

103D CONGRESS
1ST SESSION

S. 737

To amend the Small Business Investment Act of 1958 to permit prepayment of debentures issued by State and local development companies.

IN THE SENATE OF THE UNITED STATES

APRIL 1 (legislative day, MARCH 3), 1993

Mr. HATFIELD (for himself, Mr. GORTON, Mr. PACKWOOD, and Mr. GRASSLEY) introduced the following bill; which was read twice and referred to the Committee on Small Business

A BILL

To amend the Small Business Investment Act of 1958 to permit prepayment of debentures issued by State and local development companies.

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. PREPAYMENT OF DEVELOPMENT COMPANY**
4 **DEBENTURES.**

5 (a) IN GENERAL.—Title V of the Small Business In-
6 vestment Act of 1958 (15 U.S.C. 695 et seq.) is amended
7 by adding at the end the following new section:

1 **“SEC. 507. PREPAYMENT OF DEVELOPMENT COMPANY DE-**
2 **BENTURES.**

3 “(a) PREPAYMENT TERMS.—

4 “(1) IN GENERAL.—If the requirements of sub-
5 section (b) are met, the issuer of a debenture pur-
6 chased by the Federal Financing Bank and guaran-
7 teed by the Administration under section 503 may,
8 at the election of the borrower whose loan secures
9 such debenture, prepay such debenture by paying to
10 the Federal Financing Bank, the amount that is
11 equal to the sum of—

12 “(A) the unpaid principal balance (ad-
13 justed for funds in the borrower’s escrow re-
14 serve account) due on the debenture on the date
15 of prepayment (plus accrued interest at the
16 coupon rate on the debenture); and

17 “(B) the amount of the repurchase pre-
18 mium described in paragraph (2)(A).

19 “(2) REPURCHASE PREMIUM.—

20 “(A) AMOUNT.—The amount of the repur-
21 chase premium described in this paragraph is
22 the product of—

23 “(i) the unpaid principal balance (ad-
24 justed for funds in the borrower’s escrow
25 reserve account) due on the debenture on
26 the date of prepayment;

1 “(ii) the interest rate of the debenture;
 2 and

3 “(iii) the factor ‘P’, as determined
 4 under subparagraph (B).

5 “(B) FACTOR ‘P’.—For purposes of sub-
 6 paragraph (A)(iii), the factor ‘P’ means the ap-
 7 plicable percent determined in accordance with
 8 the following table:

Year in which prepayment of debenture is made (from date of original issuance):	Applicable percent		
	10-year term loan	15-year term loan	20- or 25-year term loan
1	1.00	1.00	1.00
2 .....	.80	.85	.90
3 .....	.60	.70	.80
4 .....	.40	.55	.70
5 .....	.20	.40	.60
6	0	.25	.50
7	0	.10	.40
8	0	0	.30
9	0	0	.20
10	0	0	.10
11 through 25		0	0

9 “(b) REQUIREMENTS.—The requirements of this sub-
 10 section are met if—

11 “(1) the debenture referred to in subsection (a)
 12 is outstanding and neither the debenture nor the
 13 borrower’s loan that secures the debenture is in de-
 14 fault on the date of prepayment;

15 “(2) only non-Federal funds are used to prepay
 16 the debenture; and

17 “(3) the issuer extinguishes the borrower’s loan
 18 which secured such debenture upon prepayment.

1 “(c) PROHIBITION OF OTHER FEES AND PEN-
2 ALTIES.—Notwithstanding any other provision of law, no
3 fees or penalties, other than those specified in this section,
4 may be imposed as a condition of prepayment under sub-
5 section (a) against the issuer, the borrower, or the Admin-
6 istration.

7 “(d) DEFINITIONS.—For purposes of this section, the
8 following definitions apply:

9 “(1) BORROWER.—The term ‘borrower’ means
10 a small business concern whose loan secures a de-
11 benture purchased by the Federal Financing Bank
12 under section 503.

13 “(2) ISSUER.—The term ‘issuer’ means a quali-
14 fied State or local development company.

15 “(3) QUALIFIED STATE OR LOCAL DEVELOP-
16 MENT COMPANY.—The term ‘qualified State or local
17 development company’ has the same meaning as in
18 section 503(e).”.

19 “(b) CLERICAL AMENDMENT.—The table of contents
20 for the Small Business Investment Act of 1958 is
21 amended by adding at the end of title V the following new
22 item:

“Sec. 507. Prepayment of development company debentures.”.

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