

berths provided the women's soccer program a foundation of achievement on which it has placed a structure of greatness. In doing so, the Portland women have made the most important point about collegiate athletics.

These women display the character built by extended effort, the satisfaction reaped by the tireless pursuit of a goal, and the success within reach of all who are given an opportunity.

Let us also take this moment to remember that opportunity seized is dependent upon opportunity granted. Without Title IX, our discussion of women's soccer at the University of Portland might center on its lack of a team, rather than on its team's national championship. When women have the chance to compete in scholarship athletics at the collegiate level, we introduce into society a more competitive, balanced, and healthy universe of graduates.

Title IX has extended the opportunity to compete to thousands who would not have had it otherwise. The University of Portland women attest to the potential of opportunities granted by Title IX.

Again, I ask that we salute the 2002 National Champion University of Portland women's soccer team. May we look to them, now and in the future, as an exemplary symbol of what we hope to gain through our commitment to collegiate and scholastic athletics.

Mr. ISAKSON. Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore (Mr. WHITFIELD). The question is on the motion offered by the gentleman from Georgia (Mr. ISAKSON) that the House suspend the rules and agree to the resolution, H. Res. 41.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the resolution was agreed to.

A motion to reconsider was laid on the table.

IMPROVING CALCULATION OF FEDERAL SUBSIDY RATE

Mr. NUSSLE. Mr. Speaker, I move to suspend the rules and pass the Senate bill (S. 141) to improve the calculation of the Federal subsidy rate with respect to certain small business loans, and for other purposes.

The Clerk read 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.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Iowa (Mr. NUSSLE) and the gentleman from South Carolina (Mr. SPRATT) each will control 20 minutes.

The Chair recognizes the gentleman from Iowa (Mr. NUSSLE).

GENERAL LEAVE

Mr. NUSSLE. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks on S. 141.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Iowa?

There was no objection.

Mr. NUSSLE. Mr. Speaker, I yield myself as much time as I may consume.

Mr. Speaker, 2 years ago, the gentleman from Illinois (Mr. MANZULLO), the very distinguished Committee on Small Business chairman, my neighbor and friend, brought to me a problem of the government overestimating SBA loan defaults and thereby excessively limiting the total number of small business loans made to small businesses in this country, brought that to my attention.

This was happening because OMB and SBA, the Office of Management and Budget and Small Business Administration, were insisting on using old data predating recent SBA loan reforms. We have been working together with the gentleman from Illinois (Mr. MANZULLO) to resolve this problem ever since.

Over a year ago, language was included in the fiscal year 2002 Treasury appropriations conference report requiring OMB and SBA to report to us on how and when the problem was going to be fixed. That report indicated that the problem would be addressed in the 2003 budget with the development of new economic models, which it was not.

Last year, the SBA subsidy rate problem was not fixed. The gentleman from Illinois (Mr. MANZULLO) and I wrote to OMB Director Daniels requesting that the 2003 calculation be reviewed and that the subsidy rate be resubmitted to reflect a more accurate projection of the anticipated costs. Again, they were not.

Now, with the subsidy rate still not fixed, we offer this legislation as the solution, together with our colleagues in the other body. It will require that a new, better econometric model already developed by SBA and approved by OMB be implemented for the current fiscal year 2003 for calculating the 7(a) subsidy rate. This effectively requires OMB to follow through with their promise on a new model once and for all.

This model should now provide a more accurate estimate of defaults in the past, present, and future loan portfolio performance to better estimate

the true cost to the government of guaranteeing these important loans to our small business community. This is a detriment because the Credit Reform Act of 1990 requires any and all losses from expected borrower defaults to be covered by the government in advance with an up-front appropriation. Therefore, a lower default rate means that the same amount of money goes out a lot further and covers many more loans due to the multiplier effect.

I am sure there are many small business people in our districts that have been contacting us about this. For me, I have a small business friend of mine, Bill Werger from Manchester, Iowa, who helped highlight this issue for me as he continues to struggle to open small businesses and provide economic development to a small town in Iowa.

I believe that if this is done correctly, the gentleman from Illinois (Mr. MANZULLO) and I expect that this result will be in the billions of dollars of additional loans being made to the small businesses of this country. This is critical because this program will help many of those small businesses during this economic recovery with cautious lenders still limiting access to capital to very willing borrowers.

The SBA 7(a) program attacks this problem by guaranteeing these borrowers between 50 and 85 percent of the loans, as high as \$2 million, for virtually every business purpose.

Equally important to me as the chairman of the Committee on the Budget, however, this bill will not do this without directing the budgetary scoring of this correction; or in other words, it will require the problem be fixed by correcting the process and not by predetermining the outcome illegitimately. It does this by allowing the use of the most recently approved subsidy cost model and methodology but with the program and economic assumptions and the historical data which we included in the President's original fiscal year 2003 budget submission.

In other words, the Manzullo-Nussle-Snowe bill that we have before us today fixes the small business subsidy rate problem, thereby greatly increasing the number of loans to small businessmen and small businesswomen without compromising the process that OMB calculates the real cost to the Federal Government of providing these subsidies.

Mr. Speaker, in closing, let me thank the very distinguished chairman of the Committee on Small Business. He has been tenacious in bringing this issue to the forefront, not only of my committee, the Committee on the Budget, but also to the attention of the Congress. He is a real champion of small business, and he is somebody that I am honored to have worked with very hard on this process. So I want to commend him on the bill that we have before us.

Mr. Speaker, I reserve the balance of my time.

Mr. SPRATT. Mr. Speaker, I yield myself such time as I may consume.

I congratulate the chairman of the Committee on Small Business; the gentlewoman from New York (Ms. VELÁZQUEZ), the ranking member; and my colleague, the gentleman from Iowa (Mr. NUSSLE), for facilitating the legislation before us. This is not only good, but necessary, legislation. I am glad to see us move it.

S. 141, this bill before us, would allow the Office of Management and Budget, OMB, to change its 2003 technical assumptions regarding the SBA general business program. Without this change, everybody should understand this, SBA will have to reduce the 2003 loan volume supported by this program by about 50 percent, 50 percent below the 2002 level of \$9.3 billion.

□ 1645

This legislation was referred to our committee, the Committee on the Budget, because it required an exception to the usual strictures of the Balanced Budget and Emergency Deficit Control Act that bind OMB to one set of assumptions throughout a budget year. That is why it is necessary for us to bring it to the floor. I guess we could call this directed scorekeeping, but in this case it is justifiable scorekeeping.

OMB has had chronic problems with overestimating the credit subsidy rate for general business loans, the so-called 7(a) program and related programs. As a result, SBA has historically underestimated the volume of loans that can be supported by a given level of appropriations. Starting with the 2004 budget, this problem should be corrected because OMB has developed a much more sophisticated and accurate model for estimating the subsidy rates. For this fiscal year, 2003, however, the President declined to request sufficient appropriations to maintain the program level for general business loans, given this existing estimate of the subsidy rate.

Consequently, SBA is now on the horns of a dilemma. It can either reduce the maximum size of loans made to individuals or it can suspend the program once it runs out of authority before the end of this fiscal year. Neither of those is an attractive option, especially not now, in the midst of a very, very slack economy. We are struggling to get back on our feet and get people back to work. This legislation is proemployment legislation because, with the adjustment we make by this legislation, SBA will be able to support a 2003 loan volume of about \$8.2 billion, which is close to its historic standard of \$9 to \$10 billion.

I enthusiastically support this legislation and I urge everyone to give it their support. It could create and should create additional jobs. It will certainly iron out a problem for small business borrowers and the SBA for the balance of this fiscal year, something we need to do and should do, and it is good legislation to boot. I urge everyone to support it.

Mr. Speaker, I yield the balance of my time to the gentlewoman from New York (Ms. VELÁZQUEZ), the distinguished ranking member of the Committee on Small Business, and I ask unanimous consent that she be given the ability to allocate that time.

The SPEAKER pro tempore (Mr. WHITFIELD). Is there objection to the request of the gentleman from South Carolina?

There was no objection.

Mr. NUSSLE. Mr. Speaker, I yield myself such time as I may consume, and I wish to thank the gentleman from South Carolina (Mr. SPRATT) for his bipartisan approach to this bill. It truly is a bipartisan bill.

Mr. Speaker, I yield the balance of my time to the gentleman from Illinois (Mr. MANZULLO), the very distinguished chairman of the Committee on Small Business, and ask unanimous consent that he be allowed to allocate the time accordingly.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Iowa?

There was no objection.

Mr. MANZULLO. Mr. Speaker, I yield myself such time as I may consume, and I want to thank again the chairman of the committee, the gentleman from Iowa (Mr. NUSSLE), for his leadership. And I also want to thank, in particular, the gentlewoman from New York (Ms. VELÁZQUEZ) for the tremendous work that she has put into this. If there is any name to be placed on this bill, her name should have a prominent place on it.

Mr. Speaker, small businesses are having a tough time obtaining credit around the nation. The Small Business Administration's 7(a) and 504 loan guaranty programs are a vital source for nearly \$13.5 billion of new capital to small businesses every year. Over 48,000 small businesses are served each year by these programs. In fact, the 7(a) program alone provides 40 to 50 percent of all the long-term financing that goes to small businesses, which have led to the creation of thousands of small firms, contributing to job creation and economic growth.

However, last October, the SBA cut back both the amount of loans made and the maximum loan size under the 7(a) Loan Guaranty Program. This hurts companies like Ryden Heavy Hauling of Woodstock, Illinois, which is caught in a credit limbo while we try to fix this problem.

Initially, Ryden sought an SBA guaranteed loan of \$1 million to generate eight new full-time and part-time jobs and sustain the jobs of the 16 employees already working at Ryden. However, Ryden has been caught in a credit squeeze, and it could only apply for a loan of \$500,000, creating serious ramifications that impact their future growth. We need to pass S.141 as one step in the process to lift the SBA-imposed loan caps.

Mr. Speaker, I submit for the RECORD a letter I received from Ryden Heavy Hauling in this regard.

RYDEN HEAVY HAULING INC.

Woodstock, IL, February 7, 2003.

Congressman DON MANZULLO,
181 North Virginia Ave.
Crystal Lake, IL.

CONGRESSMAN MANZULLO: Ryden Heavy Hauling provides transportation services for persons or companion looking to haul heavy equipment. Major customer segments include the Construction, Utility and Manufacturing industry.

The mission of Ryden Heavy Hauling, Inc. is to be the most reliable heavy hauling company servicing the midwest. Ryden Heavy Hauling prides itself in hiring the best drivers, competitive pricing and updating and maintaining equipment to insure the highest level of safety for our customer's equipment.

We strive to support the economy by expanding and creating additional jobs to stimulate the business community.

We presently are applying for an SBA backed loan in the amount of \$500,000.00 dollars. Originally we asked for \$1 Million but the cap for the SBA guarantee was dropped to \$500,000.00 dollars. This decision has created serious ramifications that impact our future growth.

Our projected program will generate 8 new full-time and part-time positions as well as retain the existing 16 jobs in our work force.

Therefore it is in the interest of the business community to reinstate the original limit of \$2,000,000.00 so companies like Ryden Heavy Hauling can survive.

Respectfully,

LEONARD R. RYDEN,
President.

Mr. Speaker, how did we get in this situation in the first place? In December 2001, the President signed into law a provision to reduce fees charged to borrowers in the 7(a) program, starting on October 1, 2002. The 7(a) program has netted the government handsome profits every year, taxing small businesses more than \$1.4 billion over the last 10 years beyond the cost of operating the program.

This is all because of an overly conservative credit subsidy calculation model used by SBA and the Office of Management and Budget that requires charging more fees than is necessary to cover potential bad loans. This model simply averages the annual default rate going back to 1986, even though Congress dramatically changed the 7(a) Loan Guaranty Program in the 1990s that made the program more safe and secure for the taxpayer. Yet current small business borrowers are now penalized, in their ability to access one of the few remaining sources of credit, for old mistakes in a program that have been changed.

This is the worst possible time for these actions. Small businesses create over three-quarters of the new jobs in the U.S. S.141 begins to correct the problem. The bill simply authorizes OMB to adopt a new economic model for calculating the 7(a) program subsidy rate to take effect this fiscal year, beginning October 1 of 2002. The General Accounting Office has long advocated this approach. SBA has already developed and OMB has approved an econometric model for the 7(a) program in the 2004 budget cycle. OMB pledged to use this model for 2003.

Mr. Speaker, I submit for the RECORD, a letter dated November 14,

2002 from OMB Director Daniels and addressed to me regarding this subject matter.

EXECUTIVE OFFICE OF THE PRESIDENT, OFFICE OF MANAGEMENT AND BUDGET,

Washington, DC, November 14, 2002.

Hon. DONALD A. MANZULLO,
Chairman, Committee on Small Business, U.S.
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: Thank you for your letter of November 12, regarding the subsidy rate for small business loans.

As you know, the Administration is committed to improving the Small Business Administration's (SBA) ability to more accurately estimate the cost of subsidizing small business loans. This will enable the agency to allocate its resources more effectively, determine program risk more precisely, and increase its ability to target loan programs to the most deserving recipients.

In accordance with the commitment that the Administration one year ago, the Office of Management and Budget has just approved SBA's 7(a) econometric subsidy model to calculate its fiscal year 2004 resource requirements. Further, in light of the fact that this improved subsidy calculation procedure is now available, the Administration would support legislation that allows us to implement the econometric model for fiscal year 2003 as well. Applying the econometric model would produce a subsidy rate of 1.04 percent rather than 1.76 percent submitted in the FY 2003 budget.

Please let us know if you need any more information.

Sincerely,

MITCHELL E. DANIELS, JR.,
Director.

The subsidy rate using an econometric model in 2003 dramatically drops from 1.76 percent to 1.04 percent, a 41 percent reduction.

S. 141 allows SBA to guarantee \$3.4 billion in new lending to the small businesses. Congress must now act to increase access for small business lending. To its credit, the administration was the first to recognize the problem and begin to work on solutions within a few months of taking office. Their willingness to retroactively use the econometric model for 2003 in the 7(a) program is another example of their openness to finally correct this festering problem.

However, OMB cannot change the assumption in the President's 2003 budget request on their own after its proposal has already been sent to Congress. That is why we are here today for a legislative remedy.

The same cooperation should also extend to the 504 program. The subsidy rate calculation error in the 504 is proportionately a bigger problem than the 7(a). There is some question as to whether or not S. 141 would cover the Supplemental Terrorist Activity Relief loan program, known as STAR. STAR loans have always been viewed by the SBA as a subset within the 7(a) program.

Mr. Speaker, I include for the RECORD two SBA procedural notices and a copy of the statutory language creating the STAR loan program.

SBA PROCEDURAL NOTICE

To: To All Employees.
Subject: Guidelines for Implementation of the Fee Reduction on Loans to Small Business Adversely Affected by the Terrorist Activities of September 11, 2001.

SBA Procedural Notice 5000-775 provided information regarding the 7(a) program fee reduction authorized in the Defense Appropriations Act of 2002 which was signed into law on January 11, 2002. The purpose of this notice is to provide more detailed guidance on the implementation of that fee reduction. In order to distinguish loans made under the Defense Appropriations Act from other 7(a) loans made during the same period, loans with the fee reduction will be known as "Supplemental Terrorist Activity Relief" ("STAR") loans.

1. BACKGROUND INFORMATION ON SBA'S ANNUAL FEE

Section 7(a)(23) of the Small Business Act authorizes SBA to collect an annual fee on each outstanding SBA guaranteed loan equal to 0.5 percent (50 basis points) of the guaranteed share of the outstanding balance of the loan. The Defense Appropriations Act authorized a reduction in that fee from 0.5 percent to 0.25 percent (25 basis points) for loans made to small businesses adversely affected by the September 11th attacks. This reduced fee will apply for the life of the loan. Both the original and temporarily reduced fees are subject to the provisions of Section 7(a)(23)(B) which states that this fee is "... payable by participating lender and shall not be charged to the borrower."

2. PERIOD OF APPLICABILITY

The reduction in the annual fee is effective for eligible loans approved (funded) by SBA between January 11, 2002, and January 10, 2003, or until the approximate \$4.5 billion program level provided for this initiative has been used up, whichever occurs first.

Any 7(a) loan approved before January 11, 2002, will continue to be subject to the 50 basis points fee, subject to the following exception. If the lender finds that a borrower that had its 7(a) loan approved prior to January 11, 2002, was adversely affected by the terrorist actions, AND, if the loan is fully undisbursed; the lender may cancel the approved loan and submit a new application which will then meet the criterion of having been approved after January 10, 2002. If SBA approves the new loan, a new loan number must be issued.

3. DEFINITION OF "ADVERSELY AFFECTED" SMALL BUSINESS

As indicated in the previous notice, for purposes of the STAR program, the term "adversely affected small business" means a small business that suffered economic harm or disruption of its business operations as a direct or indirect result of the terrorist attacks perpetrated against the United States on September 11, 2001. Some examples of economic harm are: difficulty making loan payments on existing debt; difficulty in paying employees or vendors; difficulty in purchasing materials, supplies, or inventory; difficulty in paying rents, mortgages, or other operating expenses; and, difficulty in securing financing. As previously noted, SBA does not intend that this list be considered all-inclusive. The Agency anticipates that there will be other circumstances that are appropriate for use to illustrate that a business has suffered economic harm or a disruption of its business operations. Agency guidance should not be construed as limiting eligibility to any particular geographic area or to any specific type(s) of business. A loan to a start-up business may qualify for the STAR program if, for example, the business planned to commence operations earlier, but

its ability to do so was hampered by the terrorist actions and their aftermath.

SBA believes that a high percentage of businesses finding it necessary to seek SBA-guaranteed financing may be found to have been adversely affected by the terrorist actions. In order to qualify for the reduced fee, however, the lender must: (1) find that the loan applicant was adversely affected by the terrorist events of September 11, 2001; and, (2) prepare and maintain in its loan file a write up summarizing its analysis and its conclusion that the loan is eligible for the STAR program. A lender will not be found to have met its responsibility for determining that a borrower was adversely affected if the lender statement merely states that conclusion, but does not provide a narrative justification demonstrating the basis for the conclusion.

4. STEPS REQUIRED FOR LENDER TO SUBMIT A STAR PROGRAM APPLICATION

In order for a loan to qualify as a loan under STAR, the SBA lender must:

(a) Determine that the applicant business was "adversely affected" by the terrorist activity of September 11, 2001, and must document the basis for this conclusion in its loan file. This documentation must be available for review by SBA, but need not be submitted to SBA.

(b) Indicate that the loan is being submitted under the STAR program by writing "STAR Loan" at the top of the SBA Form 4-I, "Lender's Application for Guaranty or Participation," or 4-L, "Application for LowDoc Loan," as applicable.

(c) Amend the loan authorization provision regarding the on-going fee to be paid to SBA on the loan to indicate that the fee will be 0.25 percent per annum.

5. COLLECTION OF THE REDUCED FEE

Lenders will submit to Colson Services, Inc. (Colson), the 0.25 percent fee using the same SBA Form 1502 process as it uses for other SBA loans. SBA will provide Colson with a list of loans that are subject to the lower fee. As with all other fee collections, Colson will work with a lender to make any necessary corrections to the fee and reporting submissions.

6. PLP/SBAEXPRESS/COMMUNITY EXPRESS

The PLP center will provide additional direction to PLP lenders regarding STAR program requirements.

7. PROCESSING STAR LOAN REQUESTS

The SBA Loan Accounting Tracking System (LATS) has been modified to provide a STAR program indicator to track STAR loans. Data must be entered into this indicator field as follows: (1) An "S" must be entered for any loan submitted by the lender under the STAR program; and, (2) An "N" (for "no") must be entered for any non-STAR loan. This data must be completed for each loan (including a 504 loan) even if the loan is not STAR eligible.

When the STAR Indicator is filled in with an "S", it will mean that:

(a) The lender has informed SBA that the loan is eligible for the STAR program;

(b) The lender will be charged the reduced 0.25% annual fee;

(c) The loan will be subject to the STAR program subsidy rate; and

(d) The loan will be funded out of the separate STAR loan fund.

There are four sets of circumstances that may occur in connection with a loan that is potentially eligible for the STAR program. The attachments to this Notice (described below) provide instructions for SBA's data input under each of these circumstances.

A. NEW LOAN APPLICATION SUBMITTED BY A LENDER AFTER THE EFFECTIVE DATE OF THIS NOTICE

The Star program Indicator field shown on LAS001 must be completed as part of the

data input for all new loan applications. For any loan designated by a lender as a STAR loan, the "S" designation must be entered. For any non-STAR loan the "N" designation must be entered. [Attachment A provides instructions for processing a STAR-qualified loan submitted to SBA by a lender after the effective date of this notice.]

B. RE-CLASSIFICATION OF A LOAN AFTER SUBMISSION, BUT PRIOR TO SBA APPROVAL

If a loan was originally input as a non-STAR loan, but prior to SBA's approval, the lender provides a written request to SBA to reclassify the loan as a STAR loan, the SBA processing office must use the LSA005 Screen to input an "S" in the STAR program indicator field. [Attachment B provides instructions for re-classifying a loan as a STAR-qualified loan after SBA's initial data input, but prior to SBA approval.]

C. RE-CLASSIFYING A LOAN AS A STAR LOAN AFTER APPROVAL BUT BEFORE DISBURSEMENT

For any loan approved by SBA on or after January 11, 2002, that was not initially classified as a STAR loan; if, subsequent to SBA approval and prior to any disbursement, the lender provides a written request to SBA to reclassify the loan as a STAR loan, the SBA field office servicing the loan must:

1. Verify that the loan is fully undisbursed;
2. Prepare a SBA Form 327 action to support cancellation of the regular 7(a) funded loan and re-instatement of the loan as a STAR loan;
3. Cancel the existing loan, thus returning the regular 7(a) funds to the regular 7(a) program account; and,
4. Wait at least one business day after completing step 3 and reinstate the loan and enter an "S" in the STAR Indicator on LAB00 screen.

[Attachment C provides instructions for re-classifying a fully undisbursed loan as STAR-qualified after approval by SBA.]

D. RE-CLASSIFYING A LOAN AS A STAR LOAN AFTER FULL OR PARTIAL DISBURSEMENT

If a loan was approved by SBA on or after January 11, 2002, and is partially or fully disbursed when the lender makes a written request that the loan be reclassified as a STAR loan, two additional steps must be taken. First, SBA must reverse the amount disbursed to show a loan balance of zero. Then, after the proper classification is entered, SBA must re-enter the amount disbursed to return the loan to its actual condition. [Attachment D provides instructions for re-classifying a partially or fully disbursed loan as a STAR loan.]

9. POST APPROVAL MODIFICATIONS

Any increases to an existing STAR loan or reclassifications of a non-STAR to a STAR loan must be completed prior to January 10, 2003, or before the use of all available funds, whichever occurs first. After expiration of the STAR program authority, any additional required funding will require a new loan application processed under the regular 7(a) program. For small increases, lenders may want to establish separate side notes.

10. REFERRALS FROM THE DISASTER PROGRAM

As you are aware, after the September 11th attacks, SBA published regulations that expanded the availability of the Agency's Economic Injury Disaster Loan (EIDL) program to small businesses which have suffered substantial economic injury as a direct result of the terrorists attacks and certain related Federal action. See 66 Federal Register 53329 (October 22, 2001). Despite this program expansion, however, there may be some circumstances where a small business that is found ineligible for an EIDL loan may be found to qualify for a STAR loan. Therefore, when appropriate, the Office of Disaster As-

sistance (ODA) will advise a business that it may qualify for other SBA assistance, and may refer such business to the appropriate SBA field offices. Field staff should be prepared to discuss SBA's loan programs, including STAR, with the businesses, and should also make referrals for assistance to one of the Agency's management and technical assistance partners, when appropriate.

11. QUESTIONS

Lenders should contact their loan SBA field office for more information regarding the STAR program. Field staff with questions on how to input data to classify a loan as a STAR loan should contact David Kimble at (202) 205-6299. SBA staff with questions on any other issues related to STAR should contact A. B. McConnell, Jr. at (202) 205-7238.

JANE PALSGROVE BUTLER,
*Associate Administrator
for Financial Assistance.*

SBA PROCEDURAL NOTICE

To: All SBA Employees.
Subject: Reduced Fee for New 7(a) Loans Made to Businesses Adversely Affected by September 11th Terrorist Attacks.

The Defense Appropriations Act, signed by President Bush on January 10, 2002, reduces the ongoing fee charged to the lender on new 7(a) loans made to small businesses that were "adversely affected" by the September 11, 2001, terrorist attacks and their aftermath. The legislation makes no other changes to 7(a) program fees, or to the 504 loan program.

Under the new law, the on-going fee for eligible 7(a) loans is reduced from 0.5 percent (50 basis points) of the outstanding balance of the guaranteed portion of the loan to 0.25 percent (25 basis points). This fee reduction is effective for the full term of eligible loans approved by SBA during the 1 year period beginning January 11, 2002 and ending January 10, 2003, or until the funds available for this purpose are expended, whichever occurs first.

SBA has received an appropriation that will allow the Agency to fund up to approximately \$4.5 billion in eligible loans. Since the fee income received by SBA on loans made under this provision will be different from that received on regular 7(a) loans, these loans will have a different subsidy rate and will be tracked separately for subsidy rate purposes.

ELIGIBILITY

For purposes of implementation of this legislative provision, the term "adversely affected small business" means a small business that has suffered economic harm or disruption of its business operations as a direct or indirect result of the terrorist attacks perpetrated against the United States on September 11, 2001. Some examples of economic harm are: difficulty in making loan payments on existing debt; difficulty in paying employees or vendors; difficulty in purchasing materials, supplies, or inventory; difficulty in paying rents, mortgages, or other operating expenses; and, difficulty in securing financing. SBA does not intend that this list be considered all-inclusive. The Agency anticipates that other circumstances can illustrate that a business has suffered economic harm or a disruption of its business operations.

SPECIAL REQUIREMENTS

Each lender making a reduced fee 7(a) loan under the provisions of the new law is responsible for determining that the loan is being made to a small business that was adversely affected by the terrorist attacks of September 11, 2001. For each such loan, the lender must prepare, place, and keep in its loan file, a short written statement documenting the basis for its conclusion that the

loan is eligible for inclusion under this provision.

All other existing SBA 7(a) loan requirements, including credit requirements, apply to loans made under the provisions of the new law.

Loans made under this statutory provision must be identified with a special code that will alert SBA and the SBA Fiscal and Transfer Agent (Colson Services Corp.) to calculate the appropriate on-going fee.

A follow-up Procedural Notice will be issued shortly with additional guidance for implementation of these special requirements.

ADDITIONAL INFORMATION

Field offices should provide this notice to all participating lenders immediately.

Lenders and other interested parties should contact their local SBA field offices for more information. SBA field staff should contact James Hammersley, Director, Loan Programs Division, at (202) 205-7505.

JEANNA M. SCLATER,
*Acting Associate Deputy
Administrator for Capital Access*

P.L. 107-117—DIVISION B, SECTION 203

SEC. 203. Notwithstanding any other provision of law, the limitation on the total amount of loans under section 7(b) of the Small Business Act (15 U.S.C. 636(b)) outstanding and committed to a borrower in the disaster areas declared in response to the September 11, 2001, terrorist attacks shall be increased to \$10,000,000 and the Administrator shall, in lieu of the fee collected under section 7(a)(23)(A) of the Small Business Act (15 U.S.C. 636(a)(23)(A)), collect an annual fee of 0.25 percent of the outstanding balance of deferred participation loans made under section 7(a) to small businesses adversely affected by the September 11, 2001, terrorist attacks and their aftermath, for a period of 1 year following the date of enactment and to the extent the costs of such reduced fees are offset by appropriations provided by this Act.

These documents make it clear that STAR loans have been made under the umbrella of the SBA 7(a) loan program. The only reasonable interpretation is that S. 141 apply its econometric model to STAR loans made since October 1, 2002. This would also provide an additional \$1.1 billion in guaranteed lending to small businesses.

Mr. Speaker, I am pleased that the Committee on Small Business, working in close partnership with the chairman of the House Committee on the Budget, which has legislative jurisdiction over the issues of the Credit Reform Act, was able to bring S. 141 up on the floor in such an expeditious manner.

I want to particularly thank the staffs of both committees for working together to bring the bill to the floor. I also want to commend my Senate counterparts, Senators SNOWE and KERRY, and particularly the former chairman of the Senate Small Business Committee, Senator KIT BOND of Missouri, for all their hard work on the matter. We would not be here today without these diligent bipartisan efforts.

Mr. Speaker, I urge my colleagues to vote "yes" on sending S. 141 to the President's desk for signature.

Mr. Speaker, I reserve the balance of my time.

Ms. VELÁZQUEZ. Mr. Speaker, I yield myself such time as I may consume.

I rise in strong support of S. 141. This legislation is long overdue. Today, more than ever, small businesses struggle to find avenues of capital. This is only reinforced by the fact that in our day and age, the number one rate for entrepreneurs to finance their great idea is through credit cards. Oftentimes, these carry prohibitively high interest rates, weighing small businesses down with insurmountable debt even before they get off the ground.

Filling this financing vacuum are the SBA loan programs. Through public-private partnerships that share the lending risk, small businesses are able to tap into capital that is both affordable and accessible. In these programs last year, \$20 billion in capital, accounting for 40 percent of all long-term small business lending, was provided to this Nation's entrepreneurs.

Unfortunately, at a time when we need these programs the most, they are blocked from fulfilling their true potential because of policies that place the Federal Treasury's bottom line above this Nation's small business bottom line. Over the last decades, both lenders and small businesses receiving SBA loans have been overcharged by a whopping \$1.5 billion. This is nothing more than a tax on small business that should have been put to rest long ago.

S. 141 will help to change this inequity by requiring the administration to more accurately report the cost of these programs to taxpayers. The move will begin to turn the tide of this unfair tax, and coupled with the pending fiscal year 2003 omnibus appropriations bill, entrepreneurs will finally have the access to capital they need.

I urge my colleagues to join me in calling on the President to follow through on our actions today and put capital where it belongs, in the hands of small business owners.

Mr. Speaker, for almost 6 months now, this administration has limited access to capital for the small business sectors by placing a cap of \$500,000 on SBA loans. This move is tantamount to credit rationing. Because of these actions, entrepreneurs have been blocked from accessing billions of dollars. These funds could have been used to create economic growth and jobs, two important components to aid us in our climb out of the current economic doldrums.

With the passage of this measure, the SBA and the administration will no longer have an excuse to withhold these funds from small businesses, and they must lift this cap.

While this legislation offers some remedy, it is only a very minor move in terms of what truly needs to happen to give the small business community the fairness it deserves. With this bill's implementation we will see the first significant reduction in the subsidy rate governing the program. But even with the passage of S. 141, small busi-

nesses and lenders are still paying too much, and that must change.

Even more importantly, this legislation does nothing to address the most egregious practice of taxing small business, the overcharging of those entrepreneurs who use the 504 loan program.

The average small business owner today, receiving a 504 loan, can expect to pay an additional \$15,000. That is the difference between hiring a part-time employee and a full-time employee, providing health care benefits or purchasing new equipment that will add jobs. This is shameful. But the fact that the administration is aware of this and their current budget refuses to fix it is without conscience. I am not going to stand for this. Small business owners are not going to stand for it either. And this body should not stand for it.

Mr. Speaker, S. 141 is the first step in helping Main Street America, but there is still a lot of work to be done before small firms receive fair and equal treatment. One of our mantras in the Committee on Small Business is "Access to capital is access to opportunity." With the passage of this legislation, we will be a little closer to making it possible for thousands of individuals to realize the American dream of business ownership. I urge the adoption of this legislation.

Mr. Speaker, I reserve the balance of my time.

□ 1700

Mr. MANZULLO. Mr. Speaker, I reserve the balance of my time.

Ms. VELÁZQUEZ. Mr. Speaker, I yield such time as he may consume to the gentleman from New Jersey (Mr. PASCRELL).

Mr. PASCRELL. Mr. Speaker, I would like to commend the gentleman from Illinois (Mr. MANZULLO), and working in concert with the ranking member is proof positive that we can address the problems facing the Congress in a bipartisan way. The gentleman has not just talked about it, he has done it. It is nice to talk about these things, but we do not see it too much around here.

I would also like to congratulate the gentleman from Iowa (Mr. NUSSLE), and I want to associate myself with the remarks of the chairman and the ranking member, but this goes beyond subsidy rates as I perceive it. It is heartening to know that on this particular day we can pause from debating which deficit-exploding tax cut for the wealthy should be enacted and instead actually do something for the small businessman instead of just talking about it.

After 2 years of economic malaise, we are now in the weakest level of economic growth in 50 years. I think the gentleman from Illinois (Mr. MANZULLO) has pointed out, if we are ever going to make this change and address it, now is the time to do it when there is an economic downturn. People are working harder for less. Household in-

come for the bottom 95 percent of wage earners has fallen. Too many Americans are searching long and hard for work, work they cannot find; and consumer confidence is at its lowest point in a decade. Businesses throughout my district, the Eighth Congressional District of New Jersey, are hurting.

If we truly want to propel ourselves from this downturn, we must realize that small businesses are fundamental components to our economic infrastructure. Entrepreneurs have been and will continue to be the backbone of our great economy. It is absolutely critical that we provide those entrepreneurs with some relief, not just pay them lip service. So passage of S. 141 will be the first in what I hope will be many steps in a bipartisan way to address the problems of small businesses.

This bill expands the size of the Small Business Administration's 7(a) loan program as I see it. This program is the largest effort within SBA to help smaller companies obtain loans from bank and other conventional sources. Lending programs such as this are critical for small business start-up. Access to capital is access to opportunity.

Unfortunately, according to a variety of sources, not least of which is the GAO, current policies have resulted in overcharging the 7(a) loan program's lenders and borrowers by \$1.5 billion over the last 10 years. Who paid that?

This legislation is aimed at forcing the administration to use a subsidy rate model that accurately reflects the cost of small business and small business loan programs to the taxpayer. It aims to improve the calculation of the Federal subsidy rate for small business lending. It will provide a new cost calculation, as has been pointed out graphically here, which is expected to reduce the subsidy rate from 1.76 percent to 1.04 percent, thereby expanding the program itself by \$4.9 billion to \$8.2 billion, which will be available which is not available now. That will happen just by changing that rate.

But there are other things that need to be done. As the ranking member has pointed out, in the 504 lending program, this is critical. This is small business taxation which is unnecessary. The failures of this administration to adjust problems with the 504 program have left small businesses paying \$15,000 for each loan, and I think the average loan is about \$200,000. The gentleman from Illinois (Mr. MANZULLO) and the ranking member, the gentlewoman from New York (Ms. VELÁZQUEZ), have spoken about this time and time again. We cannot accept that. It is unacceptable. That money could be used to expand the very program that we are here trying to address today.

Mr. Speaker, I want to conclude with this. This will go into effect October 1, 2002, so it will be retroactive to the very beginning of this fiscal year. I commend the gentleman from Illinois (Mr. MANZULLO) and the ranking member for doing this very well.

Ms. VELÁZQUEZ. Mr. Speaker, I yield 3 minutes to the gentleman from Texas (Mr. HINOJOSA).

(Mr. HINOJOSA asked and was given permission to revise and extend his remarks.)

Mr. HINOJOSA. Mr. Speaker, I commend the gentleman from Illinois (Mr. MANZULLO) and the gentlewoman from New York (Ms. VELÁZQUEZ) for their leadership in the Committee on Small Business. I rise today in strong support of S. 141 as introduced by Senator SNOWE and passed by the Senate. Small businesses are the backbone of our economy, especially in times of financial crisis, and this bill is important because it would help to reduce the cost of small businesses throughout the United States.

S. 141 would encourage the administration to use a 7(a) subsidy rate model that would more accurately reflect the true cost of the small business loan programs to the taxpayer. The current model has resulted in overcharges of \$1.5 billion over the last 10 years, according to the GAO study. The measure authorizes the Office of Management and Budget to adopt a new econometric model for calculating the program subsidy rate. The change would enable the SBA to boost 7(a) lending authority from \$4.8 billion to \$8.2 billion for fiscal year 2003 by significantly reducing the 7(a) credit subsidy rate.

The bill's projected impact on small business lending should result in near 21,000 more loans to small firms with a potential to support at least 103,000 new jobs. Moreover, implementing the new econometric model will not require any increase in Federal spending.

Mr. Speaker, S. 141 simply requires SBA to use the new econometric model a year earlier than planned and thus enable small businesses to benefit from the lower subsidy rate immediately. The new model will reduce the cost to both the lender and the borrower. The change combined with reprogramming of unused STAR funds will yield a 7(a) program level of \$9 million below the demand, but it is sufficient to lift the current administration-imposed cap that has hurt small businesses since October 2002.

Mr. Speaker, I wish to commend Chairman MANZULLO and Ranking member NYDIC VELÁZQUEZ for their leadership in the Small Business Committee!

I rise today in strong support of S. 141, as introduced by Senator SNOWE and passed by the Senate. Small businesses are the backbone of our economy, especially in times of financial crisis, and this bill is important because it would help to reduce the costs to small businesses in the United States. S. 141 would encourage the Administration to use a 7(a) subsidy rate model that would more accurately reflect the true cost of the small business loan programs to the taxpayer. The current model has resulted in overcharges of \$1.5 billion over the last 10 years, according to a GAO Study.

The measure authorizes the Office of Management and Budget (OMB) to adopt a new econometric model for calculating the pro-

gram's subsidy rate. The change would enable the SBA to boost 7(a) lending authority from \$4.8 billion to \$8.2 billion for Fiscal Year 2003 by significantly reducing the 7(a) credit subsidy rate.

The bill's projected impact on small business lending should result in nearly 21,000 more loans to small firms—with the potential to support at least 103,690 new jobs. Moreover, implementing the new econometric model will not require any increase in federal spending.

Currently, the 7(a) Program is operating at a reduced capacity from previous years, with the size of loans capped at \$500,000. The shortfall in lending authority leaves many small firms nowhere to go for money to maintain or expand their operations in a slow economy. Each year, 40,000 or more small business concerns that cannot obtain comparable credit elsewhere turn to the 7(a) program for critically-needed financing.

To combat this problem, the SBA contracted with the Office of Federal Housing Enterprise Oversight (OFHEO) to construct an econometric model that considers additional factors with the goal of representing a more accurate cost. Developed by the SBA and the 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.

SBA has finished the review and plans for the implementation of the new model in FY04. This delayed implementation would leave the current model in place for FY03. The difference in the two models is approximately 70 basis points, 1.07 v. 1.77, which is roughly a \$1,000 difference annually per loan.

Each year, the Office and Management and Budget (OMB) calculates the federal cost of guaranteeing small business loans administered by the Small Business Administration.

Critics of the current method of calculating those costs argue that it does not take into account historical data and recent statutory and regulatory changes that have improved default rates and program performance. Critics therefore contend that the current federal cost, expressed in the form of a subsidy rate, is over-estimated, which, in turn, limits the amount of loans that can be guaranteed. Again, a recent General Accounting Office report supports this contention.

S. 141 simply requires SBA to use the new econometric model a year earlier than planned and thus enables small businesses to benefit from the lower subsidy rate immediately. The new model will reduce the cost to both the lender and the borrower. The change, combined with reprogramming of unused STAR Funds, will yield a 7(a) program level of \$9 billion below the demand, but it is sufficient to lift the current Administration imposed cap that has hurt small businesses since October of 2002.

For these reasons, I rise in strong support of passage S. 141 and urge my colleagues to support it.

Ms. VELÁZQUEZ. Mr. Speaker, I yield 2 minutes to the gentlewoman from Ohio (Mrs. JONES), an alumna of the Committee on Small Business and the newest member of the Committee on Ways and Means.

(Mrs. JONES of Ohio asked and was given permission to revise and extend her remarks.)

Mrs. JONES of Ohio. Mr. Speaker, although no longer on the Committee on Small Business, I am still here to fight on behalf of small businesses, and I am pleased to join my colleagues today as we celebrate this piece of legislation coming to the floor.

The passage of S. 141 is an important step that can be taken by Members to help small businesses. Over the past 4 years when I served on the Committee on Small Business, we worked hard to see that legislation that would assist small businesses would get to the floor and pass. It is wonderful that I will be able to say to my constituents, yes, one more time we have done something for small business. It is the first crucial step this body can take to provide the necessary infusion of capital to small businesses and help them retain and create jobs and provide a needed boost to our economy.

In my congressional district, there are a number of people who are not counted in that number of unemployed because they have not been seeking a job because there are no jobs available to them. This is a wonderful step. The 7(a) program is very important, and it can make a difference for a lot of our entrepreneurs.

While this is a first step in the right direction, it just begins to address some of our concerns. Among those is the issue of opening up the SBA 7(a) program to more credit unions. I have been working with credit unions across this country trying to make that available to them.

Mr. Speaker, I am glad to have the opportunity to come to the floor and say to the chairman and ranking member, let us keep it up. I join my colleagues in support of this resolution.

Mr. Speaker, I am pleased to see the House of Representatives considering this legislation today. As we are too painfully aware, our economy is in a state of disarray, and among the many consequences of this is the struggle by many small businesses to stay in existence in these uncertain times. Passage of S. 141 is one important step that can be taken by Members of this body to help those small businesses that contribute so much to our economy, our entrepreneurial spirit, and our national well-being continue to thrive and grow.

Small business is in fact big business, accounting for over 75 percent of the jobs held in this country and an equally large percentage of the gross national product. For small businesses to grow and create jobs, infusions of capital are critical. Yet recent actions by the Administration do little to increase the bottom line of America's small business, with less than 3 percent of the President's economic stimulus plan being targeted at small businesses. By focusing on such narrow concerns as eliminating dividend taxes, the Administration has left small businesses out of the equation for stimulating the economy. (Pause) The Administration has left a creator of 75 percent of the country's jobs out of the equation for stimulating the economy . . . focusing instead on incentives for investing in the stock market when incentives for investing in the job market are what is needed for a much needed stimulus.

S. 141 is the first crucial step this body can take to provide that necessary infusion of capital to our small businesses, help small businesses retain and create jobs, and provide a needed boost to our economy. This bill will work to reverse the practice of taxing small businesses through use of a subsidy rate model that will more accurately reflect the cost of SBA loan programs, accelerate the use of this new subsidy rate, and allow the SBA to lift imposed lending caps to small businesses. Without this bill, small businesses will be left with the burden of overpaying an average of \$15,000 for some of the loans they need to run and expand their businesses.

And while this bill is a major step in the right direction, it just begins to address some of the concerns arising out of small business loan programs provided by the SBA. Among those is the issue of opening up the SBA 7(a) program to more credit unions, an action that the SBA Administrator's discretionary authority allows, an action that would give credit unions the same authority to offer SBA guaranteed loans enjoyed by other federally insured lenders.

I am voicing my support for S. 141 because it will provide immediate relief for entrepreneurs in search of capital to finance their companies. And as these entrepreneurs are able to grow and thrive, so too will our economy. Remember, small business is big business and small business focuses on the "market" that matters—the job market. I thank my colleagues for joining me in supporting S. 141.

Mr. MANZULLO. Mr. Speaker, I yield myself such time as I may consume.

In closing, let me say that we are going to miss the gentlewoman from Ohio (Mrs. JONES) on the committee, and request a waiver from the Democratic leadership that she be on the Committee on Ways and Means and the Committee on Small Business at the same time.

Mr. Speaker, I yield back the balance of my time.

Ms. VELÁZQUEZ. Mr. Speaker, I yield myself the balance of my time.

S. 141 is a good start. It is time to stop finger-pointing and get to work. The administration needs to lift the loan cap and get this critical capital where it is needed most, in the hands of small businesses.

Mr. ISSA. Mr. Speaker, I rise today in support of S. 141, a bill authorizing the Office of Management and Budget to adopt a new econometric model for calculating the 7(a) Guaranteed Loan Program's subsidy rate.

The subsidy rate for the 7(a) program has not accurately reflected the actual performance of these loan portfolios since the passage of the Credit Reform Act in 1990.

The continuous over statement of the subsidy rate resulted in the Small Business Administration cutting back both the amount of loans and the maximum loan size under its highly effective Section 7(a) loan program. The SBA has reduced the maximum 7(a) loan size they can guarantee from \$1 million to \$500,000. The 7(a) loan program is a vital source for nearly \$11 billion of new capital for small businesses every year.

Passage of S. 141 and the adoption of the new econometric model will enable the SBA to boost 7(a) lending authority from \$4.8 billion to \$8.2 billion for Fiscal Year 2003. This model

will reduce the 7(a) credit subsidy rate, and should prevent any further economic damage from cuts to the largest federal assistance program for small businesses.

Mr. Speaker, as we look to small businesses to restore economic growth, we must allow the Office of Management and Budget to modernize its credit subsidy calculation model. I thank you for the opportunity to speak and urge my colleagues to support this bill.

Ms. MILLENDER-MCDONALD. Mr. Speaker, I rise this evening to offer my support for S. 141, long overdue legislation that will require the Office of Management and Budget to use a new subsidy rate model for the Small Business Administration's 7(a) loan program. This new model will more accurately reflect the true cost of this federal loan program to American taxpayers.

As a Ranking Member of the House Committee on Small Business, this issue is of vital importance to the hard-working entrepreneurs of my district, the 37th District of California.

Over the past few years, the House Committee on Small Business has held a number of hearings to address this issue, as small firms have been levied excessive fees for participating in the 7(a) loan program.

Recent estimates tell us that as much as 1.5 billion dollars over the past ten years has been returned to the Treasury of the United States at the expense of hard-working small business owners.

While the SBA currently has an alternative model, they have delayed its implementation until Fiscal Year 2004.

The passage of S. 141 will force the new model to be used immediately, allowing SBA to lift a lending cap imposed on the 7(a) program last year and provide small businesses long-awaited relief for entrepreneurs in search of capital to finance and expand their companies.

Small businesses are fundamental players in lifting the American economy out of its current doldrums and without investment resources this cannot and will not occur.

Passage of S. 141, will be the first step in correcting this wrong and I urge all of my colleagues to vote for passage of this important piece of legislation.

Ms. ROYBAL-ALLARD. Mr. Speaker, I rise in support of S. 141, a bill to improve the calculation of the federal subsidy rate with respect to small business loans of the Section 8(a) program.

As a member of the Commerce-Justice-State Subcommittee of the House Appropriations Committee which has funding jurisdiction for the Small Business Administration and its loan portfolio, I know that this is an issue we have wrestled with from year to year. I am pleased to see that we are finally acting affirmatively on behalf of small businesses. Everyone recognizes that small businesses represent the engine of U.S. economic growth.

The issue has to do with credit subsidies for small business loans. Unfortunately, the Office of Management and Budget has refused to modernize its credit subsidy calculation models. A recent General Accounting Office study reported that OMB's models do not take into account historical data and recent statutory and regulatory changes that have improved default rates and program performance. As a result, OMB over-estimates the current subsidy rate that, in turn, limits the level of loans that can be guaranteed.

SBA loan programs are especially critical in California, and I was contacted by a number of large banks in Los Angeles County about the detrimental impact that these poor calculations would have meant to small business start-up loans. The Section 7(a) program provides more than 50% of the long-term credit that goes to small businesses in California. Our costs are higher than many other states, so a 50% cut in loan levels required by OMB's policies hit California and other high-cost states disproportionately.

Last October, I was pleased to work with Rep. DARRELL ISSA and the California Bankers Association in organizing a letter to Speaker HASTERT pointing out this problem and the severe impact it would have on California's small businesses. Over 30 of my California colleagues, both Democrats and Republicans, joined us in signing and sending the letter to Speaker HASTERT. I am pleased to see that Speaker HASTERT has responded to our concerns and the concerns of other states to place this bill before the House today.

This legislation directs the Office of Management and Budget to calculate the federal costs of guaranteeing small business loans. OMB would be required to use the most recently approved subsidy cost model and methodology in conjunction with the program, economic assumptions, and historical data which were included in the president's FY 2003 budget request. More importantly, the Small Business Administration would implement the new subsidy rate and deem it to have been in effect since October 1.

The bill is intended to provide a new cost calculation methodology, which is expected to reduce the subsidy rate from 1.76% to 1.04%, thereby expanding the size of the program from \$4.9 billion to \$8.2 billion.

That is good news for small businesses in my congressional district, in California, and across the Nation.

I urge my colleagues to support this important bill. This bill will give a big lift to small businesses, and they, in turn, will help lift our economy out of its current slump.

Mrs. CHRISTENSEN. Mr. Speaker, I rise today in support of S. 141 to improve the calculation of Federal subsidy rate with respect to 7(a) loans.

The 7(a) loan program is one of the two Small Business Administration's primary lending programs and is a major source of capital for our nation's small businesses. Lending through the SBA loan programs currently represents 40-percent of all small business lending. Last year, the SBA lent a record 20 billion dollars of which 12 billion was in the 7(a) loan program.

While Congress fights to increase appropriations for the 7(a) program, our efforts are frustrated by a miscalculated subsidy rate. It is estimated that since 1995, 7(a) lenders and borrowers have over paid by some \$400 million plus dollars for using the program. This overcharging is simply another name for small business tax. Passage of S. 141 will be the first step in correcting the SBA lending problems plaguing our nation's small businesses. This legislation would force the Administration to use a subsidy rate model that accurately reflects the cost of the small business loan programs to the taxpayer. The change will provide immediate relief for entrepreneurs in search of capital to finance and expand their companies.

I urge the passage of S. 141.

Mr. DAVIS of Illinois. Mr. Speaker, I rise in support of S. 141 to improve the calculation of the federal subsidy rate with respect to certain small business loans.

Although, each year the Office of Management and Budget calculates the federal cost of guaranteeing small business loans administered by the Small Business Administration. Many analysts believed the current method of calculating those costs does not take into account historical data and recent statutory and regulatory changes that have improved default rates and program performance. Therefore, they contend that the current federal cost, expressed in the form of a subsidy rate, is overestimated, which, in turn, limits the amount of loans that can be guaranteed.

The bill S. 141 would authorize the Director of the Office of Management and Budget (OMB) to calculate the Federal cost for guaranteeing small business loans under the Small Business Act during FY 2003 and to use the most recently approved subsidy cost model and methodology that would take into account economic assumptions and historical data included in the FY 2003 budget. The bill is intended to provide a new cost calculation methodology, which is expected to reduce the subsidy rate from 1.76 percent to 1.04 percent, thereby expanding the size of the program from \$4.9 billion to \$8.2 billion.

I urge my colleagues to support S. 141.

Ms. VELÁZQUEZ. Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore (Mr. WHITFIELD). The question is on the motion offered by the gentleman from Iowa (Mr. NUSSLE) that the House suspend the rules and pass the Senate bill, S. 141.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the Senate bill was passed.

A motion to reconsider was laid on the table.

RECESS

The SPEAKER pro tempore. Pursuant to clause 12(a) of rule I, the Chair declares the House in recess until approximately 6:30 p.m. today.

Accordingly (at 5 o'clock and 12 minutes p.m.), the House stood in recess until approximately 6:30 p.m.

□ 1830

AFTER RECESS

The recess having expired, the House was called to order by the Speaker pro tempore (Mr. BASS) at 6 o'clock and 30 minutes p.m.

APPOINTMENT OF MEMBERS TO THE PERMANENT SELECT COMMITTEE ON INTELLIGENCE

The SPEAKER pro tempore. Pursuant to clause 11 of rule X and clause 11 of rule I, and the order of the House of

January 8, 2003, the Chair announces the Speaker's appointment of the following Members of the House to the Permanent Select Committee on Intelligence:

Mr. GALLEGLY of California,

Mr. COLLINS of Georgia.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. Pursuant to clause 8 of rule XX, proceedings will resume on motions to suspend the rules previously postponed. Votes will be taken in the following order:

H. Con. Res. 27, by the yeas and nays;

H. Con. Res. 22, by the yeas and nays;

H. Res. 61, by the yeas and nays;

H.J. Res. 19, by the yeas and nays.

The first electronic vote will be conducted as a 15-minute vote. The remaining votes will be conducted as 5-minute votes.

CONDEMNING THE SELECTION OF LIBYA TO CHAIR THE UNITED NATIONS COMMISSION ON HUMAN RIGHTS

The SPEAKER pro tempore. The pending business is the question of suspending the rules and agreeing to the concurrent resolution, H. Con. Res. 27.

The Clerk read the title of the concurrent resolution.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Illinois (Mr. HYDE) that the House suspend the rules and agree to the concurrent resolution, H. Con. Res. 27, on which the yeas and nays are ordered.

The vote was taken by electronic device, and there were—yeas 402, nays 6, answered "present" 8, not voting 18, as follows:

[Roll No. 20]

YEAS—402

Abercrombie
Ackerman
Aderholt
Akin
Alexander
Allen
Andrews
Baca
Bachus
Baird
Baker
Baldwin
Ballenger
Barrett (SC)
Bartlett (MD)
Barton (TX)
Bass
Beauprez
Becerra
Bell
Bereuter
Berkley
Berman
Berry
Biggert
Bilirakis
Bishop (GA)
Bishop (NY)
Blackburn
Blumenauer
Blunt
Boehlert

Boehner
Bonilla
Bonner
Bono
Boozman
Boswell
Boucher
Boyd
Bradley (NH)
Brady (PA)
Brady (TX)
Brown (OH)
Brown (SC)
Brown, Corrine
Brown-Waite,
Ginny
Burgess
Burns
Burr
Burton (IN)
Buyer
Calvert
Camp
Cantor
Capito
Capps
Capuano
Cardin
Cardoza
Carson (IN)
Carson (OK)
Carter

Case
Castle
Chabot
Chocola
Clyburn
Coble
Cole
Collins
Combest
Cooper
Costello
Cox
Cramer
Crane
Crenshaw
Crowley
Culberson
Cummings
Cunningham
Davis (AL)
Davis (CA)
Davis (FL)
Davis (IL)
Davis (TN)
Davis, Jo Ann
Davis, Tom
DeFazio
DeGette
Delahunt
DeLauro
DeLay
DeMint

Deutsch
Diaz-Balart, L.
Diaz-Balart, M.
Dicks
Dingell
Doggett
Dooley (CA)
Doolittle
Doyle
Dreier
Duncan
Dunn
Edwards
Ehlers
Emanuel
Emerson
Engel
English
Eshoo
Etheridge
Evans
Everett
Farr
Fattah
Feeney
Filner
Flake
Fletcher
Foley
Forbes
Fossella
Frank (MA)
Franks (AZ)
Frelinghuysen
Frost
Gallegly
Garrett (NJ)
Gerlach
Gibbons
Gilchrest
Gillmor
Gingrey
Gonzalez
Goode
Goodlatte
Gordon
Goss
Granger
Graves
Green (TX)
Green (WI)
Greenwood
Grijalva
Gutierrez
Gutknecht
Hall
Harman
Harris
Hart
Hastings (FL)
Hastings (WA)
Hayes
Hayworth
Hefley
Hensarling
Herger
Hill
Hinojosa
Hobson
Hoeffel
Hoekstra
Holden
Holt
Hooley (OR)
Hostettler
Houghton
Hoyer
Hunter
Hyde
Inslee
Isakson
Israel
Issa
Istook
Jackson (IL)
Jackson-Lee
(TX)
Janklow
Jefferson
Jenkins
John
Johnson (CT)
Johnson (IL)
Johnson, E. B.

Johnson, Sam
Jones (NC)
Jones (OH)
Kanjorski
Kaptur
Keller
Kelly
Kennedy (MN)
Kennedy (RI)
Kildee
Kind
King (IA)
King (NY)
Kingston
Kirk
Kleczka
Kline
Knollenberg
Kolbe
LaHood
Lampson
Langevin
Lantos
Larsen (WA)
Larson (CT)
Latham
LaTourette
Leach
Levin
Lewis (CA)
Lewis (GA)
Lewis (KY)
Linder
Lipinski
LoBiondo
Lofgren
Lowey
Lucas (KY)
Lucas (OK)
Lynch
Majette
Maloney
Manzullo
Markey
Matheson
Matsui
McCarthy (MO)
McCarthy (NY)
McCollum
McCotter
McCrery
McGovern
McHugh
McInnis
McIntyre
McKeon
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Mica
Michaud
Millender
McDonald
Miller (MI)
Miller (NC)
Miller, Gary
Mollohan
Moore
Moran (KS)
Moran (VA)
Murphy
Murtha
Musgrave
Myrick
Nadler
Napolitano
Nethercutt
Ney
Northup
Norwood
Issa
Nunes
Nussle
Oberstar
Obey
Olver
Ortiz
Osborne
Ose
Otter
Owens
Oxley
Pallone

Pascrell
Pastor
Payne
Pearce
Pelosi
Pence
Peterson (MN)
Peterson (PA)
Petri
Pickering
Pitts
Pombo
Pomeroy
Porter
Portman
Price (NC)
Pryce (OH)
Putnam
Quinn
Radanovich
Ramstad
Rangel
Regula
Rehberg
Renzi
Reynolds
Rodriguez
Rogers (AL)
Rogers (KY)
Rogers (MI)
Rohrabacher
Ros-Lehtinen
Ross
Rothman
Roybal-Allard
Royce
Ruppersberger
Lowey
Ryan (OH)
Ryan (WI)
Ryun (KS)
Sabo
Sanchez, Linda
T.
Sanchez, Loretta
Sanders
Sandlin
Saxton
Schakowsky
Schiff
Schrock
Scott (GA)
Scott (VA)
Sensenbrenner
Serrano
Sessions
Shadegg
Shaw
Shays
Sherman
Sherwood
Shimkus
Shuster
Simmons
Simpson
Skelton
Slaughter
Smith (MI)
Smith (NJ)
Smith (WA)
Snyder
Solis
Souder
Spratt
Stearns
Stenholm
Strickland
Stupak
Sullivan
Sweeney
Tancredo
Tanner
Tauscher
Taylor (MS)
Taylor (NC)
Terry
Thomas
Thompson (CA)
Thompson (MS)
Thornberry
Tiahrt
Tierney
Toomey
Towns
Turner (OH)