

# Union Calendar No. 64

110TH CONGRESS  
1ST SESSION

# H. R. 1332

[Report No. 110–104]

To improve the access to capital programs of the Small Business  
Administration, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 6, 2007

Ms. BEAN (for herself, Mr. CHABOT, and Ms. VELÁZQUEZ) introduced the  
following bill; which was referred to the Committee on Small Business

APRIL 20, 2007

Additional sponsors: Mr. BISHOP of Utah, Mr. FILNER, Ms. LINDA T.  
SÁNCHEZ of California, Mrs. MALONEY of New York, and Mr. LIPINSKI

APRIL 20, 2007

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 italics]

[For text of introduced bill, see copy of bill as introduced on March 6, 2007]

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## A BILL

To improve the access to capital programs of the Small  
Business Administration, 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,*

1 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

2 (a) *SHORT TITLE.*—*This Act may be cited as the*  
 3 *“Small Business Lending Improvements Act of 2007”.*

4 (b) *TABLE OF CONTENTS.*—*The table of contents for*  
 5 *this Act is as follows:*

*Sec. 1. Short title; table of contents.*

**TITLE I—7(A) PROGRAM**

*Sec. 101. Authority for fee contributions.*

*Sec. 102. Rural Lending Outreach Program.*

*Sec. 103. Community Express program made permanent.*

*Sec. 104. Medical Professionals in Designated Shortage Areas Program.*

*Sec. 105. Increased Veteran Participation Program.*

*Sec. 106. Alternative size standard.*

*Sec. 107. Support to regional offices.*

**TITLE II—CERTIFIED DEVELOPMENT COMPANY ECONOMIC  
DEVELOPMENT LOAN PROGRAM**

*Sec. 201. Certified Development Company Economic Development Loan Program.*

*Sec. 202. Definitions.*

*Sec. 203. Eligibility of development companies to be designated as certified devel-  
opment companies.*

*Sec. 204. Definition of rural areas.*

*Sec. 205. Businesses in low-income areas.*

*Sec. 206. Combinations of certain goals.*

*Sec. 207. Refinancing.*

*Sec. 208. Additional equity injections.*

*Sec. 209. Loan liquidations.*

*Sec. 210. Closing costs.*

*Sec. 211. Maximum Certified Development Company and 7(a) loan eligibility.*

*Sec. 212. Eligibility for energy efficiency projects.*

*Sec. 213. Loans for plant projects used for energy-efficient purposes.*

*Sec. 214. Extension of period during which loss reserves of premier certified lend-  
ers determined on the basis of outstanding balance of debentures.*

*Sec. 215. Extension of alternative loss reserve pilot program for certain premier  
certified lenders.*

6 **TITLE I—7(A) PROGRAM**

7 **SEC. 101. AUTHORITY FOR FEE CONTRIBUTIONS.**

8 Section 7(a) of the Small Business Act (15 U.S.C.  
 9 636(a)) is amended—

1           (1) in paragraph (18)(A) by striking “shall col-  
2           lect” and inserting “shall assess and collect”;

3           (2) in paragraph (18) by adding at the end the  
4           following:

5                     “(C) *OFFSET.*—*The Administrator may, as*  
6                     *provided in paragraph (32), offset fees assessed*  
7                     *and collected under subparagraph (A).’*”; and

8           (3) in paragraph (23) by striking subparagraph  
9           (C) and adding at the end the following:

10                    “(C) *OFFSET.*—*The Administrator may, as*  
11                    *provided in paragraph (32), offset fees assessed*  
12                    *and collected under subparagraph (A).’*; and

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

14                    “(32) *FEE CONTRIBUTIONS.*—

15                    “(A) *IN GENERAL.*—*To the extent that*  
16                    *amounts are made available to the Adminis-*  
17                    *trator for the purpose of fee contributions, the*  
18                    *Administrator shall—*

19                             “(i) *first consider contributing to fees*  
20                             *paid by small business borrowers under*  
21                             *clauses (i) through (iii) of paragraph*  
22                             *(18)(A), to the maximum extent possible;*  
23                             *and*

1                   “(ii) then consider contributing to fees  
 2                   paid by small business lenders under para-  
 3                   graph (23)(A).

4                   “(B) QUARTERLY ADJUSTMENT.—Each fee  
 5                   contribution under subparagraph (A) shall be ef-  
 6                   fective for one fiscal quarter and shall be ad-  
 7                   justed as necessary for each fiscal quarter there-  
 8                   after to ensure that the amounts under subpara-  
 9                   graph (A) are fully used. The fee contribution for  
 10                  a fiscal quarter shall be based on the loans that  
 11                  the Administrator projects will be made during  
 12                  that fiscal quarter, given the program level au-  
 13                  thorized by law for that fiscal year and any  
 14                  other factors that the Administrator considers  
 15                  appropriate.”.

16 **SEC. 102. RURAL LENDING OUTREACH PROGRAM.**

17                  Section 7(a) of the Small Business Act (15 U.S.C.  
 18                  636(a)) is amended—

- 19                   (1) by striking paragraph (25)(C); and  
 20                   (2) by adding at the end the following:

21                  “(33) RURAL LENDING OUTREACH PROGRAM.—  
 22                  The Administrator shall carry out a rural lending  
 23                  outreach program to provide up to an 85 percent  
 24                  guaranty for loans of \$250,000 or less. The program  
 25                  shall be carried out only through lenders located in

1       rural areas (as ‘rural’ is defined in section 501(f) of  
 2       the Small Business Investment Act of 1958). For a  
 3       loan made through the program, the following shall  
 4       apply:

5               “(A) The Administrator shall approve or  
 6       disapprove the loan within 36 hours.

7               “(B) The program shall use abbreviated ap-  
 8       plication and documentation requirements.

9               “(C) Minimum credit standards, as the Ad-  
 10       ministrator considers necessary to limit the rate  
 11       of default on loans made under the program,  
 12       shall apply.”.

13   **SEC. 103. COMMUNITY EXPRESS PROGRAM MADE PERMA-**  
 14       **NENT.**

15       (a) *IN GENERAL.*—Section 7(a) of the Small Business  
 16   Act (15 U.S.C. 636(a)) is amended by adding at the end  
 17   the following:

18               “(34) *COMMUNITY EXPRESS PROGRAM.*—The Ad-  
 19       ministrator shall carry out a Community Express  
 20       Program for loans of \$250,000 or less. For a loan  
 21       made under this paragraph, the following shall apply:

22               “(A) The loan shall be made to a business  
 23       concern—

24               “(i) the majority ownership interest of  
 25       which is directly held by individuals who

1           are women, socially or economically dis-  
2           advantaged individuals (as defined by the  
3           Administrator), or veterans of the Armed  
4           Forces; or

5           “(ii) that is located in a low- or mod-  
6           erate-income area, as defined by the Admin-  
7           istrator.

8           “(B) The loan shall comply with the collat-  
9           eral policy of the Administration, except that, if  
10          the amount of the loan is less than or equal to  
11          \$25,000, the Administration shall not require the  
12          lender to take collateral.

13          “(C) The loan shall include terms requiring  
14          the lender to ensure that technical assistance is  
15          provided to the borrower, through the lender or  
16          a third-party provider.

17          “(D) The Administration shall approve or  
18          disapprove the loan within 36 hours.”.

19          (b) NOTICE AND COMMENT.—The program required by  
20          section 7(a)(34) of the Small Business Act, as added by sub-  
21          section (a), shall be established after the opportunity for no-  
22          tice and comment and not later than 180 days after the  
23          date of the enactment of this Act.

1 **SEC. 104. MEDICAL PROFESSIONALS IN DESIGNATED**  
 2 **SHORTAGE AREAS PROGRAM.**

3 (a) *IN GENERAL.*—Section 7(a) of the *Small Business*  
 4 *Act* (15 U.S.C. 636(a)) is amended by adding at the end  
 5 the following:

6 “(35) *MEDICAL PROFESSIONALS IN DESIGNATED*  
 7 *SHORTAGE AREAS PROGRAM.*—The Administrator  
 8 shall carry out a *Medical Professionals in Designated*  
 9 *Shortage Areas Program*. For a loan made under this  
 10 paragraph, the following shall apply:

11 “(A) The loan shall be made to a business  
 12 concern that provides properly licensed medical,  
 13 dental, or psychiatric services to the public.

14 “(B) The loan shall be for the purpose of  
 15 opening a business concern in a health profes-  
 16 sional shortage area (as defined in section 332 of  
 17 the *Public Health Service Act* (42 U.S.C. 254e)).

18 “(C) The loan shall include the participa-  
 19 tion by the Administration equal to 90 percent  
 20 of the balance of the financing outstanding at the  
 21 time of disbursement.

22 “(D) The fees on the loan under paragraphs  
 23 (18) and (23) shall be reduced by half.”.

24 (b) *NOTICE AND COMMENT.*—The program required by  
 25 section 7(a)(35) of the *Small Business Act*, as added by sub-  
 26 section (a), shall be established after the opportunity for no-

1 *tice and comment and not later than 180 days after the*  
 2 *date of the enactment of this Act.*

3 **SEC. 105. INCREASED VETERAN PARTICIPATION PROGRAM.**

4 *(a) IN GENERAL.—Section 7(a) of the Small Business*  
 5 *Act (15 U.S.C. 636(a)) is amended by adding at the end*  
 6 *the following:*

7 *“(36) INCREASED VETERAN PARTICIPATION PRO-*  
 8 *GRAM.—The Administrator shall carry out an In-*  
 9 *creased Veteran Participation Program. For a loan*  
 10 *made under this paragraph, the following shall apply:*

11 *“(A) The loan shall be made to a business*  
 12 *concern the majority ownership interest of which*  
 13 *is directly held by individuals who are veterans*  
 14 *of the Armed Forces.*

15 *“(B) The loan shall include the participa-*  
 16 *tion by the Administration equal to 90 percent*  
 17 *of the balance of the financing outstanding at the*  
 18 *time of disbursement.*

19 *“(C) The fees on the loan under paragraphs*  
 20 *(18) and (23) shall not apply.”.*

21 *(b) NOTICE AND COMMENT.—The program required by*  
 22 *section 7(a)(36) of the Small Business Act, as added by sub-*  
 23 *section (a), shall be established after the opportunity for no-*  
 24 *tice and comment and not later than 180 days after the*  
 25 *date of the enactment of this Act.*



1 **SEC. 106. ALTERNATIVE SIZE STANDARD.**

2       (a) *IN GENERAL.*—Section 3(a) of the Small Business  
3 Act (15 U.S.C. 632(a)) is amended by adding at the end  
4 the following:

5               “(5) In addition to any other size standard  
6 under this subsection, the Administrator shall estab-  
7 lish, and permit a lender making a loan under sec-  
8 tion 7(a) and a lender making a loan under the de-  
9 velopment company loan program to use, an alter-  
10 native size standard. The alternative size standard  
11 shall be based on factors including maximum tangible  
12 net worth and average net income.”.

13       (b) *APPLICABILITY.*—Until the Administrator estab-  
14 lishes, under section 3(a)(5) of the Small Business Act (as  
15 added by subsection (a)), an alternative size standard in  
16 the case of a lender making a loan under section 7(a) of  
17 that Act, the alternative size standard in section 121.301(b)  
18 of title 13, Code of Federal Regulations, shall apply to such  
19 a case.

20 **SEC. 107. SUPPORT TO REGIONAL OFFICES.**

21       Section 7(a) of the Small Business Act (15 U.S.C.  
22 636(a)) is amended by adding at the end the following:

23               “(37) *SUPPORT TO REGIONAL OFFICES.*—The  
24 Administrator shall carry out a program, within an  
25 element of the Administration already in existence as  
26 of the date of the enactment of the Small Business

1        *Lending Improvements Act of 2007, to provide sup-*  
 2        *port to regional offices of the Administration in as-*  
 3        *sisting small lenders who do not participate in the*  
 4        *preferred lender program to participate in the 7(a)*  
 5        *program.”.*

6        ***TITLE II—CERTIFIED DEVELOP-***  
 7        ***MENT COMPANY ECONOMIC***  
 8        ***DEVELOPMENT LOAN PRO-***  
 9        ***GRAM***

10        ***SEC. 201. CERTIFIED DEVELOPMENT COMPANY ECONOMIC***  
 11        ***DEVELOPMENT LOAN PROGRAM.***

12        *Section 504 of the Small Business Investment Act of*  
 13        *1958 (15 U.S.C. 697a) is amended—*

14                *(1) by redesignating subsections (a) and (b) as*  
 15        *subsections (b) and (c); and*

16                *(2) by inserting before subsection (b) (as so re-*  
 17        *designated) the following:*

18                *“(a) The program to provide financing to small busi-*  
 19        *nesses by guarantees of loans under this Act which are fund-*  
 20        *ed by debentures guaranteed by the Administration may be*  
 21        *known as the ‘Certified Development Company Economic*  
 22        *Development Loan Program’.”.*

23        ***SEC. 202. DEFINITIONS.***

24        *Section 103(6) of the Small Business Investment Act*  
 25        *of 1958 (15 U.S.C. 662(6)) is amended to read as follows:*

1           “(6) the term ‘development company’ means an  
 2           entity incorporated under State law with the author-  
 3           ity to promote and assist the growth and development  
 4           of small-business concerns in the areas in which it is  
 5           authorized to operate by the Administration, and the  
 6           term ‘certified development company’ means a devel-  
 7           opment company which the Administration has deter-  
 8           mined meets the criteria of section 506;”.

9   **SEC. 203. ELIGIBILITY OF DEVELOPMENT COMPANIES TO**  
 10                   **BE DESIGNATED AS CERTIFIED DEVELOP-**  
 11                   **MENT COMPANIES.**

12           Section 506 of the Small Business Investment Act of  
 13   1958 (15 U.S.C. 697c) is amended to read as follows:

14   **“SEC. 506. CERTIFIED DEVELOPMENT COMPANIES.**

15           “(a) **AUTHORITY TO ISSUE DEBENTURES.**—A develop-  
 16   ment company may issue debentures pursuant to this Act  
 17   if the Administration certifies that the company meets the  
 18   following criteria:

19           “(1) **SIZE.**—The development company is re-  
 20   quired to be a small concern with fewer than 500 em-  
 21   ployees and not under the control of any entity which  
 22   does not meet the Administration’s size standards as  
 23   a small business, except that any development com-  
 24   pany which was certified by the Administration prior

1       to December 31, 2005 may continue to issue debentures.  
2

3               “(2) *PURPOSE.*—The primary purpose of the development company is to benefit the community by  
4       fostering economic development to create and preserve  
5       jobs and stimulate private investment.  
6

7               “(3) *PRIMARY FUNCTION.*—The primary function of the development company is to accomplish its  
8       purpose by providing long term financing to small  
9       businesses by the utilization of the Certified Development Company Economic Development Loan Program. It may also provide or support such other local  
10      economic development activities to assist the community.  
11  
12  
13  
14

15              “(4) *NON-PROFIT STATUS.*—The development company is a non-profit corporation, except that a  
16      development company certified by the Administration  
17      prior to January 1, 1987, may retain its status as  
18      a for-profit corporation.  
19

20              “(5) *GOOD STANDING.*—The development company is in good standing in its State of incorporation  
21      and in any other State in which it conducts business,  
22      and is in compliance with all laws, including taxation requirements, in its State of incorporation and  
23      in any other State in which it conducts business.  
24  
25

1           “(6) *MEMBERSHIP.*—*The development company*  
2           *has at least 25 members (or stockholders if the cor-*  
3           *poration is a for-profit entity), none of whom may*  
4           *own or control more than 10 percent of the company’s*  
5           *voting membership, consisting of representation from*  
6           *each of the following groups (none of which are in a*  
7           *position to control the development company):*

8                     “(A) *Government organizations that are re-*  
9                     *sponsible for economic development.*

10                    “(B) *Financial institutions that provide*  
11                    *commercial long term fixed asset financing.*

12                    “(C) *Community organizations that are*  
13                    *dedicated to economic development.*

14                    “(D) *Businesses.*

15           “(7) *BOARD OF DIRECTORS.*—*The development*  
16           *company has a board of directors that—*

17                     “(A) *is elected from the membership by the*  
18                     *members;*

19                     “(B) *represents at least three of the four*  
20                     *groups enumerated in subsection (a)(6) and no*  
21                     *group is in a position to control the company;*  
22                     *and*

23                     “(C) *meets on a regular basis to make pol-*  
24                     *icy decisions for such company.*

1           “(8) *PROFESSIONAL MANAGEMENT AND STAFF.*—

2           *The development company has full-time professional*  
3           *management, including a chief executive officer to*  
4           *manage daily operations, and a full-time professional*  
5           *staff qualified to market the Certified Development*  
6           *Company Economic Development Loan Program and*  
7           *handle all aspects of loan approval and servicing, in-*  
8           *cluding liquidation, if appropriate. The development*  
9           *company is required to be independently managed*  
10          *and operated to pursue its economic development mis-*  
11          *sion and to employ its chief executive officer directly,*  
12          *with the following exceptions:*

13                 “(A) *A development company may be an af-*  
14                 *filiate of another local non-profit service corpora-*  
15                 *tion (specifically excluding another development*  
16                 *company) whose mission is to support economic*  
17                 *development in the area in which the develop-*  
18                 *ment company operates. In such a case:*

19                         “(i) *The development company may*  
20                         *satisfy the requirement for full-time profes-*  
21                         *sional staff by contracting with a local non-*  
22                         *profit service corporation (or one of its non-*  
23                         *profit affiliates), or a governmental or*  
24                         *quasi-governmental agency, to provide the*  
25                         *required staffing.*

1                   “(ii) *The development company and*  
2                   *the local non-profit service corporation may*  
3                   *have partially common boards of directors.*

4                   “(B) *A development company in a rural*  
5                   *area (as defined in section 501(f)) shall be*  
6                   *deemed to have satisfied the requirements of a*  
7                   *full-time professional staff and professional man-*  
8                   *agement ability if it contracts with another cer-*  
9                   *tified development company which has such staff*  
10                  *and management ability and which is located in*  
11                  *the same general area to provide such services.*

12                  “(C) *A development company that has been*  
13                  *certified by the Administration as of December*  
14                  *31, 2005, and that has contracted with a for-*  
15                  *profit company to provide services as of such*  
16                  *date may continue to do so.*

17                  “(b) *AREA OF OPERATIONS.—The Administration*  
18                  *shall specify the area in which an applicant is certified to*  
19                  *provide assistance to small businesses under this title, which*  
20                  *may not initially exceed its State of incorporation unless*  
21                  *it proposes to operate in a local economic area which is*  
22                  *required to include part of its State of incorporation and*  
23                  *may include adjacent areas within several States. After a*  
24                  *development company has demonstrated its ability to pro-*  
25                  *vide assistance in its area of operations, it may request the*

1 *Administration to be allowed to operate in one or more ad-*  
2 *ditional States as a multi-state certified development com-*  
3 *pany if it satisfies the following criteria:*

4           “(1) *Each additional State is contiguous to the*  
5 *State of incorporation, except the States of Alaska*  
6 *and Hawaii shall be deemed to be contiguous to any*  
7 *State abutting the Pacific ocean.*

8           “(2) *It demonstrates its proficiency in making*  
9 *and servicing loans under the Certified Development*  
10 *Company Economic Development Loan Program*  
11 *by—*

12                 “(A) *requesting and receiving designation*  
13 *as an accredited lender under section 507 or a*  
14 *premier certified lender under section 508; and*

15                 “(B) *meeting or exceeding performance*  
16 *standards established by the Administration.*

17           “(3) *The development company adds to the mem-*  
18 *bership of its State of incorporation additional mem-*  
19 *bership from each additional State and the added*  
20 *membership meets the requirements of subsection*  
21 *(a)(6).*

22           “(4) *The development company adds at least one*  
23 *member to its board of directors in the State of incor-*  
24 *poration, providing that added member was selected*  
25 *by the membership of the development company.*



1           “(5) *The company meets such other criteria or*  
2           *complies with such conditions as the Administration*  
3           *deems appropriate.*

4           “(c) *PROCESSING OF EXPANSION APPLICATIONS.—The*  
5           *Administration shall respond to the request of a certified*  
6           *development company for certification as a multi-state com-*  
7           *pany on an expedited basis within 30 days of receipt of*  
8           *a completed application if the application demonstrates*  
9           *that the development company meets the requirements of*  
10          *subsection (b)(1) through (b)(4).*

11          “(d) *USE OF FUNDS LIMITED TO STATE WHERE GEN-*  
12          *ERATED.—Any funds generated by a development company*  
13          *from making loans under the Certified Development Com-*  
14          *pany Economic Development Loan Program which remain*  
15          *after payment of staff, operating and overhead expenses*  
16          *shall be retained by the development company as a reserve*  
17          *for future operations, for expanding its area of operations*  
18          *in a local economic area as authorized by the Administra-*  
19          *tion, or for investment in other local economic development*  
20          *activity in the State from which the funds were generated.*

21          “(e) *ETHICAL REQUIREMENTS.—*

22                 “(1) *IN GENERAL.—Certified development com-*  
23                 *panies, their officers, employees and other staff, shall*  
24                 *at all times act ethically and avoid activities which*  
25                 *constitute a conflict of interest or appear to constitute*

1     *a conflict of interest. No one may serve as an officer,*  
2     *director or chief executive officer of more than one cer-*  
3     *tified development company.*

4             “(2) *PROHIBITED CONFLICT IN PROJECT*  
5     *LOANS.—As part of a project under the Certified De-*  
6     *velopment Company Economic Development Loan*  
7     *Program, no certified development company may rec-*  
8     *ommend or approve a guarantee of a debenture by the*  
9     *Administration that is collateralized by a second lien*  
10    *position on the property being constructed or acquired*  
11    *and also provide, or be affiliated with a corporation*  
12    *or other entity, for-profit or non-profit, which pro-*  
13    *vides, financing collateralized by a first lien on the*  
14    *same property. A business development company that*  
15    *was participating as a first mortgage lender, either*  
16    *directly or through an affiliate, for the Certified De-*  
17    *velopment Company Economic Development Loan*  
18    *Program in either fiscal years 2004 or 2005 may con-*  
19    *tinue to do so.*

20            “(3) *OTHER ECONOMIC DEVELOPMENT ACTIVI-*  
21    *TIES.—Operation of multiple programs to assist*  
22    *small business concerns in order for a certified devel-*  
23    *opment company to carry out its economic develop-*  
24    *ment mission shall not be deemed a conflict of inter-*  
25    *est, but notwithstanding any other provision of law,*

1       *no development company may accept funding from*  
2       *any source, including but not limited to any depart-*  
3       *ment or agency of the United States Government—*

4               “(A) if such funding includes any condi-  
5               *tions, priorities or restrictions upon the types of*  
6               *small businesses to which they may provide fi-*  
7               *nancial assistance under this title; or*

8               “(B) if it includes any conditions or im-  
9               *poses any requirements, directly or indirectly,*  
10              *upon any recipient of assistance under this title*  
11              *unless the department or agency also provides all*  
12              *of the financial assistance to be delivered by the*  
13              *development company to the small business and*  
14              *such conditions, priorities or restrictions are*  
15              *limited solely to the financial assistance so pro-*  
16              *vided.”.*

17   **SEC. 204. DEFINITION OF RURAL AREAS.**

18       *Section 501 of the Small Business Investment Act of*  
19       *1958 (15 U.S.C. 695) is amended by adding at the end the*  
20       *following new subsection:*

21              “(f) *As used in subsection (d)(3)(D), the term ‘rural’*  
22       *shall include any area other than—*

23                      “(1) *a city or town that has a population greater*  
24       *than 50,000 inhabitants; and*

1           “(2) the urbanized area contiguous and adjacent  
2           to such a city or town.”.

3   **SEC. 205. BUSINESSES IN LOW-INCOME AREAS.**

4           Section 501(d)(3) of the Small Business Investment  
5   Act of 1958 (15 U.S.C. 695(d)(3)) is amended by inserting  
6   after “business district revitalization” the following: “or ex-  
7   pansion of businesses in low-income communities that  
8   would be eligible for new market tax credit investments  
9   under section 45D of the Internal Revenue Code of 1986  
10   (26 U.S.C. 45D)”.

11   **SEC. 206. COMBINATIONS OF CERTAIN GOALS.**

12          Section 501(e) of the Small Business Investment Act  
13   of 1958 (15 U.S.C. 695(e)) is amended by adding at the  
14   end the following:

15           “(7) A small business concern that is uncondi-  
16          tionally owned by more than one individual, or a cor-  
17          poration whose stock is owned by more than one indi-  
18          vidual, is deemed to achieve a public policy goal  
19          under subsection (d)(3) if a combined ownership  
20          share of at least 51 percent is held by individuals who  
21          are in one of the groups listed as public policy goals  
22          specified in subsection (d)(3)(C) or (d)(3)(E).”.

1 **SEC. 207. REFINANCING.**

2 *Section 502 of the Small Business Investment Act of*  
3 *1958 (15 U.S.C. 696) is amended by adding at the end the*  
4 *following:*

5 “(7) *PERMISSIBLE DEBT REFINANCING.*—*Any fi-*  
6 *nancing approved under this title may also include a*  
7 *limited amount of debt refinancing for debt that was*  
8 *not previously guaranteed by the Administration. If*  
9 *the project involves expansion of a small business*  
10 *which has existing indebtedness collateralized by fixed*  
11 *assets, any amount of existing indebtedness that does*  
12 *not exceed one-half of the project cost of the expansion*  
13 *may be refinanced and added to the expansion cost,*  
14 *providing—*

15 “(A) *the proceeds of the indebtedness were*  
16 *used to acquire land, including a building situ-*  
17 *ated thereon, to construct a building thereon or*  
18 *to purchase equipment;*

19 “(B) *the borrower has been current on all*  
20 *payments due on the existing debt for at least the*  
21 *past year; and*

22 “(C) *the financing under the Certified De-*  
23 *velopment Company Economic Development*  
24 *Loan Program will provide better terms or rate*  
25 *of interest than now exists on the debt.”.*

1 **SEC. 208. ADDITIONAL EQUITY INJECTIONS.**

2 *Clause (ii) of section 502(3)(B) of the Small Business*  
3 *Investment Act of 1958 (15 U.S.C. 696(3)(B)) is amended*  
4 *to read as follows:*

5 “(ii) *FUNDING FROM INSTITUTIONS.*—

6 “(I) *If a small business concern*  
7 *provides the minimum contribution re-*  
8 *quired under paragraph (C), not less*  
9 *than 50 percent of the total cost of any*  
10 *project financed pursuant to clauses*  
11 *(i), (ii), or (iii) of subparagraph (C)*  
12 *shall come from the institutions de-*  
13 *scribed in subclauses (I), (II), and*  
14 *(III) of clause (i).*

15 “(II) *If a small business concern*  
16 *provides more than the minimum con-*  
17 *tribution required under paragraph*  
18 *(C), any excess contribution may be*  
19 *used to reduce the amount required*  
20 *from the institutions described in sub-*  
21 *clauses (I), (II), and (III) of clause (i)*  
22 *except that the amount from such in-*  
23 *stitutions may not be reduced to an*  
24 *amount less than the amount of the*  
25 *loan made by the Administration.”.*

1 **SEC. 209. LOAN LIQUIDATIONS.**

2 *Section 510 of the Small Business Investment Act of*  
 3 *1958 (15 U.S.C. 697g) is amended—*

4 *(1) by redesignating subsection (e) as subsection*  
 5 *(g); and*

6 *(2) by inserting after subsection (d) the fol-*  
 7 *lowing:*

8 *“(e) PARTICIPATION.—*

9 *“(1) MANDATORY.—Any certified development*  
 10 *company which elects not to apply for authority to*  
 11 *foreclose and liquidate defaulted loans under this sec-*  
 12 *tion or which the Administration determines to be in-*  
 13 *eligible for such authority shall contract with a quali-*  
 14 *fied third-party to perform foreclosure and liquida-*  
 15 *tion of defaulted loans in its portfolio. The contract*  
 16 *shall be contingent upon approval by the Administra-*  
 17 *tion with respect to the qualifications of the con-*  
 18 *tractor and the terms and conditions of liquidation*  
 19 *activities.*

20 *“(2) COMMENCEMENT.—The provisions of this*  
 21 *subsection shall not require any development com-*  
 22 *pany to liquidate defaulted loans until the Adminis-*  
 23 *tration has adopted and implemented a program to*  
 24 *compensate and reimburse development companies as*  
 25 *provided under subsection (f).*

26 *“(f) COMPENSATION AND REIMBURSEMENT.—*

1           “(1) *REIMBURSEMENT OF EXPENSES.*—*The Ad-*  
2           *ministration shall reimburse each certified develop-*  
3           *ment company for all expenses paid by such company*  
4           *as part of the foreclosure and liquidation activities if*  
5           *the expenses—*

6                     “(A) *were approved in advance by the Ad-*  
7                     *ministration either specifically or generally; or*

8                     “(B) *were incurred by the company on an*  
9                     *emergency basis without Administration prior*  
10                    *approval but which were reasonable and appro-*  
11                    *priate.*

12           “(2) *COMPENSATION FOR RESULTS.*—*The Ad-*  
13           *ministration shall develop a schedule to compensate*  
14           *and provide an incentive to qualified State or local*  
15           *development companies which foreclose and liquidate*  
16           *defaulted loans. The schedule shall be based on a per-*  
17           *centage of the net amount recovered but shall not ex-*  
18           *ceed a maximum amount. The schedule shall not*  
19           *apply to any foreclosure which is conducted pursuant*  
20           *to a contract between a development company and a*  
21           *qualified third-party to perform the foreclosure and*  
22           *liquidation.”.*



1 **SEC. 210. CLOSING COSTS.**

2 *Paragraph (4) of section 503(b) of the Small Business*  
 3 *Investment Act of 1958 (15 U.S.C. 697(b)) is amended to*  
 4 *read as follows:*

5 *“(4) the aggregate amount of such debenture does*  
 6 *not exceed the amount of loans to be made from the*  
 7 *proceeds of such debenture plus, at the election of the*  
 8 *borrower under the Certified Development Company*  
 9 *Economic Development Loan Program, other amounts*  
 10 *attributable to the administrative and closing costs of*  
 11 *such loans, except for the borrower’s attorney fees;”.*

12 **SEC. 211. MAXIMUM CERTIFIED DEVELOPMENT COMPANY**  
 13 **AND 7(A) LOAN ELIGIBILITY.**

14 *Section 502(2) of the Small Business Investment Act*  
 15 *of 1958 (15 U.S.C. 696(2)) is amended by adding at the*  
 16 *end the following:*

17 *“(C) COMBINATION FINANCING.—Financing*  
 18 *under this title may be provided to a borrower*  
 19 *in the maximum amount provided in this sub-*  
 20 *section, plus a loan guarantee under section 7(a)*  
 21 *of the Small Business Act may also be provided*  
 22 *to the same borrower in the maximum provided*  
 23 *in section 7(a)(3)(A) of such Act.”.*

24 **SEC. 212. ELIGIBILITY FOR ENERGY EFFICIENCY PROJECTS.**

25 *Section 501(d)(3) of the Small Business Investment*  
 26 *Act of 1958 (15 U.S.C. 695(d)(3)) is amended—*

1           (1) in subparagraph (G) by striking “or” at the  
2       end;

3           (2) in subparagraph (H) by striking the period  
4       at the end and inserting “, or”; and

5           (3) by inserting after subparagraph (H) the fol-  
6       lowing:

7                       “(I) reduction of energy consumption by at  
8       least 10 percent.”.

9       **SEC. 213. LOANS FOR PLANT PROJECTS USED FOR ENERGY-**  
10       **EFFICIENT PURPOSES.**

11       Section 502(2)(A) of the Small Business Investment  
12   Act of 1958 (15 U.S.C. 696(2)(A)) is amended—

13           (1) in clause (ii) by striking “and” at the end;

14           (2) in clause (iii) by striking the period at the  
15       end and inserting “; and”; and

16           (3) by adding at the end the following:

17                       “(iv) \$4,000,000 for each project that  
18       reduces the borrower’s energy consumption  
19       by at least 10 percent.”.

20       **SEC. 214. EXTENSION OF PERIOD DURING WHICH LOSS RE-**  
21       **SERVES OF PREMIER CERTIFIED LENDERS**  
22       **DETERMINED ON THE BASIS OF OUT-**  
23       **STANDING BALANCE OF DEBENTURES.**

24       Section 508(c)(6)(B) of the Small Business Investment  
25   Act of 1958 (15 U.S.C. 697e(c)(6)(B)) is amended by strik-

1 ing “during the 2-year period beginning on the date that  
2 is 90 days after the date of the enactment of this subpara-  
3 graph,” and inserting “through the end of fiscal year  
4 2008,”.

5 **SEC. 215. EXTENSION OF ALTERNATIVE LOSS RESERVE**  
6 **PILOT PROGRAM FOR CERTAIN PREMIER CER-**  
7 **TIFIED LENDERS.**

8 Section 508(c)(7)(J) of the Small Business Investment  
9 Act of 1958 (15 U.S.C. 697e(c)(7)(J)) is amended by strik-  
10 ing “means” and all that follows through the period at the  
11 end and inserting “means each calendar quarter through  
12 the end of fiscal year 2008.”

Union Calendar No. 64

110<sup>TH</sup> CONGRESS  
1<sup>ST</sup> Session

**H. R. 1332**

[Report No. 110-104]

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## A BILL

To improve the access to capital programs of the  
Small Business Administration, and for other  
purposes.

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APRIL 20, 2007

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