

109TH CONGRESS
2D SESSION

H. R. 5924

To amend the Small Business Act to provide for loan guarantees for certain private disaster loans.

IN THE HOUSE OF REPRESENTATIVES

JULY 27, 2006

Mr. BAKER introduced the following bill; which was referred to the Committee on Small Business

A BILL

To amend the Small Business Act to provide for loan guarantees for certain private disaster loans.

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. PRIVATE DISASTER LOANS.**

4 (a) IN GENERAL.—Section 7 of the Small Business
5 Act (15 U.S.C. 636) is amended—

6 (1) by redesignating subsections (c) and (d) as
7 subsections (d) and (e), respectively; and

8 (2) by inserting after subsection (b) the fol-
9 lowing:

10 “(c) PRIVATE DISASTER LOANS.—

1 “(1) DEFINITIONS.—In this subsection—

2 “(A) the term ‘disaster area’ means a
3 county, parish, or similar unit of general local
4 government in which a disaster was declared
5 under subsection (b);

6 “(B) the term ‘eligible small business con-
7 cern’ means a business concern that is—

8 “(i) is a small business concern, as
9 defined in this Act; or

10 “(ii) is a small business concern, as
11 defined in section 103 of the Small Busi-
12 ness Investment Act of 1958; and

13 “(C) the term ‘qualified private lender’
14 means any privately-owned bank or other lend-
15 ing institution that the Administrator deter-
16 mines meets the criteria established under para-
17 graph (10).

18 “(2) AUTHORIZATION.—The Administrator may
19 guarantee timely payment of all principal and inter-
20 est as scheduled on any loan issued—

21 “(A) by a qualified private lender to an eli-
22 gible small business concern located in a dis-
23 aster area; and

1 “(B) during the 24-month period begin-
2 ning on the date on which the disaster area is
3 designated.

4 “(3) USE OF LOANS.—A loan guaranteed by
5 the Administrator under this subsection may be used
6 for—

7 “(A) any purpose authorized under sub-
8 section (a) or (b); and

9 “(B) acquiring or developing real estate for
10 the purpose of selling or renting such real es-
11 tate.

12 “(4) ONLINE APPLICATIONS.—

13 “(A) IN GENERAL.—

14 “(i) ESTABLISHMENT.—The Adminis-
15 trator may establish, directly or through
16 an agreement with another entity, an on-
17 line application process for loans guaran-
18 teed under this subsection.

19 “(ii) OTHER FEDERAL ASSISTANCE.—
20 The Administrator may coordinate with
21 the head of any other appropriate Federal
22 agency so that any application submitted
23 through an online application process es-
24 tablished under clause (i) may be consid-

1 ered for any other Federal assistance pro-
2 gram for disaster relief.

3 “(B) CONTENTS.—

4 “(i) IN GENERAL.—An online applica-
5 tion process established under subpara-
6 graph (A) shall allow an applicant for a
7 guarantee under this subsection to specify
8 the qualified private lender from which the
9 applicant seeks to obtain a loan.

10 “(ii) OFFERS FOR LOANS.—

11 “(I) IN GENERAL.—If an appli-
12 cant does not specify a qualified pri-
13 vate lender under clause (i), any
14 qualified private lender may be se-
15 lected to or opt to consider the appli-
16 cation.

17 “(II) PROCESS.—The Adminis-
18 trator may, via the online process or
19 another predetermined and objective
20 process, determine a means of distrib-
21 uting or otherwise making available
22 for consideration applications where a
23 qualified private lender has not been
24 specified by the applicant.

1 “(5) REFINANCING.—A loan guaranteed under
2 this subsection may be used to refinance any debt
3 under this Act or the Small Business Investment
4 Act of 1958.

5 “(6) MAXIMUM AMOUNTS.—

6 “(A) GUARANTEE PERCENTAGE.—The Ad-
7 ministrators may guarantee not more than 85
8 percent of a loan under this subsection.

9 “(B) LOAN AMOUNTS.—The maximum
10 amount of a loan guaranteed under this sub-
11 section shall be \$3,000,000.

12 “(7) LOAN TERM.—The longest term of a loan
13 for a loan guaranteed under this subsection shall
14 be—

15 “(A) 15 years for any loan that is issued
16 without collateral; and

17 “(B) 25 years for any loan that is issued
18 with collateral.

19 “(8) FEES.—

20 “(A) IN GENERAL.—The Administrator
21 may not collect a guarantee fee under this sub-
22 section.

23 “(B) ORIGINATION FEE.—The Adminis-
24 trator shall pay a qualified private lender an
25 origination fee for a loan guaranteed under this

1 subsection equal to $\frac{15}{100}$ of 1 percent of the
2 amount of the loan.

3 “(9) DOCUMENTATION.—A qualified private
4 lender may use its own loan documentation for a
5 loan guaranteed by the Administrator, to the extent
6 authorized by the Administrator, except that the Ad-
7 ministrator may not require such use by regulation,
8 or otherwise.

9 “(10) IMPLEMENTATION.—

10 “(A) IN GENERAL.—Not later than 30
11 days after the date of enactment of this sub-
12 section, the Administrator shall—

13 “(i) establish interim criteria for
14 qualified private lenders; and

15 “(ii) begin accepting applications from
16 banks and lending institutions.

17 “(B) REGULATIONS.—

18 “(i) IN GENERAL.—Not later than 90
19 days after the date of enactment of this
20 subsection, the Administrator shall promul-
21 gate regulations establishing permanent
22 criteria for qualified private lenders.

23 “(ii) EXISTING QUALIFIED PRIVATE
24 LENDERS.—A bank or lending institution
25 that the Administrator determined met the

1 criteria established under subparagraph
2 (A)(i) may continue to operate as a quali-
3 fied private lender if the Administrator de-
4 termines that such bank or lending institu-
5 tion meets the criteria established under
6 clause (i).

7 “(11) OTHER ASSISTANCE.—The fact that a
8 small business concern receives assistance under this
9 subsection shall not preclude such business concern
10 from receiving other assistance under this Act.

11 “(12) AUTHORIZATION OF APPROPRIATIONS.—

12 “(A) IN GENERAL.—Amounts necessary to
13 carry out this subsection shall be made avail-
14 able from amounts appropriated to the Admin-
15 istration under subsection (b).

16 “(B) AUTHORITY TO REDUCE INTEREST
17 RATES.—Funds appropriated to the Adminis-
18 tration to carry out this subsection, may be
19 used by the Administrator, to the extent avail-
20 able, to reduce the applicable rate of interest
21 for a loan guaranteed under this subsection by
22 not more than 3 percentage points.”.

23 (b) EFFECTIVE DATE.—

24 (1) IN GENERAL.—The amendments made by
25 this section shall apply to disasters declared under

1 section 7(b)(2) of the Small Business Act (631
 2 U.S.C. 636(b)(2)) before, on, or after the date of en-
 3 actment of this Act.

4 (2) CONSTRUCTION.—For any disaster de-
 5 scribed in paragraph (1) that was declared before
 6 the date of enactment of this Act, the 24-month pe-
 7 riod described in section 7(c)(2)(B) of the Small
 8 Business Act, as amended by this Act, shall begin on
 9 the date on which such disaster was declared.

10 **SEC. 2. TECHNICAL AND CONFORMING AMENDMENTS.**

11 The Small Business Act (15 U.S.C. 631 et seq.) is
 12 amended—

13 (1) in section 4(c)—

14 (A) in paragraph (1), by striking “7(c)(2)”
 15 and inserting “7(d)(2)”; and

16 (B) in paragraph (2)—

17 (i) by striking “7(c)(2)” and inserting
 18 “7(d)(2)”; and

19 (ii) by striking “7(e),”; and

20 (2) in section 7(b), in the undesignated matter
 21 following paragraph (3)—

22 (A) by striking “That the provisions of
 23 paragraph (1) of subsection (c)” and inserting
 24 “That the provisions of paragraph (1) of sub-
 25 section (d)”; and

1 (B) by striking “Notwithstanding the pro-
2 visions of any other law the interest rate on the
3 Administration’s share of any loan made under
4 subsection (b) except as provided in subsection
5 (c),” and inserting “Notwithstanding any other
6 provision of law, and except as provided in sub-
7 section (d), the interest rate on the Administra-
8 tion’s share of any loan made under subsection
9 (b)”.

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