

Union Calendar No. 396

104TH CONGRESS
2D Session

H. R. 3719

[Report No. 104-750]

A BILL

To amend the Small Business Act and Small
Business Investment Act of 1958.

AUGUST 2, 1996

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

JUNE 26, 1996

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

AUGUST 2, 1996

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

[Strike out all after the enacting clause and insert the part printed in italic]

[For text of introduced bill, see copy of bill as introduced on June 26, 1996]

A BILL

To amend the Small Business Act and Small Business Investment Act of 1958.

- 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 Programs Improvement Act of 1996”.*

1 **(b) TABLE OF CONTENTS.—**

Sec. 1. Short title; table of contents.

Sec. 2. Administrator defined.

Sec. 3. Effective date.

TITLE I—AMENDMENTS TO SMALL BUSINESS ACT

Sec. 101. References.

Sec. 102. Risk management database.

Sec. 103. Section 7(a) loan program.

Sec. 104. Disaster loan program.

Sec. 105. Microloan demonstration program.

Sec. 106. Small business development center program.

Sec. 107. Miscellaneous authorities to provide loans and other financial assistance.

Sec. 108. Small business competitiveness demonstration program.

Sec. 109. Amendment to Small Business Guaranteed Credit Enhancement Act of 1993.

Sec. 110. 1998 authorizations.

Sec. 111. Level of participation for export working capital loans.

TITLE II—AMENDMENTS TO SMALL BUSINESS INVESTMENT ACT

Sec. 201. References.

Sec. 202. Modifications to development company debenture program.

Sec. 203. Required actions upon default.

Sec. 204. Loan liquidation pilot program.

Sec. 205. Registration of certificates.

Sec. 206. Preferred surety bond guarantee program.

2 **SEC. 2. ADMINISTRATOR DEFINED.**

3 *In this Act, the term “Administrator” means the Ad-*
 4 *ministrator of the Small Business Administration.*

5 **SEC. 3. EFFECTIVE DATE.**

6 *Except as otherwise expressly provided, this Act and*
 7 *the amendments made by this Act shall take effect on Octo-*
 8 *ber 1, 1996.*

9 **TITLE I—AMENDMENTS TO**
 10 **SMALL BUSINESS ACT**

11 **SEC. 101. REFERENCES.**

12 *Except as otherwise expressly provided, whenever in*
 13 *this title an amendment or repeal is expressed in terms of*

1 *an amendment to, or repeal of, a section or other provision,*
 2 *the reference shall be considered to be made to a section or*
 3 *other provision of the Small Business Act (15 U.S.C. 631*
 4 *et seq.).*

5 **SEC. 102. RISK MANAGEMENT DATABASE.**

6 *Section 4(b) (15 U.S.C. 633) is amended by inserting*
 7 *after paragraph (2) the following:*

8 *“(3) RISK MANAGEMENT DATABASE.—*

9 *“(A) ESTABLISHMENT.—The Administra-*
 10 *tion shall establish, within the management sys-*
 11 *tem for the loan programs authorized by sub-*
 12 *sections (a) and (b) of section 7 of this Act and*
 13 *title V of the Small Business Investment Act of*
 14 *1958, a management information system that*
 15 *will generate a database capable of providing*
 16 *timely and accurate information in order to*
 17 *identify loan underwriting, collections, recovery,*
 18 *and liquidation problems.*

19 *“(B) INFORMATION TO BE MAINTAINED.—In*
 20 *addition to such other information as the Ad-*
 21 *ministration considers appropriate, the database*
 22 *established under subparagraph (A) shall, with*
 23 *respect to each loan program described in sub-*
 24 *paragraph (A), include information relating*
 25 *to—*

1 “(i) the identity of the institution
2 making the guaranteed loan or issuing the
3 debenture;

4 “(ii) the identity of the borrower;

5 “(iii) the total dollar amount of the
6 loan or debenture;

7 “(iv) the total dollar amount of govern-
8 ment exposure in each loan;

9 “(v) the district of the Administration
10 in which the borrower has its principal of-
11 fice;

12 “(vi) the borrower’s principal line of
13 business, as identified by Standard Indus-
14 trial Classification Code (or any successor
15 to that system);

16 “(vii) the delinquency rate for each
17 program (including number of instances
18 and days overdue);

19 “(viii) the number of defaults in each
20 program (including losses and recoveries);

21 “(ix) the number of deferrals or
22 forbearances in each program (including
23 days and number of instances); and

24 “(x) comparisons on the basis of loan
25 program, lender, Administration district

1 and region, for all the data elements main-
2 tained.

3 “(C) *DEADLINE FOR OPERATIONAL CAPA-*
4 *BILITY.*—The database established under sub-
5 paragraph (A) shall be operational not later
6 than March 31, 1997, and shall capture data be-
7 ginning on the first day of the first quarter of
8 fiscal year 1997 beginning after such date and
9 thereafter.”.

10 **SEC. 103. SECTION 7(a) LOAN PROGRAM.**

11 (a) *SERVICING AND LIQUIDATION OF LOANS BY PRE-*
12 *FERRED LENDERS.*—Section 7(a)(2)(C)(ii)(II) (15 U.S.C.
13 636(a)(2)(C)(ii)(II)) is amended to read as follows:

14 “(II) complete authority to service
15 and liquidate such loans without ob-
16 taining the prior specific approval of
17 the Administration for routine servic-
18 ing and liquidation activities, but
19 shall not take any actions creating an
20 actual or apparent conflict of inter-
21 est.”.

22 (b) *CERTIFIED LENDERS PROGRAM.*—Section 7(a)(19)
23 (15 U.S.C. 636(a)(19)) is amended to read as follows:

24 “(19)(A) *CERTIFIED LENDERS PROGRAM.*—

1 “(i) *ESTABLISHMENT.*—*In addition to the*
2 *Preferred Lenders Program authorized by the*
3 *proviso in section 5(b)(7), the Administration is*
4 *authorized to establish a Certified Lenders Pro-*
5 *gram for lenders who establish their knowledge of*
6 *Administration laws and regulations concerning*
7 *the guaranteed loan program and their pro-*
8 *ficiency in program requirements.*

9 “(ii) *SUSPENSION AND REVOCATION.*—*The*
10 *designation of a lender as a certified lender shall*
11 *be suspended or revoked at any time that the Ad-*
12 *ministration determines that the lender is not*
13 *adhering to its rules and regulations or that the*
14 *loss experience of the lender is excessive as com-*
15 *pared to other lenders, but such suspension or*
16 *revocation shall not affect any outstanding guar-*
17 *antee.*

18 “(B) *UNIFORM AND SIMPLIFIED LOAN FORMS.*—
19 *In order to encourage all lending institutions and*
20 *other entities making loans authorized under this sub-*
21 *section to provide loans of \$50,000 or less in guaran-*
22 *tees to eligible small business loan applicants, the Ad-*
23 *ministration shall develop and allow participating*
24 *lenders to solely utilize a uniform and simplified loan*
25 *form for such loans.*

1 “(C) *LOW DOCUMENTATION LOAN PROGRAM.*—

2 *The Administrator may carry out the low documenta-*
3 *tion loan program for loans of \$100,000 or less only*
4 *through Preferred Lenders and Certified Lenders, or*
5 *lenders with significant experience making small*
6 *business loans. The Administration shall give special*
7 *consideration to lenders who have made loans under*
8 *the authority of this section. The Administrator shall*
9 *promulgate regulations defining the experience nec-*
10 *essary for lenders other than Preferred or Certified*
11 *Lenders for participation as a lender in the low docu-*
12 *mentation loan program no later than 90 days after*
13 *the date of enactment of this subsection.*

14 “(D) *AUTHORITY LIQUIDATE LOANS.*—

15 “(i) *IN GENERAL.*—*Lenders participating*
16 *in the Certified Lenders Program shall have au-*
17 *thority to liquidate loans made with a guarantee*
18 *from the Administration.*

19 “(ii) *APPROVAL.*—*The Administrator has*
20 *the authority to require a certified lender to re-*
21 *quest approval of a routine liquidation activity,*
22 *and if the Administrator does not approve or*
23 *deny a request made by a certified lender within*
24 *a period of 3 business days, such request shall be*
25 *deemed to be approved.*

1 “(E) *LOW DOCUMENTATION LOAN PROGRAM SUB-*
 2 *SIDY RATE.*—*The Administrator shall with the assist-*
 3 *ance of the Director of the Office of Management and*
 4 *Budget establish and monitor, on an annual basis,*
 5 *the subsidy rate for the low documentation loan pro-*
 6 *gram, independently of other loans authorized by this*
 7 *section.*”.

8 (c) *LIMITATION ON CONDUCTING PILOT PROJECTS.*—
 9 *Section 7(a) (15 U.S.C. 636(a)) is amended by adding at*
 10 *the end the following new paragraph:*

11 “(25) *LIMITATION ON CONDUCTING PILOT*
 12 *PROJECTS.*—

13 “(A) *IN GENERAL.*—*Not more than 10 per-*
 14 *cent of the total number of loans guaranteed in*
 15 *any fiscal year under this subsection may be*
 16 *awarded as part of a pilot program which is*
 17 *commenced by the Administrator on or after Oc-*
 18 *tober 1, 1996.*

19 “(B) *PILOT PROGRAM DEFINED.*—*In this*
 20 *paragraph, the term ‘pilot program’ means any*
 21 *lending program initiative, project, innovation,*
 22 *or other activity not specifically authorized by*
 23 *law.*”.

24 (d) *SECURITIZATION OF UNGUARANTEED PORTIONS*
 25 *OF SBA LOANS.*—*Section 5(f)(3) (15 U.S.C. 634(f)(3)) is*

1 *amended by adding at the end the following: “The Adminis-*
 2 *tration may not prohibit a lender from securitizing the non-*
 3 *guaranteed portion of any loan made under section 7(a).*
 4 *In order to reduce the risk of loss to the government in the*
 5 *event of default, the Administration shall require all lenders*
 6 *securitizing, or requesting Administration approval for the*
 7 *securitization of the nonguaranteed portion of any loan*
 8 *after August 1, 1996, to retain exposure of up to 10 percent*
 9 *of the amount of the loan, which percentage shall be appli-*
 10 *cable uniformly to both depository institutions and other*
 11 *lenders.”.*

12 *(e) CONDITIONS ON PURCHASE OF LOANS.—*

13 *(1) SERVICING FEE.—Section 5(g)(5) (15 U.S.C.*
 14 *634(g)(5)) is amended by adding at the end the fol-*
 15 *lowing:*

16 *“(C) In the event the Administration pays a claim*
 17 *under a guarantee issued under this Act, the servicing fees*
 18 *paid to the lender from the earliest date of default to the*
 19 *date of payment of the claim shall be no more than the*
 20 *agreed upon rate, minus one percent.”.*

21 *(2) PAYMENT OF ACCRUED INTEREST.—Section*
 22 *7(a)(17) is amended—*

23 *(A) by striking “(17) The Administration”*
 24 *and inserting “(17)(A) The Administration”;*
 25 *and*

1 (B) by adding at the end the following:

2 “(B) Any bank or other lending institution mak-
3 ing a claim for payment on the guaranteed portion
4 of a loan made under this subsection shall be paid the
5 accrued interest due on the loan from the earliest date
6 of default to the date of payment of the claim at a
7 rate not to exceed the rate of interest on the loan on
8 the date of default, minus one percent.”.

9 (f) *PLAN FOR TRANSFER OF LOAN SERVICING FUNC-*
10 *TIONS TO CENTRALIZED CENTERS.—*

11 (1) *IMPLEMENTATION PLAN REQUIRED.—The*
12 *Administrator of the Small Business Administration*
13 *shall submit a detailed plan for consolidating, in one*
14 *or more centralized centers, the performance of the*
15 *various functions relating to the servicing of loans di-*
16 *rectly made or guaranteed by the Administration*
17 *pursuant to the Small Business Act, addressing the*
18 *matters described in paragraph (2) by the deadline*
19 *specified in paragraph (3).*

20 (2) *CONTENTS OF PLAN.—In addition to such*
21 *other matters as the Administrator may deem appro-*
22 *priate, the plan required by paragraph (1) shall in-*
23 *clude—*

24 (A) *the proposed number and location of*
25 *such centralized loan processing centers;*

1 (B) the proposed workload (identified by
2 type and numbers of loans and their geographic
3 origin by the Small Business Administration
4 district office) and staffing of each such center;

5 (C) a detailed, time-phased plan for the
6 transfer of the identified loan servicing functions
7 to each proposed center; and

8 (D) any identified impediments to the time-
9 ly execution of the proposed plan (including ade-
10 quacy of available financial resources, availabil-
11 ity of needed personnel, facilities, and related
12 equipment) and the Administrator's rec-
13 ommendations for addressing such impediments.

14 (3) *DEADLINE FOR SUBMISSION.*—The plan re-
15 quired by paragraph (1) shall be submitted to the
16 Committees on the Small Business of the House of
17 Representatives and Senate not later than February
18 28, 1997.

19 (g) *PREFERRED LENDER STANDARD REVIEW PRO-*
20 *GRAM.*—Not later than 60 days after the date of enactment
21 of this Act, the Administrator shall issue a request for pro-
22 posals regarding the standard review program for the Pre-
23 ferred Lender Program established by section 5(b)(7) of the
24 Small Business Act (15 U.S.C. 634(b)(7)). The Adminis-

1 *trator shall require such standard review for each new en-*
 2 *trant to the Preferred Lender Program.*

3 *(h) INDEPENDENT STUDY OF LOAN PROGRAMS.—*

4 *(1) STUDY REQUIRED.—The Administrator shall*
 5 *conduct a comprehensive assessment of the perform-*
 6 *ance of the loan programs authorized by section 7(a)*
 7 *of the Small Business Act (15 U.S.C. 636(a)) and*
 8 *title V of the Small Business Investment Act of 1958*
 9 *(15 U.S.C. 661) addressing the matters described in*
 10 *paragraph (2) and resulting in a report to Congress*
 11 *pursuant to paragraph (5).*

12 *(2) MATTERS TO BE ASSESSED.—In addition to*
 13 *such other matters as the Administrator considers ap-*
 14 *propriate, the assessment required by paragraph (1)*
 15 *shall address, with respect to each loan program de-*
 16 *scribed in paragraph (1) for each of the fiscal years*
 17 *described in paragraph (3)—*

18 *(A) the number and frequency of deferrals*
 19 *and defaults;*

20 *(B) default rates;*

21 *(C) comparative loss rates, by—*

22 *(i) type of lender (separately address-*
 23 *ing preferred lenders, certified lenders, and*
 24 *general participation lenders);*

25 *(ii) term of the loan; and*

1 (iii) dollar value of the loan at dis-
2 bursement; and

3 (D) the economic models used by the Office
4 of Management and Budget to calculate the cred-
5 it subsidy rate applicable to the loan programs.

6 (3) *PERIOD OF ASSESSMENT.*—The assessments
7 undertaken pursuant to paragraph (2) shall address
8 data for the period beginning with the first full fiscal
9 year of the implementation of each loan program de-
10 scribed in paragraph (1) through fiscal year 1995.

11 (4) *PERFORMANCE BY THE PRIVATE SECTOR.*—

12 (A) *CONTRACTOR PERFORMANCE.*—A pri-
13 vate sector contractor shall be used by the Ad-
14 ministrator to conduct the assessment required
15 by paragraph (1) and to prepare the report to
16 Congress required by paragraph (3).

17 (B) *SOLICITATION AND AWARD.*—The con-
18 tract shall be awarded pursuant to a solicitation
19 issued not later than 60 days after the date of
20 the enactment of this Act, which shall provide for
21 full and open competition. The Administrator
22 shall make every reasonable effort to award the
23 contract not later than 60 days after the date
24 specified in the solicitation for receipt of propos-
25 als.

1 (C) *ACCESS TO INFORMATION.*—*The Admin-*
2 *istrator shall provide to the contractor access to*
3 *any information collected by or available to the*
4 *Administration with regard to the loan pro-*
5 *grams being assessed. The contractor shall pre-*
6 *serve the confidentiality of any information for*
7 *which confidentiality is protected by law or*
8 *properly asserted by the person submitting such*
9 *information.*

10 (D) *CONTRACT FUNDING.*—*The Adminis-*
11 *trator shall fund the cost of the contract from the*
12 *amounts appropriated for the salaries and ex-*
13 *penses of the Administration for fiscal year*
14 *1997.*

15 (5) *REPORT TO CONGRESS.*—

16 (A) *CONTENTS.*—*The contractor shall sub-*
17 *mit a report of—*

18 (i) *its analyses of the matters to be as-*
19 *essed pursuant to paragraph (2); and*

20 (ii) *its independent recommendations,*
21 *with respect to each loan program, regard-*
22 *ing—*

23 (I) *improving the Administra-*
24 *tion's timely collection and subsequent*
25 *management of data to measure the*

1 *performance of each loan program de-*
2 *scribed in paragraph (1); and*

3 *(II) reducing loss rates for each*
4 *such loan program.*

5 *(B) SUBMISSION BY CONTRACTOR.—The*
6 *contractor shall submit the report required by*
7 *subparagraph (A) not later than 6 months after*
8 *the date of the contract award.*

9 *(C) SUBMISSION TO CONGRESS.—The Ad-*
10 *ministrator shall submit the report received from*
11 *the contractor pursuant to subparagraph (B) to*
12 *the Committees on Small Business of the House*
13 *of Representatives and the Senate within 30*
14 *days of receipt of the report. The Administrator*
15 *shall append his comments, and those of the Of-*
16 *fice of Management and Budget, if any, to the*
17 *report.*

18 *(i) GENERAL ACCOUNTING OFFICE STUDY.—*

19 *(1) IN GENERAL.—The General Accounting Of-*
20 *fice shall conduct a comparison of the cost of liquida-*
21 *tion for—*

22 *(A) loans guaranteed under the Preferred*
23 *Lenders Program that are authorized by section*
24 *7(a) of the Small Business Act (15 U.S.C.*
25 *636(a)) and liquidated by the Preferred Lenders;*

1 (B) loans made and liquidated by, Preferred
 2 Lenders, but not guaranteed under the authority
 3 in section 7(a); and

4 (C) loans guaranteed by the Small Business
 5 Administration under the authority in section
 6 7(a) and liquidated by the Administration, tak-
 7 ing into account all of the related costs incurred
 8 by the Federal Government.

9 (2) *REPORT*.—Not later than 9 months after the
 10 date of enactment of this Act the General Accounting
 11 Office shall deliver the results of the study to the Com-
 12 mittees on Small Business of the House and Senate.

13 **SEC. 104. DISASTER LOAN PROGRAM.**

14 (a) *INTEREST RATE*.—Section 7(c) (15 U.S.C. 636(c))
 15 is amended by redesignating paragraphs (6) and (7) as
 16 paragraphs (8) and (9), respectively, and by inserting after
 17 paragraph (5) the following:

18 “(6) *DISASTERS COMMENCING AFTER OCTOBER 1,*
 19 *1996*.—Notwithstanding any other provision of law,
 20 the interest rate on the Federal share of any loan
 21 made under subsection (b)(1) and (b)(2) on account
 22 of a disaster commencing on or after October 1, 1996,
 23 shall be in the case of a homeowner, or business, or
 24 other concern, including agricultural cooperatives,
 25 unable to obtain credit elsewhere, at the rate pre-

scribed by the Administration but not more than $\frac{3}{4}$ of the rate determined by the Secretary of the Treasury, taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans plus an additional charge of not to exceed 1 percent per annum as determined by the Administrator, and adjusted to the nearest $\frac{1}{8}$ of 1 percent.

“(7) *LIABILITY*.—Whoever wrongfully misapplies the proceeds of a loan under subsection (b) shall be liable to the Administrator in an amount equal to $1\frac{1}{2}$ times the original principal amount of the loan.”.

(b) *PRIVATE SECTOR LOAN SERVICING DEMONSTRATION PROGRAM*.—

(1)(A) *DEMONSTRATION PROGRAM REQUIRED*.—The Administration shall conduct a demonstration program, within the parameters described in paragraph (2), to evaluate the comparative costs and benefits of having the Administration’s portfolio of disaster loans serviced under contract rather than directly by employees of the Administration.

(B) *INITIATION DATE*.—Not later than 90 days after the date of enactment of this Act, the Adminis-

1 *tration shall issue a request for proposals for the pro-*
2 *gram parameters described in paragraph (2).*

3 *(2) DEMONSTRATION PROGRAM PARAMETERS.—*

4 *(A) LOAN SAMPLE.—The sample of loans for*
5 *the demonstration program shall be randomly*
6 *drawn from the Administration’s portfolio of*
7 *loans made pursuant to section 7(b) of the Small*
8 *Business Act and include 20,000 loans for resi-*
9 *dential properties and 5,000 loans for commer-*
10 *cial properties.*

11 *(B) CONTRACT AND OPTIONS.—The Admin-*
12 *istration shall solicit and competitively award*
13 *one or more contracts to service the loans in-*
14 *cluded in the sample of loans described in sub-*
15 *paragraph (A) for a term of 2 years with 5 2-*
16 *year options, each to be awarded subject to sub-*
17 *paragraph (C).*

18 *(C) ASSESSMENTS OF PERFORMANCE.—*
19 *Prior to award of any contract option, the Ad-*
20 *ministration shall assess the costs and perform-*
21 *ance of each contractor and compare such costs*
22 *and such performance to the costs and perform-*
23 *ance of servicing disaster loans by employees of*
24 *the Administration. The Administrator shall not*
25 *exercise a contract option if the cost of perform-*

1 *ance of the loan servicing by the contractor ex-*
 2 *ceeds the cost of performance of the loan servic-*
 3 *ing by employees of the Administration. The Ad-*
 4 *ministrator may terminate the contract during*
 5 *its initial term (or any subsequent option pe-*
 6 *riod), based upon performance and cost criteria*
 7 *specified in the solicitation and included in the*
 8 *contract.*

9 *(D) DISPOSITION OF GOVERNMENT FUR-*
 10 *NISHED PROPERTY.—The contract shall require*
 11 *the contractor to—*

12 *(i) maintain the confidentiality of the*
 13 *loan files furnished by the Administration;*
 14 *and*

15 *(ii) return such loan files and other*
 16 *Government-furnished property within a*
 17 *specified period after expiration (or termi-*
 18 *nation) of the contract.*

19 *(3) TERM OF DEMONSTRATION PROGRAM.—*

20 *(A) IN GENERAL.—The demonstration pro-*
 21 *gram required by paragraph (1) shall commence*
 22 *on the first day of the first fiscal year quarter*
 23 *after the award of the contract and continue*
 24 *through the last day of the fiscal year quarter at*

1 *the expiration of the 2-year contract period or*
 2 *any subsequent contract option.*

3 (B) *EARLY TERMINATION.*—*If the Adminis-*
 4 *trator terminates each contract pursuant to*
 5 *paragraph (2)(C), the demonstration program*
 6 *shall end on the effective date of such termi-*
 7 *nation.*

8 (4) *REPORTS.*—

9 (A) *INTERIM REPORTS.*—*The Administrator*
 10 *shall submit to the Committees on Small Busi-*
 11 *ness of the House of Representatives and Senate*
 12 *interim reports on the conduct of the demonstra-*
 13 *tion program not later than 60 days prior to the*
 14 *expiration of the initial 2-year contract perform-*
 15 *ance period, each subsequent option period, or*
 16 *termination of a contract. The contractor shall*
 17 *be afforded a reasonable opportunity to attach*
 18 *comments to each such report.*

19 (B) *FINAL REPORT.*—*The Administrator*
 20 *shall submit to the Committees on Small Busi-*
 21 *ness of the House of Representatives and Senate*
 22 *a final report within 120 days of the termi-*
 23 *nation of the demonstration program.*

24 (c) *DEFINITION OF DISASTER.*—(1) *Section 3(k) (15*
 25 *U.S.C. 632(k)) is amended by striking “ocean conditions”*

1 *and inserting “ocean conditions, or government action (reg-*
 2 *ulatory or otherwise)”.*

3 *(2) For the purposes of this Act this amendment shall*
 4 *be considered effective with respect to any disaster occurring*
 5 *on or after March 1, 1994.*

6 **SEC. 105. MICROLOAN DEMONSTRATION PROGRAM.**

7 *(a) TECHNICAL ASSISTANCE GRANT REQUIRE-*
 8 *MENTS.—Section 7(m)(4) (15 U.S.C. 636(m)(4)) is amend-*
 9 *ed—*

10 *(1) in subparagraph (A) by striking “25 per-*
 11 *cent” and inserting “20 percent”; and*

12 *(2) in subparagraph (B) by striking “25 per-*
 13 *cent” and inserting “35 percent”.*

14 *(b) IMPLEMENTATION OF GUARANTEED MICROLOAN*
 15 *PILOT PROGRAM.—*

16 *(1) ACTION REQUIRED.—The Administrator*
 17 *shall implement or submit a detailed report explain-*
 18 *ing the impediments to the implementation of a*
 19 *Guaranteed Microloan Pilot Program pursuant to*
 20 *section 7(m)(12) (15 U.S.C. 636(m)(12)) addressing*
 21 *the matters described in paragraph (2) by the dead-*
 22 *line specified in paragraph (3).*

23 *(2) CONTENTS OF IMPLEMENTATION REPORT.—*
 24 *In addition to such other matters as the Adminis-*
 25 *trator may deem appropriate, the plan required by*

1 *paragraph (1) shall include any identified impedi-*
2 *ments to implementation of a Guaranteed Microloan*
3 *Pilot Program that, in the opinion of the Adminis-*
4 *trator, require amendments to the program's author-*
5 *izing legislation, and if such impediments are identi-*
6 *fied, includes recommendations for such statutory*
7 *changes.*

8 (3) *DEADLINE FOR SUBMISSION.—The plan re-*
9 *quired by paragraph (2) shall be submitted to the*
10 *Committees on Small Business of the House of Rep-*
11 *resentatives and Senate not later than December 1,*
12 *1996.*

13 (c) *LIMITATION ON FUNDING.—In the event that the*
14 *Administrator shall fail to submit the report required by*
15 *subsection (b)(1) by the deadline specified in subsection*
16 *(b)(3), none of the amounts appropriated to carry out the*
17 *Microloan Program authorized by section 7(m)(12) of the*
18 *Small Business Act (15 U.S.C. 636(m)(12)) during fiscal*
19 *year 1997 may be expended until such time as the pilot*
20 *program is implemented or the report is submitted.*

21 **SEC. 106. SMALL BUSINESS DEVELOPMENT CENTER PRO-**
22 **GRAM.**

23 (a) *ASSOCIATE ADMINISTRATOR FOR SMALL BUSINESS*
24 *DEVELOPMENT CENTERS.—*

1 (1) *DUTIES.—Section 21(h) (15 U.S.C. 648(h))*
 2 *is amended to read as follows:*

3 “(h) *ASSOCIATE ADMINISTRATOR FOR SMALL BUSI-*
 4 *NESS DEVELOPMENT CENTERS.—*

5 “(1) *APPOINTMENT AND COMPENSATION.—The*
 6 *Administrator shall appoint an Associate Adminis-*
 7 *trator for Small Business Development Centers who*
 8 *shall report to an official who is not more than one*
 9 *level below the Office of the Administrator and who*
 10 *shall serve without regard to the provisions of title 5*
 11 *governing appointments in the competitive service,*
 12 *and without regard to chapter 51, and subchapter III*
 13 *of chapter 53 of such title relating to classification*
 14 *and General Schedule pay rates, but at a rate not less*
 15 *than the rate of GS17 of the General Schedule.*

16 “(2) *DUTIES.—*

17 “(A) *IN GENERAL.—The sole responsibility*
 18 *of the Associate Administrator for Small Busi-*
 19 *ness Development Centers shall be to administer*
 20 *the small business development center program.*
 21 *Duties of the position shall include, but are not*
 22 *limited to, recommending the annual program*
 23 *budget, reviewing the annual budgets submitted*
 24 *by each applicant, establishing appropriate*
 25 *funding levels therefore, selecting applicants to*

1 *participate in this program, implementing the*
2 *provisions of this section, maintaining a clear-*
3 *inghouse to provide for the dissemination and*
4 *exchange of information between small business*
5 *development centers and conducting audits of re-*
6 *cipients of grants under this section.*

7 *“(B) CONSULTATION REQUIREMENTS.—In*
8 *carrying out the duties described in this sub-*
9 *section, the Associate Administrator shall confer*
10 *with and seek the advice of the Board established*
11 *by subsection (i) and Administration officials in*
12 *areas served by the small business development*
13 *centers; however, the Associate Administrator*
14 *shall be responsible for the management and ad-*
15 *ministration of the program and shall not be*
16 *subject to the approval or concurrence of such*
17 *Administration officials.”.*

18 *(2) REFERENCES TO ASSOCIATE ADMINIS-*
19 *TRATOR.—Section 21 (15 U.S.C. 648) is amended—*

20 *(A) in subsection (c)(7) by striking “Deputy*
21 *Associate Administrator of the Small Business*
22 *Development Center program” and inserting*
23 *“Associate Administrator for Small Business De-*
24 *velopment Centers”; and*

1 (B) in subsection (i)(2) by striking “Deputy
2 Associate Administrator for Management Assist-
3 ance” and inserting “Associate Administrator
4 for Small Business Development Centers”.

5 (b) *EXTENSION OR RENEWAL OF COOPERATIVE*
6 *AGREEMENTS.*—Section 21(k)(3) (15 U.S.C. 648(k)(3)) is
7 amended to read as follows:

8 “(3) *EXTENSION OR RENEWAL OF COOPERATIVE*
9 *AGREEMENTS.*—

10 “(A) *IN GENERAL.*—In extending or renew-
11 ing a cooperative agreement of a small business
12 development center, the Administration shall
13 consider the results of the examination and cer-
14 tification program conducted pursuant to para-
15 graphs (1) and (2).

16 “(B) *CERTIFICATION REQUIREMENT.*—After
17 September 30, 2000, the Administration may not
18 renew or extend any cooperative agreement with
19 a small business development center unless the
20 center has been approved under the certification
21 program conducted pursuant to this subsection;
22 except that the Associate Administrator for
23 Small Business Development Centers may waive
24 such certification requirement, in the discretion
25 of the Associate Administrator, upon a showing

1 *that the center is making a good faith effort to*
 2 *obtain certification.”.*

3 (c) *TECHNICAL CORRECTION.—Section 21(l) (15*
 4 *U.S.C. 648(l)) is amended to read as follows:*

5 “(l) *CONTRACT AUTHORITY.—The authority to enter*
 6 *into contracts shall be in effect for each fiscal year only*
 7 *to the extent and in the amounts as are provided in advance*
 8 *in appropriations Acts. After the administration has en-*
 9 *tered a contract, either as a grant or a cooperative agree-*
 10 *ment, with any applicant under this section, it shall not*
 11 *suspend, terminate, or fail to renew or extend any such con-*
 12 *tract unless the Administration provides the applicant with*
 13 *written notification setting forth the reasons therefore and*
 14 *affording the applicant an opportunity for a hearing, ap-*
 15 *peal, or other administrative proceeding under the provi-*
 16 *sions of chapter 5 of title 5, United States Code.”.*

17 **SEC. 107. MISCELLANEOUS AUTHORITIES TO PROVIDE**
 18 **LOANS AND OTHER FINANCIAL ASSISTANCE.**

19 (a) *FUNDING LIMITATION; SEMINARS.—Section 7(d)*
 20 *(15 U.S.C. 636(d)) is amended—*

21 (1) *by striking “(d)(1)” and inserting “(d)”;* and
 22 (2) *by striking paragraph (2).*

23 (b) *TRADE ADJUSTMENT LOANS.—Section 7(e) (15*
 24 *U.S.C. 636(e)) is amended to read as follows:*

25 “(e) **[RESERVED]**.”.

1 (c) *WAIVER OF CREDIT ELSEWHERE TEST FOR COL-*
 2 *LEGES AND UNIVERSITIES.*—Section 7(f) (15 U.S.C. 636(f))
 3 *is amended to read as follows:*

4 “(f) **【RESERVED】**.”

5 (d) *LOANS TO SMALL BUSINESS CONCERNS FOR*
 6 *SOLAR ENERGY AND ENERGY CONSERVATION MEAS-*
 7 *URES.*—Section 7(l) (15 U.S.C. 636(l)) *is amended to read*
 8 *as follows:*

9 “(l) **【RESERVED】**.”

10 **SEC. 108. SMALL BUSINESS COMPETITIVENESS DEM-**
 11 **ONSTRATION PROGRAM.**

12 (a) *EXTENSION OF DEMONSTRATION PROGRAM.*—Sec-
 13 *tion 711(c) of the Small Business Competitiveness Dem-*
 14 *onstration Program Act of 1988 (15 U.S.C. 644 note; 102*
 15 *Stat. 3890) is amended by striking “September 30, 1996”*
 16 *and inserting “September 30, 2000”.*

17 (b) *REPORTING OF SUBCONTRACT PARTICIPATION IN*
 18 *CONTRACTS FOR ARCHITECTURAL AND ENGINEERING*
 19 *SERVICES.*—Section 714(b)(5) of the Small Business Com-
 20 *petitiveness Demonstration Program Act of 1988 (15 U.S.C.*
 21 *644 note; 102 Stat. 3892) is amended to read as follows:*

22 “(5) *DURATION.*—The system described in sub-
 23 *section (a) shall be established not later than October*
 24 *1, 1996 (or as soon as practicable thereafter on the*

1 *first day of a subsequent quarter of fiscal year 1997),*
 2 *and shall terminate on September 30, 2000.”.*

3 (c) *REFERENCES TO ARCHITECTURAL AND ENGINEER-*
 4 *ING SERVICES.—*

5 (1) *IN GENERAL.—The Small Business Competi-*
 6 *tiveness Demonstration Program Act of 1988 (15*
 7 *U.S.C. 644 note; 102 Stat. 3889 et seq.) is amended*
 8 *in subsections (a)(3) and (d) by striking “surveying*
 9 *and mapping” and inserting “surveying, mapping,*
 10 *and landscape architecture”.*

11 (2) *DESIGNATED INDUSTRY GROUPS.—Section*
 12 *717(d) of the Small Business Competitiveness Dem-*
 13 *onstration Program Act of 1988 (15 U.S.C. 644 note;*
 14 *102 Stat. 3894) is amended by inserting “standard*
 15 *industrial classification codes 0781 (if identified as*
 16 *pertaining to architecture services),” after “(if identi-*
 17 *fied as pertaining to mapping services),”.*

18 (d) *REPORTS TO CONGRESS.—*

19 (1) *IN GENERAL.—Section 716 of the Small*
 20 *Business Competitiveness Demonstration Program*
 21 *Act of 1988 (15 U.S.C. 644 note; 102 Stat. 3893) is*
 22 *amended—*

23 (A) *in subsection (a), by striking “fiscal*
 24 *year 1991 and 1995” and inserting “each of fis-*
 25 *cal years 1991 through 1999”;*

1 (B) in subsection (a), by striking “results”
 2 and inserting “cumulative results”; and
 3 (C) in subsection (c), by striking “1996”
 4 and inserting “1999”.

5 (2) CUMULATIVE REPORT THROUGH FISCAL
 6 YEAR 1995.—A cumulative report of the results of the
 7 Small Business Competitiveness Demonstration Pro-
 8 gram for fiscal years 1991 through 1995 shall be sub-
 9 mitted not later than 60 days after the date of the en-
 10 actment of this Act pursuant to section 716(a) of the
 11 Small Business Competitiveness Demonstration Pro-
 12 gram Act of 1988 (15 U.S.C. 644 note; 102 Stat.
 13 3893), as amended by paragraph (1) of this sub-
 14 section.

15 **SEC. 109. AMENDMENT TO SMALL BUSINESS GUARANTEED**
 16 **CREDIT ENHANCEMENT ACT OF 1993.**

17 (a) Section 7 of the Small Business Guaranteed Credit
 18 Enhancement Act of 1993 (Public Law 10381; 15 U.S.C.
 19 634 note) is repealed effective September 29, 1996.

20 (b) CLERICAL AMENDMENT.—The table of contents for
 21 the Small Business Guaranteed Credit Enhancement Act of
 22 1993 (Public Law 103–81; 15 U.S.C. 631 note) is amended
 23 by striking the item relating to section 7.

24 **SEC. 110. 1998 AUTHORIZATIONS.**

25 Section 20 (15 U.S.C. 631 note) is amended—

1 (1) in subsection (p), by striking “authorized for
2 fiscal year 1997” and inserting “authorized for each
3 of fiscal years 1997 and 1998”;

4 (2) by striking subsection (p)(3)(B) and by in-
5 serting the following:

6 “(B) \$268,000,000 in guarantees of deben-
7 tures; and”;

8 (3) in subsection (q)(1) by striking “fiscal year
9 1997” and inserting “each of fiscal years 1997 and
10 1998”; and

11 (4) in subsection (q)(2) by striking “year 1997”
12 and inserting “years 1997 and 1998”.

13 **SEC. 111. LEVEL OF PARTICIPATION FOR EXPORT WORKING**
14 **CAPITAL LOANS.**

15 Section 7(a)(2) (15 U.S.C. 636(a)(2)) is amended by
16 adding at the end the following:

17 “(D) *PARTICIPATION UNDER EXPORT WORK-*
18 *ING CAPITAL PROGRAM.*—Notwithstanding sub-
19 paragraph (A), in an agreement to participate
20 in a loan on a deferred basis under the Export
21 Working Capital Program established pursuant
22 to paragraph (14)(A), such participation by the
23 Administration shall be equal to the rate speci-
24 fied under this paragraph as in effect on the day

1 *before the date of the enactment of the Small*
 2 *Business Lending Enhancement Act of 1995.”.*

3 **TITLE II—AMENDMENTS TO**
 4 **SMALL BUSINESS INVEST-**
 5 **MENT ACT**

6 **SEC. 201. REFERENCES.**

7 *Except as otherwise expressly provided, whenever in*
 8 *this title an amendment or repeal is expressed in terms of*
 9 *an amendment to, or repeal of, a section or other provision,*
 10 *the reference shall be considered to be made to a section or*
 11 *other provision of the Small Business Investment Act of*
 12 *1958 (15 U.S.C. 661 et seq.).*

13 **SEC. 202. MODIFICATIONS TO DEVELOPMENT COMPANY DE-**
 14 **BENTURE PROGRAM.**

15 *(a) DECREASED LOAN TO VALUE RATIOS.—Section*
 16 *502(3) (15 U.S.C. 696(3)) is amended to read as follows:*

17 “(3) *CRITERIA FOR ASSISTANCE.—*

18 “(A) *IN GENERAL.—Any development com-*
 19 *pany assisted under this section or section 503*
 20 *of this title must meet the criteria established by*
 21 *the Administration, including the extent of par-*
 22 *ticipation to be required or amount of paid-in*
 23 *capital to be used in each instance as is deter-*
 24 *mined to be reasonable by the Administration.*

25 “(B) *COMMUNITY INJECTION FUNDS.—*

1 “(i) *SOURCES OF FUNDS.*—Community
 2 *injection funds may be derived, in whole or*
 3 *in part, from—*

4 “(I) *State or local governments;*

5 “(II) *banks or other financial in-*
 6 *stitutions;*

7 “(III) *foundations or other not-*
 8 *for-profit institutions; or*

9 “(IV) *the small business concern*
 10 *(or its owners, stockholders, or affili-*
 11 *ates) receiving assistance through a*
 12 *body authorized by this title.*

13 “(ii) *FUNDING FROM INSTITUTIONS.*—
 14 *Not less than 50 percent of the total cost of*
 15 *any project financed pursuant to clauses*
 16 *(i), (ii), or (iii) of subparagraph (C) shall*
 17 *come from the institutions described in sub-*
 18 *clauses (I), (II), and (III) of clause (i).*

19 “(C) *FUNDING FROM A SMALL BUSINESS*
 20 *CONCERN.*—*The small business concern (or its*
 21 *owners, stockholders, or affiliates) receiving as-*
 22 *sistance through a body authorized by this title*
 23 *shall provide—*

24 “(i) *at least 15 percent of the total cost*
 25 *of the project financed, if the small business*

1 *concern has been in operation for a period*
 2 *of 2 years or less;*

3 *“(ii) at least 15 percent of the total*
 4 *cost of the project financed if the project in-*
 5 *volves the construction of a limited or single*
 6 *purpose building or structure;*

7 *“(iii) at least 20 percent of the total*
 8 *cost of the project financed if the project in-*
 9 *volves both of the conditions set forth in*
 10 *clauses (i) and (ii); or*

11 *“(iv) at least 10 percent of the total*
 12 *cost of the project financed, in all other cir-*
 13 *cumstances, at the discretion of the develop-*
 14 *ment company.”.*

15 *(b) GUARANTEE FEE FOR DEVELOPMENT COMPANY*
 16 *DEBENTURES.—Section 503(b)(7)(A) (15 U.S.C.*
 17 *697(b)(7)(A)) is amended by striking “0.125 percent” and*
 18 *inserting “0.8125 percent”.*

19 *(c) FEES TO OFFSET SUBSIDY COST.—Section 503(d)*
 20 *(15 U.S.C. 697(d)) is amended to read as follows:*

21 *“(d) CHARGES FOR ADMINISTRATION EXPENSES.—*

22 *“(1) LEVEL OF CHARGES.—The Administration*
 23 *may impose an additional charge for administrative*
 24 *expenses with respect to each debenture for which*

1 *payment of principal and interest is guaranteed*
2 *under subsection (a).*

3 “(2) *PARTICIPATION FEE.*—*The Administration*
4 *shall also impose a one-time fee of 50 basis points on*
5 *the total participation in any project of any institu-*
6 *tion described in subclause (I), (II), or (III) of section*
7 *502(3)(B)(i). Such fee shall be imposed only when the*
8 *participation of the institution will occupy a senior*
9 *credit position to that of the development company.*
10 *Such fee shall be collected by the development com-*
11 *pany, forwarded to the Administration, and used to*
12 *offset the cost (as such term is defined in section 502*
13 *of the Credit Reform Act of 1990) to the Administra-*
14 *tion of making guarantees under subsection (a).*

15 “(3) *DEVELOPMENT COMPANY FEE.*—*The Ad-*
16 *ministration shall collect annually from each develop-*
17 *ment company a fee of 0.125 percent of the outstand-*
18 *ing principal balance of any guaranteed debenture*
19 *authorized by the Administration after September 30,*
20 *1996. Such fee shall be derived from the servicing fees*
21 *collected by the development company pursuant to*
22 *regulation, and shall not be derived from any addi-*
23 *tional fees imposed on small business concerns. All*
24 *proceeds of the fee shall be used to offset the cost (as*
25 *such term is defined in section 502 of the Credit Re-*

1 *form Act of 1990) to the Administration of making*
 2 *guarantees under subsection (a).”.*

3 *(d) EFFECTIVE DATE.—Section 503 (15 U.S.C. 697)*
 4 *is amended by adding at the end the following:*

5 *“(f) EFFECTIVE DATE.—The fees authorized by sub-*
 6 *sections (b) and (c) shall apply to financings approved by*
 7 *the Administration on or after October 1, 1996, but shall*
 8 *not apply to financings approved by the Administration*
 9 *on or after October 1, 1997.”.*

10 **SEC. 203. REQUIRED ACTIONS UPON DEFAULT.**

11 *Section 503 (15 U.S.C. 697) is amended by adding*
 12 *at the end the following:*

13 *“(g) REQUIRED ACTIONS UPON DEFAULT.—*

14 *“(1) DEADLINES.—*

15 *“(A) INITIAL ACTIONS.—Not later than the*
 16 *45th day after the date on which a payment on*
 17 *a loan funded through a debenture guaranteed*
 18 *under this section is due and not received, the*
 19 *Administration shall—*

20 *“(i) take all necessary steps to bring*
 21 *such a loan current; or*

22 *“(ii) implement a formal written defer-*
 23 *ral agreement.*

24 *“(B) PURCHASE OR ACCELERATION OF DE-*
 25 *BENTURE.—Not later than the 65th day after the*

1 *date on which a payment on a loan described in*
 2 *subparagraph (A) is due and not received, and*
 3 *absent a formal written deferral agreement, the*
 4 *Administration shall take all necessary steps to*
 5 *purchase or accelerate the debenture.*

6 “(2) *PREPAYMENT PENALTIES.*—*The Adminis-*
 7 *tration shall, with respect to the portion of any*
 8 *project derived from funds set forth in section*
 9 *502(3)—*

10 *“(A) negotiate the elimination of any pre-*
 11 *payment penalties or late fees on defaulted loans*
 12 *made prior to September 30, 1996;*

13 *“(B) decline to pay any prepayment pen-*
 14 *alty or late fee on the default based purchase of*
 15 *loans issued after September 30, 1996; and*

16 *“(C) for any project financed after Septem-*
 17 *ber 30, 1996, decline to pay any default interest*
 18 *rate higher than the interest rate on the note*
 19 *prior to the date of default.”.*

20 **SEC. 204. LOAN LIQUIDATION PILOT PROGRAM.**

21 *(a) IN GENERAL.*—*The Administrator shall carry out*
 22 *a loan liquidation pilot program (in this section referred*
 23 *to as the “pilot program”) in accordance with the require-*
 24 *ments of this section.*

1 (b) *SELECTION OF DEVELOPMENT COMPANIES.*—Not
 2 later than 90 days after the date of the enactment of this
 3 Act, the Administrator shall allow not less than 15 develop-
 4 ment companies authorized to make loans and issue deben-
 5 tures under title V of the Small Business Investment Act
 6 of 1958 to participate in the pilot program. The develop-
 7 ment companies admitted shall agree not to take any action
 8 that would create a potential conflict of interest involving
 9 the development company, the third party lender, or an as-
 10 sociate of the third party lender. In order to qualify to par-
 11 ticipate in the pilot, each development company shall—

12 (1) have a minimum of 6 years experience in the
 13 program established by such title V;

14 (2) have made, during the last 6 fiscal years, an
 15 average of 10 loans per year through the program es-
 16 tablished by such title V; and

17 (3) have a minimum of 2 years experience, either
 18 independently or through an agent, in liquidating
 19 loans under the authority of a Federal, State, or other
 20 lending program.

21 (c) *AUTHORITY OF DEVELOPMENT COMPANIES.*—The
 22 development companies selected under subsection (b) shall,
 23 for all loans in their portfolio of loans made through deben-
 24 tures guaranteed under title V of the Small Business Invest-

1 *ment Act of 1958 that are in default after the date of enact-*
 2 *ment of this Act, be authorized to—*

3 *(1) perform all liquidation and foreclosure func-*
 4 *tions, including the acceleration or purchase of com-*
 5 *munity injection funds; and*

6 *(2) liquidate such loans in a reasonable and*
 7 *sound manner and according to commercially accept-*
 8 *ed practices.*

9 *(d) AUTHORITY OF THE ADMINISTRATOR.—In carry-*
 10 *ing out the pilot program, the Administrator shall—*

11 *(1) have full authority to deny participation in*
 12 *the pilot program or rescind the authority granted*
 13 *any development company under this section upon a*
 14 *10-day written notice stating the reasons for the de-*
 15 *nial or rescission; and*

16 *(2) implement the pilot program no later than*
 17 *90 days after the admission of the development com-*
 18 *panies specified in subsection (b).*

19 *(e) REPORT.—*

20 *(1) IN GENERAL.—The Administrator shall issue*
 21 *a report on the results of the pilot program to the*
 22 *Committees on Small Business of the House of Rep-*
 23 *resentatives and the Senate. The report shall include*
 24 *information relating to—*

1 (A) the total dollar amount of each loan
2 and project liquidated;

3 (B) the total dollar amount guaranteed by
4 the Administration;

5 (C) total dollar losses;

6 (D) total recoveries both as percentage of the
7 amount guaranteed and the total cost of the
8 project; and

9 (E) a comparison of the pilot program in-
10 formation with the same information for liquida-
11 tion conducted outside the pilot program over the
12 period of time.

13 (2) *REPORTING PERIOD.*—The report shall be
14 based on data from, and issued not later than 90
15 days after the close of, the first eight 8 fiscal quarters
16 of the pilot program’s operation after the date of im-
17 plementation.

18 **SEC. 205. REGISTRATION OF CERTIFICATES.**

19 (a) *CERTIFICATES SOLD PURSUANT TO SMALL BUSI-*
20 *NESS ACT.*—Section 5(h) of the Small Business Act (15
21 U.S.C. 634(h)) is amended—

22 (1) by redesignating paragraphs (1) through (4)
23 as subparagraphs (A) through (D);

24 (2) by striking “(h)” and inserting “(h)(1)”;

1 (3) *by striking subparagraph (A), as redesign-*
 2 *ated by paragraph (1) of this subsection, and insert-*
 3 *ing the following:*

4 “(A) *provide for a central registration of all*
 5 *loans and trust certificates sold pursuant to sub-*
 6 *sections (f) and (g) of this section;”*; and

7 (4) *by adding at the end the following:*

8 “(2) *Nothing in this subsection shall prohibit the utili-*
 9 *zation of a book-entry or other electronic form of registra-*
 10 *tion for trust certificates. The Administration may, with*
 11 *the consent of the Secretary of the Treasury, use the book-*
 12 *entry system of the Federal Reserve System.”.*

13 (b) *CERTIFICATES SOLD PURSUANT TO SMALL BUSI-*
 14 *NESS INVESTMENT COMPANY PROGRAM.—Section 321(f)*
 15 *(15 U.S.C. 6871(f)) is amended—*

16 (1) *in paragraph (1) by striking “Such central*
 17 *registration shall include” and all that follows*
 18 *through the period at the end of the paragraph; and*

19 (2) *by adding at the end the following:*

20 “(5) *Nothing in this subsection shall prohibit the use*
 21 *of a book-entry or other electronic form of registration for*
 22 *trust certificates.”.*

23 (c) *CERTIFICATES SOLD PURSUANT TO DEVELOPMENT*
 24 *COMPANY PROGRAM.—Section 505(f) (15 U.S.C. 697b(f)) is*
 25 *amended—*

1 (1) by redesignating paragraphs (1) through (4)
2 as subparagraphs (A) through (D);

3 (2) by striking “(f)” and inserting “(f)(1)”;

4 (3) by striking subparagraph (A), as redesign-
5 ated by paragraph (1) of this subsection, and insert-
6 ing the following:

7 “(A) provide for a central registration of all
8 trust certificates sold pursuant to this section;” and

9 (4) by adding at the end the following:

10 “(2) Nothing in this subsection shall prohibit the utili-
11 zation of a book-entry or other electronic form of registra-
12 tion for trust certificates.”.

13 **SEC. 206. PREFERRED SURETY BOND GUARANTEE PRO-**
14 **GRAM.**

15 (a) *ADMISSIONS OF ADDITIONAL PROGRAM PARTICI-*
16 *PANTS.*—Section 411(a) (15 U.S.C. 694(a)) is amended by
17 adding a new paragraph (5), as follows:

18 “(5)(A) *The Administration shall promptly act upon*
19 *an application from a surety to participate in the Preferred*
20 *Surety Bond Guarantee Program, authorized by paragraph*
21 *(3), in accordance with criteria and procedures established*
22 *in regulations pursuant to subsection (d).*

23 “(B) *The Administration is authorized to reduce the*
24 *allotment of bond guarantee authority or terminate the par-*
25 *ticipation of a surety in the Preferred Surety Bond Guar-*

1 *antee Program based on the rate of participation of such*
2 *surety during the 4 most recent fiscal year quarters com-*
3 *pared to the median rate of participation by the other sure-*
4 *ties in the program.”.*

5 *(b) EFFECTIVE DATE.—The amendments made by sub-*
6 *section (a) shall apply with respect to applications received*
7 *(or pending substantive evaluation) on or after October 1,*
8 *1995.*