

103^D CONGRESS
1ST SESSION

H. R. 2766

To amend the 7(a) Loan Program, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JULY 28, 1993

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

A BILL

To amend the 7(a) Loan 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,*

3 **SEC. 2. AUTHORITY TO IMPOSE SECONDARY MARKET FEES.**

4 (a) Section 5(g) of the Small Business Act (15 U.S.C.
5 634) is amended by striking paragraph (4) and by insert-
6 ing in lieu thereof the following:

7 “(4) The Administration may collect the following
8 fees for loan guarantees sold into the secondary market
9 pursuant to the provisions of subsection (f): an amount
10 equal to (A) not more than .4 percent per year on the
11 outstanding balance of such loan guaranteed by the Ad-
12 ministration, and (B) not more than 50 percent of that

1 portion of the sale price which is in excess of 110 percent
2 of the outstanding principal amount of such loan guaran-
3 teed by the Administration. Any such fees imposed by the
4 Administration shall be collected by the agent which car-
5 ries out on behalf of the Administration the central reg-
6 istration functions required by subsection (h) of this sec-
7 tion and shall be paid to the Administration and used sole-
8 ly to reduce the subsidy on loans guaranteed under section
9 7(a) of this Act: *Provided*, That such fees shall not be
10 charged to the borrower whose loan is guaranteed: and,
11 *Provided further*, That nothing herein shall preclude any
12 agent of the Administration from collecting a fee approved
13 by the Administration for the functions described in sub-
14 section (h)(2).”.

15 (b) Any new fees imposed by the Administration pur-
16 suant to the authority conferred by subsection (a) shall
17 be applicable only to loans initially sold in the secondary
18 market pursuant to the provisions of section 5(f) of the
19 Small Business Act after August 31, 1993.

20 **SEC. 3. AUTHORITY TO REDUCE LOAN GUARANTEE PER-**
21 **CENTAGES.**

22 (a) Section 7(a)(2) of the Small Business Act (15
23 U.S.C. 636) is amended—

24 (1) by striking from the end of clause (B)(i) the
25 word “and” and by redesignating clause (B)(ii) as

1 (B)(iv) and by inserting the following after clause

2 (B)(i):

3 “(ii) not less than 75 percent of the
4 financing outstanding at the time of dis-
5 bursement, if such financing is more than
6 \$155,000 and the period of maturity of
7 such financing is more than 10 years, ex-
8 cept that the participation by the Adminis-
9 tration may be reduced below 75 percent
10 upon request of the participating lender;

11 “(iii) not less than 85 percent of the
12 financing outstanding at the time of dis-
13 bursement, if such financing is more than
14 \$155,000 and the period of maturity of
15 such financing is 10 years or less, except
16 that the participation by the Administra-
17 tion may be reduced below 85 percent
18 upon request of the participating lender;
19 and”;

20 (2) by striking the words “85 percent under
21 subparagraph (B)” and by inserting in lieu thereof
22 the following: “the above specified percentums”;

23 (3) by striking from paragraph (B) the words
24 “not less than 80 percent, except upon” and by in-
25 serting in lieu thereof the following: “not less than

1 70 percent, unless a lesser percent is required by
2 clause (B)(ii) or upon the”; and

3 (4) by inserting after the third sentence the fol-
4 lowing: “The maximum interest rate for a loan guar-
5 anteed under the Preferred Lenders Program shall
6 not exceed the maximum interest rate, as deter-
7 mined by the Administration, which is made applica-
8 ble to other loan guarantees under section 7(a).”.

9 (b) The amendments made by subsection (a) shall be
10 effective September 1, 1993, but shall not be applicable
11 to loan guarantee applications received by the Administra-
12 tion prior to August 21, 1993.

13 **SEC. 4. STUDY AND REPORT.**

14 The Administration shall study, monitor and evaluate
15 the impact of the amendments made by sections 2 and
16 3 of this Act on the ability of small business concerns to
17 obtain financing and the impact of such sections on the
18 effectiveness, viability and growth of the secondary market
19 authorized by section 5(f) of the Small Business Act. Not
20 later than 16 months after the date of enactment, and
21 annually thereafter, the Administration shall submit to the
22 Committees on Small Business of the Senate and the
23 House of Representatives a report containing the Adminis-
24 tration’s findings and recommendations on such impact,
25 specifically including changes in the interest rates on

1 financings provided to small business concerns through
2 the use of the secondary market.

3 **SEC. 5. REPEALER.**

4 Sections 2 and 3 of this Act are hereby repealed on
5 September 30, 1996.

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