

The “econometric model” is a significant reform in the way the SBA and OMB calculates the credit subsidy rate for the 7(a) loan program. Our bill provides that the OMB and SBA will adopt the new econometric model effective retroactively to October 1, 2002. Developed by the SBA and OMB, the econometric model will use far more comprehensive data about individual borrowers and loans when forecasting anticipated defaults and establishing loan reserves to cover them.

Under the Credit Reform Act of 1990, the annual appropriation for the SBA must, in advance, provide sufficient funds to cover the cost of a Federal loan guarantee, after taking into consideration the fees paid by small business borrowers and lenders under the 7(a) program. This amount, referred to as the credit subsidy rate, is determined by the OMB prior to the submission of the President’s annual budget request to the Congress.

Critics of the credit subsidy rate for the 7(a) program have cited the use of historical loan performance data that pre-dates the enactment of the Federal Credit Reform Act as a major cause of a credit subsidy rate that greatly exceeds actual loan performance. The consequence is the use of the most conservative loan default rates, year-in and year-out, and the failure by the OMB and the SBA to adjust historical loan performance data to reflect 7(a) program changes, both statutory and regulatory, that have led to real reductions in the default rates and improved program performance. According to an in-depth analysis undertaken by the General Accounting Office (GAO), the excessively high credit subsidy rates have resulted in nearly \$1 billion in unnecessary fees being paid by small business borrowers and lenders to the U.S. Treasury.

It is very unrealistic to believe that a 100 percent accurate credit subsidy rate estimate can be derived for the 7(a) loan program, or for any other Federal credit program. The econometric model, designed to calculate the 7(a) credit subsidy rate, is a major improvement over the “old” model.

Originally, the administration stated that the econometric model would not be available until FY 2004. After extensive discussions with the senior White House staff, the administration has agreed to accelerate their use of the model retroactive to October 1, 2002, the beginning of FY 2003. Their policy change is a very positive effort to help small businesses and promote job growth.

Our bill is designed to waive a key provision of the Federal Credit Reform Act that prohibits the Congress from changing a credit subsidy rate estimate once it has been transmitted to the Congress as part of the President’s annual budget submission. This may be the first time this provision has been waived since implementation of the act in FY 1992.

We would not be where we are today resolving this important matter with-

out the tireless efforts of my colleagues in the Senate and the House of Representatives. Mr. MANZULLO, chairman of the House Committee on Small Business, fought for this change every step of the way. The ranking member, Ms. VELÁZQUEZ, was especially vigilant in her efforts. In the Senate, my friend and colleague from Massachusetts, JOHN KERRY, has kept the committee focused on resolving this issue for the past year. We have all fought hard to resolve the credit subsidy rate controversy for the past year. We have all fought hard to resolve the credit subsidy rate controversy for FY 2003.

Resolving the 7(a) credit subsidy rate issue is good for small businesses, is good for those seeking work and is good for America. It will mean more jobs, more opportunity and economic fuel for start-up companies. It will also be invaluable in growing small businesses. I urge each of my colleagues to vote a resounding “aye” for this important bill.

Mr. FRIST. Mr. President, I ask unanimous consent that the bill be read a third time and passed, the motion to reconsider be laid upon the table, and that any statements regarding this matter be printed in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

The bill (S. 141) was read a third time and passed, as follows:

S. 141

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SUBSIDY RATE FOR SMALL BUSINESS LOANS.

Notwithstanding section 502(5)(F) of the Federal Credit Reform Act of 1990 and section 254(j) of the Balanced Budget and Emergency Deficit Control Act of 1985, the Director of the Office of Management and Budget, in calculating the Federal cost for guaranteeing loans during fiscal year 2003 under section 7(a) of the Small Business Act (15 U.S.C. 636(a)), may use the most recently approved subsidy cost model and methodology in conjunction with the program and economic assumptions, and historical data which were included in the fiscal year 2003 budget. After written notification to Congress, the Small Business Administration shall implement the validated, OMB-approved subsidy rate for fiscal year 2003, using this model and methodology. Such rate shall be deemed to have been effective on October 1, 2002.

**ORDERS FOR MONDAY, JANUARY
13, 2003**

Mr. FRIST. Mr. President, I ask unanimous consent that when the Senate completes its business today, it stand in adjournment until noon Monday, January 13. I further ask that following the prayer and the pledge, the morning hour be deemed to have expired, the Journal of the proceedings be approved to date, the time for the two leaders be reserved for their use later in the day, and that there then be a period of morning business until 2 p.m. with the time equally divided and with

Senators permitted to speak therein for up to 10 minutes each.

Mr. REID. Mr. President, reserving the right to object, if I may address this request, I know the majority leader was going to make a statement about what our program is on Monday. I have just left Senator DASCHLE’s office, and it appears there is one issue to be resolved on the committee reorganization plan. I hope we can get that done. It is somewhat of a delicate issue. I spoke with the staff person that leads our Rules Committee. She has been in touch with her counterpart who is assigned with Senator LOTT to work on these problems. I have spoken to Senator MCCONNELL today, and I am hopeful and confident that we can have that done Monday. I know some of this housekeeping material is hard for those outside the Chamber to understand—why it takes so long. I tell the majority leader that we are doing the very best we can to get this worked out.

Mr. FRIST. Mr. President, I thank the leadership on the other side of the aisle because we have had a very productive week. For our colleagues in the Senate and also the people who watch these proceedings, I want to reiterate that we have all been working in good faith on a range of issues with respect to these committee resolutions. I very much appreciate that cooperation.

The PRESIDING OFFICER. The Chair will rule on the request that was made. Without objection, it is so ordered.

Mr. FRIST. Mr. President, just to update our membership, I think that we have made tremendous progress, to be honest with you, in terms of the last 6 or 7 days on the committee resolutions. There are a couple of issues that we have worked on all day today and yesterday, and I know that is not apparent before the Senate, but there has been real progress. What we would like to do—it is an objective for both sides—is to have the committees organized. There are 21 committees with new chairmen, and the Presiding Officer is one of the newer Members right now who does not have a committee presence. That is the sort of thing we are waiting on, and we have all agreed that we need to have that done as soon as possible. The new Members, right now, don’t sit on any of the 21 committees. We are working to get the committee assignments on both sides of the aisle. That is the particular issue that we are talking about now and putting the new committee chairmen in place.

As we just heard, we will be able to do that in the very near future.

PROGRAM

Mr. FRIST. We will be leaving here shortly. I will mention what time we may have votes on Monday afternoon. I do hope that we can use as a goal Monday completion of these committee resolutions. There are a number of issues that we are working on, but until the