

106TH CONGRESS
1ST SESSION

H. R. 440

IN THE SENATE OF THE UNITED STATES

FEBRUARY 11, 1999

Received

FEBRUARY 22, 1999

Read twice and referred to the Committee on Small Business

AN ACT

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,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the“Microloan Program
3 Technical Corrections Act of 1999”.

4 **SEC. 2. TECHNICAL CORRECTIONS.**

5 Section 7(m) of the Small Business Act (15 U.S.C.
6 636(m)) is amended—

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

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

21 (2) in paragraph (8)—

22 (A) by inserting “and providing funding to
23 intermediaries” after “program applicants”;
24 and

25 (B) by inserting “and provide funding to”
26 after “shall select”.

1 **SEC. 3. LOAN LOSS RESERVE.**

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

4 “(D)(i) IN GENERAL.—The Administrator
5 shall, by regulation, require each intermediary
6 to establish a loan loss reserve fund, and to
7 maintain such reserve fund until all obligations
8 owed to the Administration under this sub-
9 section are repaid.

10 “(ii) LEVEL OF LOAN LOSS RESERVE
11 FUND.—

12 “(I) IN GENERAL.—Subject to sub-
13 clause (III), the Administrator shall re-
14 quire the loan loss reserve fund of an
15 intermediary to be maintained at a level
16 equal to 15 percent of the outstanding bal-
17 ance of the notes receivable owed to the
18 intermediary.

19 “(II) REVIEW OF LOAN LOSS RE-
20 SERVE.—After the initial 5 years of an
21 intermediary’s participation in the program
22 authorized by this subsection, the Adminis-
23 trator shall, at the request of the inter-
24 mediary, conduct a review of the annual
25 loss rate of the intermediary. Any inter-
26 mediary in operation under this subsection

1 prior to October 1, 1994, that requests a
2 reduction in its loan loss reserve shall be
3 reviewed based on the most recent 5-year
4 period preceding the request.

5 “(III) REDUCTION OF LOAN LOSS RE-
6 SERVE.—Subject to the requirements of
7 clause IV, the Administrator may reduce
8 the annual loan loss reserve requirement of
9 an intermediary to reflect the actual aver-
10 age loan loss rate for the intermediary dur-
11 ing the preceding 5-year period, except
12 that in no case shall the loan loss reserve
13 be reduced to less than 10 percent of the
14 outstanding balance of the notes receivable
15 owed to the intermediary.

16 “(IV) REQUIREMENTS.—The Admin-
17 istrator may reduce the annual loan loss
18 reserve requirement of an intermediary
19 only if the intermediary demonstrates to
20 the satisfaction of the Administrator
21 that—

22 “(aa) the average annual loss
23 rate for the intermediary during the
24 preceding 5-year period is less than
25 15 percent; and

1 “(bb) that no other factors exist
2 that may impair the ability of the
3 intermediary to repay all obligations
4 owed to the Administration under this
5 subsection.”.

Passed the House of Representatives February 9,
1999.

Attest:

JEFF TRANDAHL,

Clerk.