

104TH CONGRESS
2D SESSION

S. 2177

To authorize the Small Business Administration to provide financial and business development assistance to military reservists' small businesses, and for other purposes.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 30, 1996

Mr. SANTORUM introduced the following bill; which was read twice and referred to the Committee on Small Business

A BILL

To authorize the Small Business Administration to provide financial and business development assistance to military reservists' small businesses, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Military Reservists
5 Small Business Relief Act”.

1 **SEC. 2. REPAYMENT DEFERRAL FOR ACTIVE DUTY RESERV-**
 2 **ISTS.**

3 Section 7 of the Small Business Act (15 U.S.C. 636)
 4 is amended by adding at the end the following new sub-
 5 section:

6 “(n) REPAYMENT DEFERRED FOR ACTIVE DUTY RE-
 7 SERVISTS.—

8 “(1) IN GENERAL.—The Administration shall,
 9 upon written request, defer repayment of a direct
 10 loan made pursuant to subsection (a) or (b), if such
 11 loan was incurred by a qualified borrower.

12 “(2) DEFINITIONS.—For purposes of this sub-
 13 section, the following definitions shall apply:

14 “(A) QUALIFIED BORROWER.—The term
 15 ‘qualified borrower’ means—

16 “(i) an individual who is an eligible
 17 Reserve and who received a direct loan
 18 under subsection (a) or (b) before being
 19 called or ordered to, or retained on, active
 20 duty as described in subparagraph (B); or

21 “(ii) a small business concern that re-
 22 ceived a direct loan under subsection (a) or
 23 (b) before an eligible Reserve, who is an
 24 owner, manager, or key employee described
 25 in subparagraph (C), was called or ordered

1 to, or retained on, active duty as described
2 in subparagraph (B).

3 “(B) ELIGIBLE RESERVE.—The term ‘eli-
4 gible Reserve’ means a member of a reserve
5 component of the Armed Forces serving pursu-
6 ant to a call or order to active duty, or reten-
7 tion on active duty, during a period of military
8 conflict.

9 “(C) OWNER, MANAGER, OR KEY EM-
10 PLOYEE.—An eligible Reserve is an owner,
11 manager, or key employee described in this sub-
12 paragraph if the eligible Reserve is an individ-
13 ual who—

14 “(i) has not less than a 20 percent
15 ownership interest in the small business
16 concern described in subparagraph (A)(ii);

17 “(ii) is a manager responsible for the
18 day-to-day operations of such small busi-
19 ness concern; or

20 “(iii) is a key employee (as defined by
21 the Administration) of such small business
22 concern.

23 “(D) PERIOD OF MILITARY CONFLICT.—
24 The term ‘period of military conflict’ means—

1 “(i) a period of war declared by the
2 Congress;

3 “(ii) a period of national emergency
4 declared by the Congress or by the Presi-
5 dent; or

6 “(iii) a period for which members of
7 reserve components of the Armed Forces
8 are serving on active duty in the Armed
9 Forces under a call or order to active duty,
10 or retention on active duty, under section
11 688, 12301(a), 12302, 12304, or 12306 of
12 title 10, United States Code.

13 “(3) PERIOD OF DEFERRAL.—The period of de-
14 ferral for repayment under this subsection shall
15 begin on the date on which the eligible Reserve is or-
16 dered to active duty during any period of military
17 conflict and shall terminate on the later of—

18 “(A) 180 days after the date on which
19 such eligible Reserve is discharged or released
20 from that active duty; and

21 “(B) 180 days after the date of enactment
22 of this subsection.”.

23 “(4) NO ACCRUAL OF INTEREST DURING DE-
24 FERRAL.—During the period of deferral described in
25 paragraph (3), repayment of principal and interest

1 on the deferred loan shall not be required and no in-
2 terest shall accrue on such loan.”.

3 **SEC. 3. DISASTER LOAN ASSISTANCE FOR MILITARY RE-**
4 **SERVISTS’ SMALL BUSINESSES.**

5 (a) IN GENERAL.—Section 7(b) of the Small Busi-
6 ness Act (15 U.S.C. 636(b)) is amended by inserting after
7 the undesignated paragraph that begins “*Provided, That*
8 no loan”, the following new paragraph:

9 “(3)(A) The Administration may make such
10 disaster loans (either directly or in cooperation with
11 banks or other lending institutions through agree-
12 ments to participate on an immediate or deferred
13 basis) to assist a small business concern (including
14 a small business concern engaged in the lease or
15 rental of real or personal property) that has suffered
16 or is likely to suffer economic injury as the result of
17 the owner, manager, or key employee of such small
18 business concern being ordered to active duty during
19 a period of military conflict.

20 “(B) Any loan or guarantee under this para-
21 graph shall be made at an annual interest rate of
22 not more than 4 percent, without regard to the abil-
23 ity of the small business concern to secure credit
24 elsewhere.

1 “(C) No loan shall be made under this para-
2 graph, either directly or in cooperation with banks
3 or other lending institutions through agreements to
4 participate on an immediate or deferred basis, if the
5 total amount outstanding and committed to the bor-
6 rower under this subsection would exceed \$500,000,
7 except that the Administration may waive the
8 \$500,000 limitation if the Administration deter-
9 mines that the applicant constitutes a major source
10 of employment in an area not larger than a county
11 that is suffering a disaster.

12 “(D) For purposes of assistance under this
13 paragraph, no declaration of a disaster area shall be
14 required.

15 “(E) For purposes of this paragraph—

16 “(i) the term ‘period of military conflict’
17 means—

18 “(I) a period of war declared by the
19 Congress;

20 “(II) a period of national emergency
21 declared by the Congress or by the Presi-
22 dent; or

23 “(III) a period for which members of
24 reserve components of the Armed Forces
25 are serving on active duty in the Armed

1 Forces under a call or order to active duty,
2 or retention on active duty, under section
3 688, 12301(a), 12302, 12304, or 12306 of
4 title 10, United States Code;

5 “(ii) the term ‘economic injury’ includes
6 the inability of a small business concern to mar-
7 ket or produce a product or to provide a service
8 ordinarily provided by the small business con-
9 cern; and

10 “(iii) the term ‘owner, manager, or key
11 employee’ means an individual who—

12 “(I) has not less than a 20 percent
13 ownership in the small business concern;

14 “(II) is a manager responsible for the
15 day-to-day operations of such small busi-
16 ness concern; or

17 “(III) is a key employee (as defined
18 by the Administration) of such small busi-
19 ness concern.”.

20 (b) CONFORMING AMENDMENTS.—Section 4(c) of
21 the Small Business Act (15 U.S.C. 633(c)) is amended—

22 (1) in paragraph (1), by striking “7(b)(4),”;

23 and

24 (2) in paragraph (2), by striking “7(b)(4),
25 7(b)(5), 7(b)(6), 7(b)(7), 7(b)(8),”.

1 **SEC. 4. REGULATIONS.**

2 Not later than 30 days after the date of enactment
3 of this Act, the Small Business Administration may issue
4 such regulations as may be necessary to carry out the
5 amendments made by sections 2 and 3.

6 **SEC. 5. APPLICABILITY AND EFFECTIVE DATES.**

7 (a) **APPLICABILITY.**—This Act and the amendments
8 made by this Act shall not apply to any member of a re-
9 serve component of the Armed Forces serving pursuant
10 to a call or order to active duty, or retention on active
11 duty, during a period of military conflict, who is eligible
12 to participate in the Ready Reserve Mobilization Income
13 Insurance Program established under section 512 of the
14 National Defense Authorization Act for Fiscal Year 1996.

15 (b) **EFFECTIVE DATES.**—

16 (1) **IN GENERAL.**—Except as provided in para-
17 graph (2), the amendments made by this Act shall
18 take effect on the date of enactment of this Act.

19 (2) **EXCEPTIONS.**—

20 (A) **LOAN REPAYMENT DEFERRAL.**—The
21 amendment made by section 2 shall apply with
22 respect to any eligible Reserve called or ordered
23 to, or retained on, active duty as the result of
24 a period of military conflict occurring on or
25 after August 1, 1990.

1 (B) DISASTER LOANS.—The amendments
2 made by section 3 shall apply to economic in-
3 jury suffered or likely to be suffered as the re-
4 sult of a period of military conflict occurring on
5 or after August 1, 1990.

6 (c) DEFINITIONS.—For purposes of this section—

7 (1) the term “economic injury” has the same
8 meaning as in section 7(b)(3)(E) of the Small Busi-
9 ness Act, as added by section 3 of this Act;

10 (2) the term “eligible Reserve” has the same
11 meaning as in section 7(n)(2) of the Small Business
12 Act, as added by section 2 of this Act; and

13 (3) the term “period of military conflict” has
14 the same meaning as in section 7(n)(2) of the Small
15 Business Act, as added by section 2 of this Act.

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