

103^D CONGRESS
1ST SESSION

S. 1274

To authorize funding for certain Small Business Administration programs,
and for other purposes.

IN THE SENATE OF THE UNITED STATES

JULY 21 (legislative day, JUNE 30), 1993

Mr. BUMPERS (for himself, Mr. WOFFORD, and Mr. KOHL) introduced the following bill; which was read twice and referred to the Committee on Small Business

A BILL

To authorize funding for certain Small Business
Administration programs, 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; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Small Business Credit Reform Act of 1993”.

6 (b) TABLE OF CONTENTS.—The table of contents for
7 this Act is as follows:

- Sec. 1. Short title; table of contents.
- Sec. 2. General authorizations.
- Sec. 3. Microloan program authorizations.
- Sec. 4. Extension of State limitation on interest rates.
- Sec. 5. Guaranteed business loan program amendments.
- Sec. 6. Interest rate for Preferred Lenders Program.

Sec. 7. Microloan program amendments.
Sec. 8. Regulations.
Sec. 9. White House Conference on Small Business.

1 **SEC. 2. GENERAL AUTHORIZATIONS.**

2 (a) FINANCINGS FOR FISCAL YEAR 1993.—Section
3 20(g)(2) of the Small Business Act (15 U.S.C. 631 note)
4 is amended—

5 (1) by striking “\$7,030,000,000” and inserting
6 “\$8,455,000,000”;

7 (2) in subparagraph (A), by striking
8 “\$6,200,000,000” and inserting “\$7,500,000,000”;
9 and

10 (3) in subparagraph (C), by striking
11 “\$775,000,000” and inserting “\$900,000,000”.

12 (b) FINANCINGS FOR FISCAL YEAR 1994.—Section
13 20(i)(2) of the Small Business Act (15 U.S.C. 631 note)
14 is amended—

15 (1) by striking “\$8,083,000,000” and inserting
16 “\$11,258,000,000”;

17 (2) in subparagraph (A), by striking
18 “\$7,200,000,000” and inserting “\$8,000,000,000”;

19 (3) in subparagraph (B), by striking “and” at
20 the end;

21 (4) by redesignating subparagraph (C) as sub-
22 paragraph (D);

23 (5) by inserting after subparagraph (B) the fol-
24 lowing new subparagraph:

1 “(C) \$2,000,000,000 in loans, as provided
2 in section 7(a)(21); and”; and
3 (6) in subparagraph (D), as redesignated, by
4 striking “\$825,000,000” and inserting
5 “\$1,200,000,000”.

6 (c) FINANCINGS FOR FISCAL YEAR 1995.—Section
7 20 of the Small Business Act (15 U.S.C. 631 note) is
8 amended by striking subsections (k) and (l), as added by
9 section 405(3) of the Small Business Credit and Business
10 Opportunity Enhancement Act of 1992, and inserting the
11 following:

12 “(l) The following program levels are authorized for
13 fiscal year 1995:

14 “(1) For the programs authorized by this Act,
15 the Administration is authorized to make
16 \$13,360,000,000 in deferred participation loans and
17 other financings. Of such sum, the Administration is
18 authorized to make—

19 “(A) \$9,000,000,000 in general business
20 loans, as provided in section 7(a);

21 “(B) \$3,000,000,000 in loans, as provided
22 in section 7(a)(21);

23 “(C) \$60,000,000 in loans, as provided in
24 section 7(a)(12)(B); and

1 “(D) \$1,300,000,000 in financings, as pro-
2 vided in section 7(a)(13) of this Act and section
3 504 of the Small Business Investment Act of
4 1958.

5 “(2)(A) For the programs authorized by title
6 III of the Small Business Investment Act of 1958,
7 the Administration is authorized to make
8 \$23,000,000 in purchases of preferred securities,
9 \$244,000,000 in guarantees of debentures, of which
10 \$44,000,000 is authorized in guarantees of deben-
11 tures from companies operating pursuant to section
12 301(d) of such Act, and \$400,000,000 in guarantees
13 of participating securities.

14 “(B) There are authorized to be appropriated
15 to the Administration for fiscal year 1995, such
16 sums as may be necessary to carry out subpara-
17 graph (A), including salaries and expenses of the
18 Administration.

19 “(3) For the programs authorized by part B of
20 title IV of the Small Business Investment Act of
21 1958, the Administration is authorized to enter into
22 guarantees of not more than \$2,180,000,000.”.

23 (d) FINANCINGS FOR FISCAL YEAR 1996.—Section
24 20 of the Small Business Act (15 U.S.C. 631 note) is
25 amended—

1 (1) by striking subsections (m) and (n) and in-
2 serting the following:

3 “(m) The following program levels are authorized for
4 fiscal year 1996:

5 “(1) For the programs authorized by this Act,
6 the Administration is authorized to make
7 \$14,960,000,000 in deferred participation loans and
8 other financings. Of such sum, the Administration is
9 authorized to make—

10 “(A) \$10,000,000,000 in general business
11 loans, as provided in section 7(a);

12 “(B) \$3,500,000,000 in loans, as provided
13 in section 7(a)(21);

14 “(C) \$60,000,000 in loans, as provided in
15 section 7(a)(12)(B); and

16 “(D) \$1,400,000,000 in financings, as pro-
17 vided in section 7(a)(13) of this Act and section
18 504 of the Small Business Investment Act of
19 1958.

20 “(2)(A) For the programs authorized by title
21 III of the Small Business Investment Act of 1958,
22 the Administration is authorized to make
23 \$24,000,000 in purchases of preferred securities,
24 \$256,000,000 in guarantees of debentures, of which
25 \$46,000,000 is authorized in guarantees of deben-

1 tures from companies operating pursuant to section
2 301(d) of such Act, and \$550,000,000 in guarantees
3 of participating securities.

4 “(B) There are authorized to be appropriated
5 to the Administration for fiscal year 1996, such
6 sums as may be necessary to carry out subpara-
7 graph (A), including salaries and expenses.

8 “(3) For the programs authorized by part B of
9 title IV of the Small Business Investment Act of
10 1958, the Administration is authorized to enter into
11 guarantees not to exceed \$2,275,000,000.”;

12 (2) in subsection (o), by striking “(o) The” and
13 inserting “(n) The”; and

14 (3) in subsection (p)—

15 (A) by striking “(p) There” and inserting
16 “(2) There”, and indenting appropriately; and

17 (B) by striking “subsection (o)” and in-
18 serting “paragraph (1)”.

19 **SEC. 3. MICROLOAN PROGRAM AUTHORIZATIONS.**

20 Section 20(k) of the Small Business Act (15 U.S.C.
21 631 note) is amended—

22 (1) by striking paragraph (1);

23 (2) by redesignating paragraphs (2) and (3) as
24 paragraphs (1) and (2), respectively;

1 (3) in paragraph (1), as redesignated, by strik-
2 ing “and” at the end;

3 (4) in paragraph (2), as redesignated—

4 (A) in subparagraph (A), by striking
5 “\$60,000,000” and inserting “\$80,000,000”;

6 (B) in subparagraph (B), by striking
7 “\$35,000,000” and inserting “\$30,000,000”;

8 and

9 (C) by striking the period at the end and
10 inserting a semicolon; and

11 (5) by adding at the end the following new
12 paragraphs:

13 “(3) for fiscal year 1995—

14 “(A) \$100,000,000 to be used for the pro-
15 vision of loans; and

16 “(B) \$45,000,000 to be used for the provi-
17 sion of grants; and

18 “(4) for fiscal year 1996—

19 “(A) \$120,000,000 to be used for the pro-
20 vision of loans; and

21 “(B) \$55,000,000 to be used for the provi-
22 sion of grants.”.

1 **SEC. 4. EXTENSION OF STATE LIMITATION ON INTEREST**
2 **RATES.**

3 Section 112(c) of the Small Business Administration
4 Reauthorization and Amendments Act of 1988 (Public
5 Law 100-590; 102 Stat. 2996) is amended—

6 (1) by striking paragraph (2); and

7 (2) by striking “(1) IN GENERAL.—”.

8 **SEC. 5. GUARANTEED BUSINESS LOAN PROGRAM AMEND-**
9 **MENTS.**

10 (a) **ADDITIONAL GUARANTEE FEES.—**

11 (1) **IN GENERAL.—**Section 7(a)(18) of the
12 Small Business Act (15 U.S.C. 636(a)(18)) is
13 amended—

14 (A) by inserting “(A)” after “(18)”; and

15 (B) by adding at the end the following new
16 subparagraph:

17 “(B) In addition to fees collected under sub-
18 paragraph (A), the Administration shall collect a fee
19 charged to the participating lending institution in
20 any case in which a loan made under this section is
21 sold on the secondary market in an amount equal to
22 50 percent of that portion of the sale price which is
23 in excess of 110 percent of the face value of the
24 loan. Such fee may not be charged to the bor-
25 rower.”.

1 (2) SUNSET.—The amendments made by para-
2 graph (1) shall remain in effect until September 30,
3 1996.

4 (b) GUARANTEE PERCENTAGES.—

5 (1) IN GENERAL.—Subparagraph (B) of section
6 7(a)(2) of the Small Business Act (15 U.S.C.
7 636(a)(2)) is amended to read as follows:

8 “(B) subject to the limitation in paragraph
9 (3)—

10 “(i) not less than 70 percent nor more
11 than 75 percent of the financing outstand-
12 ing at the time of disbursement, if such fi-
13 nancing is more than \$155,000 and the
14 period of maturity of such financing is not
15 less than 10 years, except that the partici-
16 pation by the Administration may be re-
17 duced below 70 percent upon request of
18 the participating lender; and

19 “(ii) not less than 80 percent of the
20 financing outstanding at the time of dis-
21 bursement, if such financing is a loan
22 under paragraph (16).”.

23 (2) ADDITIONAL AMENDMENTS.—Section
24 7(a)(2) of the Small Business Act (15 U.S.C.
25 636(a)(2)) is amended—

1 (A) in the second sentence (immediately
2 following paragraph (2)(B)(ii)), by striking “85
3 percent” and inserting “the specified percent-
4 ages”; and

5 (B) in the third sentence, by striking “80
6 percent” and inserting “75 percent”.

7 (c) SYSTEM FOR LOAN PAYMENT AND SERVICING.—
8 Section 7(a) of the Small Business Act (15 U.S.C. 636(a))
9 is amended by adding at the end the following new para-
10 graph:

11 “(22)(A) For loans guaranteed under this sub-
12 section, the Administrator is authorized to establish
13 a centralized loan payment and servicing system.

14 “(B) Such system shall utilize a fiscal and
15 transfer agent to collect an annual fee on each loan
16 that is equal to $\frac{1}{4}$ of 1 percent of the declining prin-
17 cipal balance of the loan.”.

18 **SEC. 6. INTEREST RATE FOR PREFERRED LENDERS PRO-**
19 **GRAM.**

20 Section 7(a)(2) of the Small Business Act (15 U.S.C.
21 7(a)(2)) is amended by inserting after the third sentence,
22 the following: “The maximum interest rate for a loan
23 under the Preferred Lenders Program shall not exceed the
24 maximum interest rate applicable to other loan guarantee

1 programs under section 7(a), as established by the Admin-
2 istrator.”.

3 **SEC. 7. MICROLOAN PROGRAM AMENDMENTS.**

4 Section 7(m) of the Small Business Act (15 U.S.C.
5 636(m)) is amended—

6 (1) in paragraph (1)(B)(iii), by striking
7 “\$15,000” and inserting “\$25,000”;

8 (2) in paragraph (4)(C)(ii), by inserting “to de-
9 fray costs associated with loan fund administration
10 and” before “to provide”;

11 (3) in paragraph (5)(A), by striking “6 grants”
12 and inserting “12 grants”;

13 (4) by amending paragraph (9)(A) to read as
14 follows:

15 “(A) IN GENERAL.—The Administration
16 may provide, directly or through an organiza-
17 tion described in subparagraph (B), technical
18 assistance for participants and potential partici-
19 pants in the Microloan Demonstration Program
20 to give such participants and potential partici-
21 pants such knowledge, skills, and understanding
22 of microlending practices necessary to operate
23 successful microloan programs.”; and

24 (5) in paragraph (9)(B)—

1 (A) by striking “3 percent” and inserting
2 “7 percent”; and

3 (B) by inserting “and nonprofit organiza-
4 tions that have demonstrated experience in pro-
5 viding training support for microenterprise de-
6 velopment and financing” after “microlending
7 organizations”.

8 **SEC. 8. REGULATIONS.**

9 (a) IMPLEMENTATION.—Not later than 60 days after
10 the date of enactment of this Act, the Administrator of
11 the Small Business Administration (hereafter in this sec-
12 tion referred to as the “Administrator”) shall promulgate
13 interim final regulations to implement the amendments
14 made by this Act.

15 (b) IMPLEMENTATION OF POLLUTION CONTROL AS-
16 SISTANCE PROVISION.—

17 (1) TECHNICAL CORRECTION.—Section
18 7(a)(12)(B) of the Small Business Act (15 U.S.C.
19 636(a)(12)(B)), as added by section 111(c)(2) of
20 Public Law 100–590, is amended by striking “(b)”
21 and inserting “(B)” and by indenting accordingly.

22 (2) REGULATIONS.—Not later than 240 days
23 after the date of enactment of this Act, the Adminis-
24 trator shall promulgate final regulations, after an

1 opportunity for notice and public comment, to carry
2 out section 7(a)(12)(B) of the Small Business Act.

3 **SEC. 9. WHITE HOUSE CONFERENCE ON SMALL BUSINESS.**

4 (a) DATES OF CONFERENCES.—Section 2 of the
5 White House Conference on Small Business Authorization
6 Act (15 U.S.C. 631 note) is amended—

7 (1) by striking “January 1, 1994” and insert-
8 ing “May 1, 1995”;

9 (2) by striking “April 1, 1994” and inserting
10 “December 31, 1995”; and

11 (3) by striking “December 1, 1992” and insert-
12 ing “March 1, 1994”.

13 (b) APPOINTMENT OF COMMISSIONERS.—Section
14 5(a) of the White House Conference on Small Business
15 Authorization Act (15 U.S.C. 631 note) is amended by
16 striking “The President” and inserting “Not later than
17 30 days after the date of enactment of the Small Business
18 Credit Reform Act of 1993, the President”.

19 (c) AUTHORIZATION OF APPROPRIATIONS.—Section
20 9(a) of the White House Conference on Small Business
21 Authorization Act (15 U.S.C. 631 note) is amended by
22 striking “\$5,000,000” and inserting “\$7,000,000”.

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