

## Union Calendar No. 199

110TH CONGRESS  
1ST SESSION

# H. R. 3020

[Report No. 110-313]

To amend the Small Business Act to improve the Microloan program, and for other purposes.

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### IN THE HOUSE OF REPRESENTATIVES

JULY 12, 2007

Mr. CHABOT (for himself, Ms. VELÁZQUEZ, Mr. CUELLAR, Ms. CLARKE, and Mr. LIPINSKI) introduced the following bill; which was referred to the Committee on Small Business

SEPTEMBER 4, 2007

Additional sponsor: Mr. BRALEY of Iowa

SEPTEMBER 4, 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 *italie*]

[For text of introduced bill, see copy of bill as introduced on July 12, 2007]

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## A BILL

To amend the Small Business Act to improve the Microloan program, 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 *“Microloan Amendments and Modernization Act”.*

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—MICROLOAN*

*Sec. 101. Transmission of credit reporting information.*

*Sec. 102. Flexible credit.*

*Sec. 103. Intermediary eligibility requirements.*

*Sec. 104. Average loan size.*

*Sec. 105. Technical assistance.*

*Sec. 106. Entrepreneurs with disabilities.*

*TITLE II—PRIME*

*Sec. 201. Short title.*

*Sec. 202. PRIME.*

*Sec. 203. Conforming repeal.*

6 **TITLE I—MICROLOAN**

7 **SEC. 101. TRANSMISSION OF CREDIT REPORTING INFORMA-**  
 8 **TION.**

9 *Section 7(m) of the Small Business Act (15 U.S.C.*  
 10 *636(m)) is amended by adding at the end the following:*

11 *“(14) CREDIT REPORTING INFORMATION.—The*  
 12 *Administrator shall establish a process, for use by a*  
 13 *lender making a loan to a borrower under this sub-*  
 14 *section, under which the lender provides to the major*  
 15 *credit reporting agencies the information about the*  
 16 *borrower that is relevant to credit reporting, such as*  
 17 *the payment activity of the borrower on the loan.”.*

1 **SEC. 102. FLEXIBLE CREDIT.**

2 *Section 7(m) of the Small Business Act (15 U.S.C.*  
3 *636(m)) is amended, in each of paragraphs (1)(B)(i) and*  
4 *(11)(B), by striking “short-term,”.*

5 **SEC. 103. INTERMEDIARY ELIGIBILITY REQUIREMENTS.**

6 *Section 7(m)(2) of the Small Business Act (15 U.S.C.*  
7 *636(m)(2)) is amended—*

8 *(1) in subparagraph (A) by striking “paragraph*  
9 *(10)” and inserting “paragraph (11)”; and*

10 *(2) by amending subparagraph (B) to read as*  
11 *follows:*

12 *“(B) has—*

13 *“(i) at least—*

14 *“(I) 1 year of experience making*  
15 *microloans to startup, newly estab-*  
16 *lished, or growing small business con-*  
17 *cerns; or*

18 *“(II) 1 full-time employee who*  
19 *has not less than 3 years experience*  
20 *making microloans to startup, newly*  
21 *established, or growing small business*  
22 *concerns; and*

23 *“(ii) at least 1 year of experience pro-*  
24 *viding, as an integral part of its microloan*  
25 *program, intensive marketing, management,*  
26 *and technical assistance to its borrowers.”.*

1 **SEC. 104. AVERAGE LOAN SIZE.**

2 *Section 7(m) of the Small Business Act (15 U.S.C.*  
 3 *636(m)) is amended by striking “\$7,500” and inserting*  
 4 *“\$10,000” in each of the following places: paragraph*  
 5 *(3)(F)(iii), paragraph (6)(C)(i), and paragraph (6)(C)(ii).*

6 **SEC. 105. TECHNICAL ASSISTANCE.**

7 *Section 7(m)(4)(E) of the Small Business Act (15*  
 8 *U.S.C. 636(m)(4)(E)) is amended as follows:*

9 (1) *PRE-LOAN.*—*Clause (i) is amended by strik-*  
 10 *ing “25 percent” and inserting “35 percent”.*

11 (2) *THIRD PARTY CONTRACTS.*—*Clause (ii) is*  
 12 *amended by striking “25 percent” and inserting “35*  
 13 *percent”.*

14 **SEC. 106. ENTREPRENEURS WITH DISABILITIES.**

15 *Section 7(m)(1)(A)(i) of the Small Business Act (15*  
 16 *U.S.C. 636(m)(1)(A)(i)) is amended by inserting “dis-*  
 17 *abled,” before “and minority entrepreneurs”.*

18 **TITLE II—PRIME**

19 **SEC. 201. SHORT TITLE.**

20 *This title may be cited as the “Program for Investment*  
 21 *in Microentrepreneurs Act” or the “PRIME Act”.*

22 **SEC. 202. PRIME.**

23 *The Small Business Act is amended—*

24 (1) *by redesignating section 37 as 99; and*

25 (2) *by inserting after section 36 the following:*

1 **“SEC. 37. PRIME PROGRAM.**

2 “(a) *DEFINITIONS.*—*For purposes of this section, the*  
3 *following definitions shall apply:*

4 “(1) *CAPACITY BUILDING SERVICES.*—*The term*  
5 *‘capacity building services’ means services provided to*  
6 *an organization that is, or that is in the process of*  
7 *becoming, a microenterprise development organization*  
8 *or program, for the purpose of enhancing its ability*  
9 *to provide training and services to disadvantaged en-*  
10 *trepreneurs.*

11 “(2) *DISADVANTAGED ENTREPRENEUR.*—*The*  
12 *term ‘disadvantaged entrepreneur’ means a micro-*  
13 *entrepreneur that is—*

14 “(A) *a very low-income person;*

15 “(B) *a low-income person; or*

16 “(C) *an entrepreneur that lacks adequate*  
17 *access to capital or other resources essential for*  
18 *business success, or is economically disadvan-*  
19 *taged, as determined by the Administrator.*

20 “(3) *COLLABORATIVE.*—*The term ‘collaborative’*  
21 *means 2 or more nonprofit entities that agree to act*  
22 *jointly as a qualified organization under this section.*

23 “(4) *INDIAN TRIBE.*—*The term ‘Indian tribe’*  
24 *means any Indian tribe, band, pueblo, nation, or*  
25 *other organized group or community, including any*  
26 *Alaska Native village or regional or village corpora-*

1        *tion, as defined in or established pursuant to the*  
2        *Alaska Native Claims Settlement Act, which is recog-*  
3        *nized as eligible for the special programs and services*  
4        *provided by the United States to Indians because of*  
5        *their status as Indians.*

6            “(5) *INTERMEDIARY.*—*The term ‘intermediary’*  
7        *means a private, nonprofit entity that seeks to serve*  
8        *microenterprise development organizations and pro-*  
9        *grams as authorized under subsection (d).*

10           “(6) *LOW-INCOME PERSON.*—*The term ‘low-in-*  
11        *come person’ means a person having an income, ad-*  
12        *justed for family size, of not more than—*

13                “(A) *for metropolitan areas, 80 percent of*  
14                *the area median income; and*

15                “(B) *for nonmetropolitan areas, the greater*  
16                *of—*

17                        “(i) *80 percent of the area median in-*  
18                        *come; or*

19                        “(ii) *80 percent of the statewide non-*  
20                        *metropolitan area median income.*

21            “(7) *MICROENTREPRENEUR.*—*The term ‘micro-*  
22        *entrepreneur’ means the owner or developer of a*  
23        *microenterprise.*

1           “(8) *MICROENTERPRISE*.—The term ‘microenter-  
2           prise’ means a sole proprietorship, partnership, or  
3           corporation that—

4                     “(A) has fewer than 5 employees; and

5                     “(B) generally lacks access to conventional  
6           loans, equity, or other banking services.

7           “(9) *MICROENTERPRISE DEVELOPMENT ORGANI-  
8           ZATION OR PROGRAM*.—The term ‘microenterprise de-  
9           velopment organization or program’ means a non-  
10          profit entity, or a program administered by such an  
11          entity, including community development corpora-  
12          tions or other nonprofit development organizations  
13          and social service organizations, that provides services  
14          to disadvantaged entrepreneurs.

15          “(10) *POVERTY LINE*.—The term ‘poverty line’  
16          means the official poverty line defined by the Office  
17          of Management and Budget based on the most recent  
18          data available from the Bureau of the Census. The  
19          Administrator shall revise annually (or at any short-  
20          er interval the Administrator determines to be feasible  
21          and desirable) the poverty line. The required revision  
22          shall be accomplished by multiplying the official pov-  
23          erty line by the percentage change in the Consumer  
24          Price Index for All Urban Consumers during the an-

1 *nual or other interval immediately preceding the time*  
2 *at which the revision is made.*

3 “(11) *TRAINING AND TECHNICAL ASSISTANCE.*—  
4 *The term ‘training and technical assistance’ means*  
5 *services and support provided to disadvantaged entre-*  
6 *preneurs, such as assistance for the purpose of en-*  
7 *hancing business planning, marketing, management,*  
8 *financial management skills, and assistance for the*  
9 *purpose of accessing financial services.*

10 “(12) *VERY LOW-INCOME PERSON.*—*The term*  
11 *‘very low-income person’ means having an income,*  
12 *adjusted for family size, of not more than 150 percent*  
13 *of the poverty line.*

14 “(b) *ESTABLISHMENT OF PROGRAM.*—*The Adminis-*  
15 *trator shall establish a microenterprise technical assistance*  
16 *and capacity building grant program to provide assistance*  
17 *from the Administration in the form of grants to qualified*  
18 *organizations in accordance with this section.*

19 “(c) *USES OF ASSISTANCE.*—*A qualified organization*  
20 *shall use grants made under this section—*

21 “(1) *to provide training and technical assistance*  
22 *to disadvantaged entrepreneurs;*

23 “(2) *to provide training and capacity building*  
24 *services to microenterprise development organizations*  
25 *and programs and groups of such organizations to as-*



1       *sist such organizations and programs in developing*  
2       *microenterprise training and services;*

3             “(3) *to aid in researching and developing the*  
4       *best practices in the field of microenterprise and tech-*  
5       *nical assistance programs for disadvantaged entre-*  
6       *preneurs; and*

7             “(4) *for such other activities as the Adminis-*  
8       *trator determines are consistent with the purposes of*  
9       *this section.*

10       “(d) *QUALIFIED ORGANIZATIONS.—For purposes of*  
11       *eligibility for assistance under this section, a qualified orga-*  
12       *nization shall be—*

13             “(1) *a nonprofit microenterprise development or-*  
14       *ganization or program (or a group or collaborative*  
15       *thereof) that has a demonstrated record of delivering*  
16       *microenterprise services to disadvantaged entre-*  
17       *preneurs;*

18             “(2) *an intermediary;*

19             “(3) *a microenterprise development organization*  
20       *or program that is accountable to a local community,*  
21       *working in conjunction with a State or local govern-*  
22       *ment or Indian tribe; or*

23             “(4) *an Indian tribe acting on its own, if the In-*  
24       *dian tribe can certify that no private organization or*

1        *program referred to in this paragraph exists within*  
2        *its jurisdiction.*

3        “(e) *ALLOCATION OF ASSISTANCE; SUBGRANTS.—*

4                “(1) *ALLOCATION OF ASSISTANCE.—*

5                        “(A) *IN GENERAL.—The Administrator*  
6                        *shall allocate assistance from the Administration*  
7                        *under this section to ensure that—*

8                                “(i) *activities described in subsection*  
9                                *(c)(1) are funded using not less than 75*  
10                                *percent of amounts made available for such*  
11                                *assistance; and*

12                                “(ii) *activities described in subsection*  
13                                *(c)(2) are funded using not less than 15*  
14                                *percent of amounts made available for such*  
15                                *assistance.*

16                        “(B) *LIMIT ON INDIVIDUAL ASSISTANCE.—*

17                        *No single person may receive more than 10 per-*  
18                        *cent of the total funds appropriated under this*  
19                        *section in a single fiscal year.*

20                        “(2) *TARGETED ASSISTANCE.—The Adminis-*  
21                        *trator shall ensure that not less than 50 percent of the*  
22                        *grants made under this section are used to benefit*  
23                        *very low-income persons, including those residing on*  
24                        *Indian reservations.*

25                        “(3) *SUBGRANTS AUTHORIZED.—*

1           “(A) *IN GENERAL.*—A qualified organiza-  
2           tion receiving assistance under this section may  
3           provide grants using that assistance to qualified  
4           small and emerging microenterprise organiza-  
5           tions and programs, subject to such rules and  
6           regulations as the Administrator determines to  
7           be appropriate.

8           “(B) *LIMIT ON ADMINISTRATIVE EX-*  
9           *PENSES.*—Not more than 7.5 percent of assist-  
10          ance received by a qualified organization under  
11          this section may be used for administrative ex-  
12          penses in connection with the making of sub-  
13          grants under subparagraph (A).

14          “(4) *DIVERSITY.*—In making grants under this  
15          section, the Administrator shall ensure that grant re-  
16          cipients include both large and small microenterprise  
17          organizations, serving urban, rural, and Indian trib-  
18          al communities serving diverse populations.

19          “(5) *PROHIBITION ON PREFERENTIAL CONSIDER-*  
20          *ATION OF CERTAIN SBA PROGRAM PARTICIPANTS.*—In  
21          making grants under this section, the Administrator  
22          shall ensure that any application made by a qualified  
23          organization that is a participant in the program es-  
24          tablished under section 7(m) does not receive pref-  
25          erential consideration over applications from other

1       *qualified organizations that are not participants in*  
2       *such program.*

3       “(f) *MATCHING REQUIREMENTS.*—

4               “(1) *IN GENERAL.*—*Financial assistance under*  
5       *this section shall be matched with funds from sources*  
6       *other than the Federal Government on the basis of not*  
7       *less than 50 percent of each dollar provided by the*  
8       *Administration.*

9               “(2) *SOURCES OF MATCHING FUNDS.*—*Fees,*  
10       *grants, gifts, funds from loan sources, and in-kind re-*  
11       *sources of a grant recipient from public or private*  
12       *sources may be used to comply with the matching re-*  
13       *quirement in paragraph (1).*

14               “(3) *EXCEPTION.*—

15                       “(A) *IN GENERAL.*—*In the case of an appli-*  
16       *cant for assistance under this section with severe*  
17       *constraints on available sources of matching*  
18       *funds, the Administrator may reduce or elimi-*  
19       *nate the matching requirement in paragraph (1).*

20                       “(B) *LIMITATION.*—*Not more than 10 per-*  
21       *cent of the total funds made available from the*  
22       *Administration in any fiscal year to carry out*  
23       *this section may be excepted from the matching*  
24       *requirement in paragraph (1), as authorized by*  
25       *subparagraph (A).*

1       “(g) *APPLICATIONS FOR ASSISTANCE.*—*An applica-*  
2 *tion for assistance under this section shall be submitted in*  
3 *such form and in accordance with such procedures as the*  
4 *Administrator shall establish.*

5       “(h) *RECORDKEEPING.*—

6           “(1) *IN GENERAL.*—*A qualified organization re-*  
7 *ceiving assistance from the Administration under this*  
8 *section shall keep such records, for such periods as*  
9 *may be prescribed by the Administrator and nec-*  
10 *essary to disclose the manner in which any assistance*  
11 *under this section is used and to demonstrate compli-*  
12 *ance with the requirements of this section.*

13           “(2) *USER PROFILE INFORMATION.*—*The Admin-*  
14 *istrator shall require each qualified organization re-*  
15 *ceiving assistance from the Administration under this*  
16 *section to compile such data, as is determined to be*  
17 *appropriate by the Administrator, on the gender,*  
18 *race, ethnicity, national origin, or other pertinent in-*  
19 *formation concerning individuals that utilize the*  
20 *services of the assisted organization to ensure that*  
21 *targeted populations and low-income residents of in-*  
22 *vestment areas are adequately served.*

23           “(3) *ACCESS TO RECORDS.*—*The Administrator*  
24 *shall have access on demand, for the purpose of deter-*  
25 *mining compliance with this section, to any records*

1       *of a qualified organization that receives assistance*  
2       *from the Administration under this section.*

3               “(4) *REVIEW.*—*Not less than annually, the Ad-*  
4       *ministrator shall review the progress of each assisted*  
5       *organization in carrying out its strategic plan, meet-*  
6       *ing its performance goals, and satisfying the terms*  
7       *and conditions of its assistance agreement.*

8               “(5) *REPORTING.*—

9               “(A) *ANNUAL REPORTS.*—*The Adminis-*  
10       *trator shall require each qualified organization*  
11       *receiving assistance from the Administration*  
12       *under this section to submit an annual report to*  
13       *the Administrator on its activities, its financial*  
14       *condition, and its success in meeting perform-*  
15       *ance goals, in satisfying the terms and condi-*  
16       *tions of its assistance agreement, and in com-*  
17       *plying with other requirements of this section, in*  
18       *such form and manner as the Administrator*  
19       *shall specify.*

20               “(B) *AVAILABILITY OF REPORTS.*—*The Ad-*  
21       *ministrator, after deleting or redacting any ma-*  
22       *terial as appropriate to protect privacy or pro-*  
23       *prietary interests, shall make such reports sub-*  
24       *mitted under subparagraph (A) available for*  
25       *public inspection.*

1           “(i) *IMPLEMENTATION.*—*The Administrator shall, by*  
2 *regulation, establish such requirements as may be necessary*  
3 *to carry out this section.*”.

4 **SEC. 203. CONFORMING REPEAL.**

5           *Subtitle C (15 U.S.C. 6901 et seq.) of title I of the*  
6 *Riegle Community Development and Regulatory Improve-*  
7 *ment Act of 1994 is repealed.*

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**H. R. 3020**

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