 (A) EXCLUSION FROM INCOME.—Section  
5 1612(b) of such Act (42 U.S.C. 1382a(b)) is  
6 amended—

7 (i) by striking “and” at the end of  
8 paragraph (17);

9 (ii) in paragraph (18), by striking the  
10 period and inserting “; and”; and

11 (iii) by adding at the end the follow-  
12 ing:

13 “(19) any asset of such individual (or such  
14 spouse) which is primarily used for business pur-  
15 poses in a business owned, in whole or in part, by  
16 an individual eligible for aid under any State plan  
17 approved under part A of title IV.”.

18 (B) EXCLUSION FROM RESOURCES.—Sec-  
19 tion 1613(a) of such Act (42 U.S.C. 1382b(a))  
20 is amended—

21 (i) by striking “and” at the end of  
22 paragraph (9);

23 (ii) in paragraph (10), by striking the  
24 period and inserting “; and”; and

1 (iii) by inserting after paragraph (10)  
2 the following:

3 “(11) any asset of (including any amount re-  
4 ceived as a loan by) such individual (or such spouse)  
5 which is primarily used for business purposes in a  
6 business owned, in whole or in part, by an individual  
7 eligible for aid under any State plan approved under  
8 part A of title IV.”.

9 (b) PUBLIC ASSISTANCE BENEFITS EXTENDED FOR  
10 PERSONS WITH INCOME FROM OR RESOURCES IN A  
11 MICROENTERPRISE.—

12 (1) AFDC AND MEDICAID.—Section 402(a) of  
13 such Act (42 U.S.C. 602(a)) is amended by inserting  
14 after paragraph (28) the following:

15 “(29) notwithstanding paragraphs (7) and (8),  
16 provide that, during the 2-year period beginning on  
17 the first day any member of a family eligible for  
18 benefits under the State plan sells any good or serv-  
19 ice as part of operating a commercial enterprise with  
20 5 or fewer employees, which is owned in whole or in  
21 part by such family member, all income of such fam-  
22 ily member attributable to the enterprise and all re-  
23 sources in which such family member has a bene-  
24 ficial interest used primarily in the enterprise shall

1 be disregarded in determining the amount of aid to  
2 which the family is entitled under the State plan;”.

3 (2) SSI AND MEDICAID.—

4 (A) EXCLUSION FROM INCOME.—Section  
5 1612(b) of such Act (42 U.S.C. 1382a(b)), as  
6 amended by subsection (a)(2)(A) of this section,  
7 is amended—

8 (i) by striking “and” at the end of  
9 paragraph (18);

10 (ii) in paragraph (19), by striking the  
11 period and inserting “; and”; and

12 (iii) by adding at the end the follow-  
13 ing:

14 “(20) during the 2-year period beginning on the  
15 first day such individual (or such spouse) sells any  
16 good or service as part of operating a commercial  
17 enterprise with 5 or fewer employees, which is owned  
18 in whole or in part by such individual (or such  
19 spouse), all income of such individual (or such  
20 spouse) attributable to the enterprise.”.

21 (B) EXCLUSION FROM RESOURCES.—Sec-  
22 tion 1613(a) of such Act (42 U.S.C. 1382b(a)),  
23 as amended by subsection (a)(2)(B) of this sec-  
24 tion, is amended—

1 (i) by striking “and” at the end of  
2 paragraph (10);

3 (ii) in paragraph (11), by striking the  
4 period and inserting “; and”; and

5 (iii) by inserting after paragraph (11)  
6 the following:

7 “(12) during the 2-year period beginning on the  
8 first day such individual (or such spouse) sells any  
9 good or service as part of operating a commercial  
10 enterprise with 5 or fewer employees, which is owned  
11 in whole or in part by such individual (or such  
12 spouse), all resources of such individual (or such  
13 spouse) that are used primarily in the enterprise.”.

14 **SEC. 3. UNEMPLOYMENT COMPENSATION FOR INDIVID-**  
15 **UALS STARTING MICROENTERPRISES.**

16 (a) STATE LAW REQUIREMENTS.—Subsection (a) of  
17 section 3304 of the Internal Revenue Code of 1986 (relat-  
18 ing to State law requirements) is amended by striking  
19 “and” at the end of paragraph (17), by redesignating  
20 paragraph (18) as paragraph (19), and by inserting after  
21 paragraph (17) the following new paragraph:

22 “(18) compensation shall be payable to individ-  
23 uals starting microenterprises as provided in section  
24 3(b) of the Act for microenterprises; and”.

1 (b) PAYMENT OF COMPENSATION TO INDIVIDUALS  
2 STARTING MICROENTERPRISES.—

3 (1) IN GENERAL.—For purposes of section  
4 3304(a)(18) of the Internal Revenue Code of 1986,  
5 a State law shall provide that—

6 (A) each individual who is an eligible indi-  
7 vidual with respect to any benefit year shall be  
8 entitled to receive regular or extended unem-  
9 ployment compensation, as the case may be,  
10 without regard to any State or Federal require-  
11 ments relating to availability for work, active  
12 search for work, or refusal to accept suitable  
13 work, and

14 (B) such individual shall be considered to  
15 be unemployed for purposes of the State and  
16 Federal laws applicable to unemployment com-  
17 pensation, as long as the individual is actively  
18 involved in the ownership and operation of a  
19 microenterprise or the preparation of a business  
20 plan for the ownership and operation of a  
21 microenterprise and is receiving guidance or  
22 consultation in starting up or operating a  
23 microenterprise from an experienced entre-  
24 preneur or provider of technical business assist-  
25 ance.

1           (2) AUTHORIZATION FOR USING UNEMPLOY-  
2           MENT FUNDS TO PROVIDE STARTUP ASSISTANCE.—  
3           Nothing in section 3304(a)(4) or 3306(f) of the In-  
4           ternal Revenue Code of 1986 or section 303(a)(5) of  
5           the Social Security Act shall prevent amounts in a  
6           State unemployment fund from being used to pro-  
7           vide assistance to eligible individuals in starting  
8           microenterprises. The amount of assistance so pro-  
9           vided shall be in the form of a lump sum and shall  
10          be in lieu of the periodic payments of compensation  
11          to which the individual would otherwise have been  
12          entitled and shall not exceed the aggregate amount  
13          of compensation to which the individual would other-  
14          wise have been so entitled.

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

17                (A) ELIGIBLE INDIVIDUAL.—The term “el-  
18                igible individual” means, with respect to any  
19                benefit year, an individual who—

20                    (i) is eligible to receive regular or ex-  
21                    tended compensation under the State law  
22                    during such benefit year,

23                    (ii) is starting a microenterprise in  
24                    which the individual will have an ownership  
25                    interest, and



1 (iii) submits a request to the State  
2 agency for compensation under this sub-  
3 section.

4 (B) MICROENTERPRISE.—The term  
5 “microenterprise” means any unincorporated  
6 trade or business with 5 or fewer employees, 1  
7 or more of whom own the enterprise.

8 (C) OTHER TERMS.—The terms “com-  
9 pensation”, “extended compensation”, “regular  
10 compensation”, “benefit year”, “State”, and  
11 “State law” have the respective meanings given  
12 to such terms under section 205 of the Federal-  
13 State Extended Unemployment Compensation  
14 Act of 1970.

15 **SEC. 4. TREATMENT OF MICROENTERPRISE LOANS AND**  
16 **GRANTS BY INSURED DEPOSITORY INSTITU-**  
17 **TIONS AS COMMUNITY REINVESTMENT.**

18 (a) IN GENERAL.—Section 804 of the Community  
19 Reinvestment Act of 1977 (12 U.S.C. 2903) is amended—

20 (1) by striking “SEC. 804. In connection with”  
21 and inserting “(a) IN GENERAL.—In connection  
22 with”; and

23 (2) by adding at the end the following new sub-  
24 sections:

25 “(b) MICROENTERPRISE LOANS.—

1           “(1) TREATMENT OF LOANS AND GRANTS.—  
2           The following amounts shall be treated as an invest-  
3           ment in a regulated financial institution’s commu-  
4           nity for purposes of subsection (a):

5                   “(A) The amount of any loan described in  
6                   paragraph (2)(A) made by the regulated finan-  
7                   cial institution directly to a microenterprise, if  
8                   the loan is made in accordance with the require-  
9                   ments of subsection (c).

10                   “(B) The amount of any grant or donation  
11                   made by the regulated financial institution to  
12                   any microenterprise intermediary to meet oper-  
13                   ating costs of the intermediary, including the  
14                   costs associated with training, technical assist-  
15                   ance, and other support services provided by  
16                   the intermediary to microenterprises.

17                   “(C) The amount of any regulated finan-  
18                   cial institution’s investment in a revolving fund  
19                   established by the institution for loans to  
20                   microenterprise intermediaries for lending to  
21                   microenterprises if—

22                           “(i) the amount of the investment in  
23                           the revolving fund is equal to or greater  
24                           than the amount which is equal to 0.05  
25                           percent of the assets of the institution;

1           “(ii) the regulated financial institu-  
2           tion—

3                   “(I) makes grants or donations  
4                   described in subparagraph (B) to  
5                   microenterprise intermediaries the  
6                   total amount of which equals or ex-  
7                   ceeds the amount which is equal to 15  
8                   percent of the amount required to be  
9                   invested in the revolving fund under  
10                  clause (i); or

11                   “(II) provides financial services,  
12                   including the establishment and main-  
13                   tenance of a transaction account, for  
14                   a microenterprise (or any individual  
15                   who controls the microenterprise) who  
16                   receives a microenterprise loan from a  
17                   microenterprise intermediary, at pref-  
18                   erential or reduced rates which are  
19                   at least as favorable to the  
20                   microenterprise as the rates offered  
21                   for such services to the institution’s  
22                   most preferred commercial customers;  
23                   and

24                   “(iii) loans from the revolving fund  
25                  may be made only to microenterprise

1 intermediaries who agree to use the pro-  
2 ceeds of the loan to make microenterprise  
3 loans in accordance with the requirements  
4 of subsection (c).

5 “(2) MICROENTERPRISE LOAN.—For purposes  
6 of this subsection and subsection (c), the term  
7 ‘microenterprise loan’—

8 “(A) means a loan—

9 “(i) to a commercial enterprise with 5  
10 or fewer employees, 1 or more of whom  
11 own the enterprise;

12 “(ii) in amounts not less than \$100  
13 and not more than \$10,000;

14 “(iii) the interest rate on which is  
15 comparable to the interest rate charged on  
16 secured commercial loans offered by the  
17 regulated financial institution to the insti-  
18 tution’s most preferred commercial cus-  
19 tomers;

20 “(iv) which—

21 “(I) is not secured by collateral;

22 or

23 “(II) is secured by collateral the  
24 value of which, as a percentage of the  
25 amount of the loan, is substantially

1 less than the percentage generally re-  
2 quired by the institution for commer-  
3 cial loans; and

4 “(v) the terms of which may permit  
5 the deferral of principal or interest pay-  
6 ments otherwise due under such terms;  
7 and

8 “(B) includes a loan to a microenterprise  
9 intermediary the proceeds of which will be used  
10 by the intermediary for making loans described  
11 in subparagraph (A).

12 “(c) CRITERIA FOR MICROENTERPRISE LOANS.—

13 “(1) IN GENERAL.—A microenterprise loan  
14 meets the requirements of this subsection if the loan  
15 is made in accordance with the following criteria:

16 “(A) In considering any loan to a  
17 microenterprise, the lender takes into account—

18 “(i) the creditworthiness of any per-  
19 son who controls the microenterprise in  
20 lieu of the creditworthiness of the enter-  
21 prise;

22 “(ii) in the case of a microenterprise  
23 which is a startup business, whether the  
24 microenterprise is soundly conceived; and

1           “(iii) the need of the microenterprise  
2           for expansion capital.

3           “(B) The lender accepts as collateral for  
4           the loan a security interest in any personal  
5           property of any person who controls the  
6           microenterprise which consists of consumer or  
7           household goods.

8           “(C) The lender does not require collateral  
9           or a secured interest for more than 50 percent  
10          of the face amount of the loan.

11          “(D) The loans are made in amounts not  
12          less than \$100 and not more than \$10,000 to  
13          persons who would not otherwise qualify for a  
14          commercial loan.

15          “(E) The lender provides technical assist-  
16          ance, training, and counseling in business prac-  
17          tices, such as accounting, marketing, manage-  
18          ment, sales, financial practices, and general  
19          business practices, and closely monitors the  
20          microenterprise during the period the loan is  
21          outstanding, including the enterprise’s loan re-  
22          payment performance.

23          “(2) LENDER DEFINED.—For purposes of  
24          paragraph (1), the term ‘lender’ means—

1           “(A) in the case of a microenterprise loan  
2           by a regulated financial institution to a  
3           microenterprise, the regulated financial institu-  
4           tion; and

5           “(B) in the case of a microenterprise loan  
6           by a microenterprise intermediary to a  
7           microenterprise, the microenterprise inter-  
8           mediary.”.

9           (b) CLERICAL AMENDMENT.—Section 804 of the  
10          Community Reinvestment Act of 1977 (12 U.S.C. 2903)  
11          is amended by inserting before subsection (a) (as so des-  
12          ignated by subsection (a)(1) of this section) the following  
13          new heading:

14          **“SEC. 804. ASSESSMENT OF RECORD OF MEETING COMMU-  
15                                  NITY CREDIT NEEDS.”.**

16          **SEC. 5. TREATMENT OF MICROENTERPRISE LOANS OF SAV-  
17                                  INGS ASSOCIATIONS AS QUALIFIED THRIFT  
18                                  INVESTMENTS.**

19          (a) IN GENERAL.—Section 10(m)(4)(C)(ii) of the  
20          Home Owners’ Loan Act (12 U.S.C. 1467a(m)(4)(C)(ii))  
21          is amended by adding at the end the following new  
22          subclause:

23                                  “(VII) The aggregate amount of  
24                                  microenterprise loans held by the sav-  
25                                  ings association.”.

1 (b) MICROENTERPRISE LOAN DEFINED.—Section  
2 10(m)(4) of the Home Owners’ Loan Act (12 U.S.C.  
3 1467a(m)(4)) is amended by adding at the end the follow-  
4 ing new subparagraph:

5 “(D) MICROENTERPRISE LOAN.—For pur-  
6 poses of this paragraph, the term  
7 ‘microenterprise loan’—

8 “(i) means a loan—

9 “(I) to a commercial enterprise  
10 with 5 or fewer employees, 1 or more  
11 of whom own the enterprise;

12 “(II) in amounts not less than  
13 \$100 and not more than \$10,000; and

14 “(III) the interest rate on which  
15 is comparable to the interest rate  
16 charged on secured commercial loans  
17 offered by the savings association to  
18 the association’s most preferred com-  
19 mercial customers;

20 “(IV) which is not secured by  
21 collateral or is secured by collateral  
22 the value of which, as a percentage of  
23 the amount of the loan, is substan-  
24 tially less than the percentage gen-



1 erally required by the institution for  
2 commercial loans; and

3 “(V) the terms of which may per-  
4 mit the deferral of principal or inter-  
5 est payments otherwise due under  
6 such terms;

7 “(ii) includes a loan to a  
8 microenterprise intermediary the proceeds  
9 of which will be used by the intermediary  
10 for making loans described in clause (i);  
11 and

12 “(iii) does not include—

13 “(I) any loan to a micro-  
14 enterprise which does not meet the re-  
15 quirements of paragraph (8); or

16 “(II) any loan to a micro-  
17 enterprise intermediary which does  
18 not agree to use the proceeds of the  
19 loan to make microenterprise loans in  
20 accordance with the requirements of  
21 paragraph (8).”.

22 (c) CRITERIA FOR MICROENTERPRISE LOANS.—Sec-  
23 tion 10(m) of the Home Owners’ Loan Act (12 U.S.C.  
24 1467a(m)) is amended by adding at the end the following  
25 new paragraph:

1           “(8) CRITERIA FOR MICROENTERPRISE  
2           LOANS.—

3           “(A) IN GENERAL.—A microenterprise  
4           loan meets the requirements of this paragraph  
5           only if the savings association makes the  
6           microenterprise loan, or the microenterprise  
7           intermediary which receives a loan from the as-  
8           sociation, agrees to use the proceeds of the loan  
9           to make microenterprise loans in accordance  
10          with the following criteria:

11           “(i) In considering any loan to a  
12           microenterprise, the lender takes into ac-  
13           count—

14           “(I) the creditworthiness of any  
15           person who controls the  
16           microenterprise in lieu of the credit-  
17           worthiness of the enterprise;

18           “(II) in the case of a  
19           microenterprise which is a startup  
20           business, whether the microenterprise  
21           is soundly conceived; and

22           “(III) the need of the  
23           microenterprise for expansion capital.

24           “(ii) The lender accepts as collateral  
25           for the loan a security interest in any per-

1           sonal property of any person who controls  
2           the microenterprise which consists of  
3           consumer or household goods.

4           “(iii) The lender does not require col-  
5           lateral or a secured interest for more than  
6           50 percent of the face amount of the loan.

7           “(iv) The loans are made in amounts  
8           not less than \$100 and not more than  
9           \$10,000 to persons who would not other-  
10          wise qualify for a commercial loan.

11          “(v) The lender provides technical as-  
12          sistance, training, and counseling in busi-  
13          ness practices, such as accounting, market-  
14          ing, management, financial practices, and  
15          general business practices and sales, to the  
16          microenterprise in connection with the loan  
17          and closely monitors the microenterprise,  
18          including the enterprise’s loan repayment  
19          performance.

20          “(B) LENDER DEFINED.—For purposes of  
21          subparagraph (A), the term ‘lender’ means—

22                 “(i) in the case of a microenterprise  
23                 loan by a savings association to a  
24                 microenterprise, the savings association;  
25                 and

1                   “(ii) in the case of a microenterprise  
2                   loan by a microenterprise intermediary to  
3                   a microenterprise, the microenterprise  
4                   intermediary.”.

5 **SEC. 6. USE OF CDBG ASSISTANCE FOR ADMINISTRATIVE**  
6                   **COSTS OF ENTITIES ASSISTING**  
7                   **MICROENTERPRISES.**

8                   Section 105(a)(23) of the Housing and Community  
9                   Development Act of 1974 (42 U.S.C. 5305(a)(23)) is  
10                  amended by adding at the end the following flush material:

11                  “assistance provided to such entities under this  
12                  paragraph may be used for reasonable administra-  
13                  tive and operating costs of such entities related to  
14                  facilitating economic development through activities  
15                  under subparagraphs (A) through (C);”.

16 **SEC. 7. ESTABLISHMENT OF MICROENTERPRISE DIVISION**  
17                   **IN EACH FEDERAL BANKING AGENCY.**

18                  (a) IN GENERAL.—Each Federal banking agency (as  
19                  defined in section 3(z) of the Federal Deposit Insurance  
20                  Act) shall establish a division to be known as the  
21                  “Microenterprise Technical and Operations Office” to pro-  
22                  mote microenterprises by offering technical assistance,  
23                  training, outreach, and other support to groups and indi-  
24                  viduals engaged in, or desiring to establish, a

1 microenterprise or an institution which offers credit or fi-  
2 nancial services to microenterprises.

3 (b) DUTIES OF MICROENTERPRISE DIVISION.—The  
4 Microenterprise Technical and Operations Office of each  
5 Federal banking agency shall—

6 (1) facilitate the creation and financing of  
7 microenterprises by—

8 (A) collecting information relating to  
9 microenterprises, including the ownership char-  
10 acteristics of microenterprises and the perform-  
11 ance of microenterprises by industry;

12 (B) providing such information without  
13 charge to interested persons; and

14 (C) generally serving as a clearinghouse  
15 for information relating to microenterprises;  
16 and

17 (2) monitor and provide assistance to the  
18 microenterprise divisions established pursuant to  
19 section 34 of the Federal Deposit Insurance Act.

20 (c) MICROENTERPRISE DEFINED.—As used in this  
21 section, the term “microenterprise” means any commer-  
22 cial enterprise with 5 or fewer employees, 1 or more of  
23 whom own the enterprise.

1 **SEC. 8. STUDY.**

2 (a) AVAILABILITY OF CREDIT FOR SMALL BUSI-  
3 NESSES WHICH ARE LARGER THAN  
4 MICROENTERPRISES.—The Financial Institutions Exam-  
5 ination Council shall conduct a study before the end of  
6 the 2-year period beginning on the date of the enactment  
7 of this Act, based on the agency's experience in admin-  
8 istering the microenterprise loan provisions of this Act,  
9 and the amendments made by this Act, on the best means  
10 to make credit available for small businesses which—

11 (1) do not qualify for microenterprise loans or  
12 need credit in larger amounts than is available  
13 through microenterprise loans; and

14 (2) need credit in smaller amounts than is gen-  
15 erally available from financial institutions or the  
16 Small Business Administration.

17 (b) RECOMMENDATIONS AND REPORT.—The Finan-  
18 cial Institutions Examination Council shall submit a re-  
19 port to the Congress before the end of the 2-year period  
20 referred to in subsection (a) containing the findings and  
21 conclusions of the agency in connection with the study  
22 conducted pursuant to subsection (a) and such rec-  
23 ommendations for legislative and administrative action as  
24 the agency may determine to be appropriate.

○