

106TH CONGRESS
1ST SESSION

H. R. 440

To make technical corrections to the Microloan Program.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 2, 1999

Mr. TALENT (for himself, Ms. VELÁZQUEZ, Mr. PASCRELL, and Ms. SCHAKOWSKY) introduced the following bill; which was referred to the Committee on Small Business

A BILL

To make technical corrections to the Microloan Program.

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“Microloan Program
5 Technical Corrections Act of 1999”.

6 **SEC. 2. TECHNICAL CORRECTIONS.**

7 Section 7(m) of the Small Business Act (15 U.S.C.
8 636(m)) is amended—

9 (1) by amending paragraph (7)(B) to read as
10 follows:

1 “(B) AVAILABILITY OF FUNDS.—Subject
2 to appropriations, the Administration shall en-
3 sure that at least \$800,000 of new loan funds
4 are available for each State in any fiscal year.
5 All funds are to be made available subject to
6 approval of the Administration. If, at the begin-
7 ning of the third quarter of a fiscal year, the
8 Administration determines that the funds nec-
9 essary to comply with this provision are unlikely
10 to be awarded that year, the Administration
11 may make those funds available to any State or
12 intermediary.”; and

13 (2) in paragraph (8)—

14 (A) by inserting “and providing funding to
15 intermediaries” after “program applicants”;
16 and

17 (B) by inserting “and provide funding to”
18 after “shall select”.

19 **SEC. 3. LOAN LOSS RESERVE.**

20 Section 7(m)(3)(D) of the Small Business Act (15
21 U.S.C. 636(m)(3)(D)) is amended to read as follows:

22 “(D)(i) IN GENERAL.—The Administrator
23 shall, by regulation, require each intermediary
24 to establish a loan loss reserve fund, and to
25 maintain such reserve fund until all obligations

1 owed to the Administration under this sub-
2 section are repaid.

3 “(ii) LEVEL OF LOAN LOSS RESERVE
4 FUND.—

5 “(I) Subject to subclause (III), the
6 Administration shall require the loan loss
7 reserve fund of an intermediary to be
8 maintained at a level equal to 15 percent
9 of the outstanding balance of the notes re-
10 ceivable owed to the intermediary.

11 “(II) REVIEW OF LOAN LOSS.—After
12 the initial 5 years of each intermediary’s
13 participation in the program authorized by
14 this subsection, the Administrator shall, at
15 the request of the intermediary, conduct a
16 review of the annual loss rate of each
17 intermediary. Any intermediary in oper-
18 ation under this subsection prior to Octo-
19 ber 1, 1994 that requests a reduction in its
20 loan loss reserve shall be reviewed based on
21 the most recent five year period preceding
22 the request.

23 “(III) REDUCTION OF THE LOAN
24 LOSS RESERVE.—Subject to the require-
25 ments of this subclause the Administrator

1 may reduce the annual loan loss reserve re-
2 quirement to reflect the actual average
3 loan loss rate for the intermediary during
4 the preceding five year period, except that
5 in no case shall the loan loss reserve be re-
6 duced to less than 10 percent of the out-
7 standing balance of the notes receivable
8 owed to the intermediary.

9 “A reduction may be allowed only if
10 the intermediary demonstrates to the satis-
11 faction of the Administrator that—

12 “(aa) the average annual loss
13 rate for the intermediary during the
14 preceding 5 year period is less than
15 15 percent; and

16 “(bb) that no other factors exist
17 that may impair the ability of the
18 intermediary to repay all obligations
19 owed to the Administration under this
20 subsection.”.

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