

104TH CONGRESS
1ST SESSION

H. R. 1019

To assist in the development of microenterprises and microenterprise lending.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 23, 1995

Mrs. COLLINS of Illinois introduced the following bill; which was referred to the Committee on Ways and Means and, in addition, to the Committee on Banking and Financial Services, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To assist in the development of microenterprises and
microenterprise lending.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Microenterprise Oppor-
5 tunity Expansion Act”.

6 **SEC. 2. PUBLIC ASSISTANCE PROVISIONS.**

7 (a) BUSINESS ASSETS EXCLUDED FROM RESOURCES
8 AND INCOME.—

9 (1) AFDC.—

1 (A) EXCLUSION FROM RESOURCES.—Sec-
2 tion 402(a)(7)(B) of the Social Security Act
3 (42 U.S.C. 602(a)(8)(A)) is amended—

4 (i) by striking “or” at the end of
5 clause (iii); and

6 (ii) by inserting before the semicolon
7 the following: “, or (v) any asset of the
8 family which is primarily used for business
9 purposes in a business owned, in whole or
10 in part, by an individual eligible for aid
11 under any State plan approved under this
12 part; and”.

13 (B) EXCLUSION FROM INCOME.—Section
14 402(a)(8)(A) of such Act (42 U.S.C.
15 602(a)(8)(A)) is amended—

16 (i) by striking “and” at the end of
17 clause (vii); and

18 (ii) by inserting after clause (viii) the
19 following:

20 “(ix) shall disregard from the income of
21 any child, relative, or other individual specified
22 in clause (ii) any asset which is primarily used
23 for business purposes in a business owned, in
24 whole or in part, by an individual eligible for

1 aid under any State plan approved under this
2 part; and”.

3 (2) SSI.—

4 (A) EXCLUSION FROM INCOME.—Section
5 1612(b) of such Act (42 U.S.C. 1382a(b)) is
6 amended—

7 (i) by striking “and” at the end of
8 paragraph (17);

9 (ii) in paragraph (18), by striking the
10 period and inserting “; and”; and

11 (iii) by adding at the end the follow-
12 ing:

13 “(19) any asset of such individual (or such
14 spouse) which is primarily used for business pur-
15 poses in a business owned, in whole or in part, by
16 an individual eligible for aid under any State plan
17 approved under part A of title IV.”.

18 (B) EXCLUSION FROM RESOURCES.—Sec-
19 tion 1613(a) of such Act (42 U.S.C. 1382b(a))
20 is amended—

21 (i) by striking “and” at the end of
22 paragraph (9);

23 (ii) in paragraph (10), by striking the
24 period and inserting “; and”; and

1 (iii) by inserting after paragraph (10)
2 the following:

3 “(11) any asset of (including any amount re-
4 ceived as a loan by) such individual (or such spouse)
5 which is primarily used for business purposes in a
6 business owned, in whole or in part, by an individual
7 eligible for aid under any State plan approved under
8 part A of title IV.”.

9 (b) PUBLIC ASSISTANCE BENEFITS EXTENDED FOR
10 PERSONS WITH INCOME FROM OR RESOURCES IN A
11 MICROENTERPRISE.—

12 (1) AFDC AND MEDICAID.—Section 402(a) of
13 such Act (42 U.S.C. 602(a)) is amended by inserting
14 after paragraph (28) the following:

15 “(29) notwithstanding paragraphs (7) and (8),
16 provide that, during the 2-year period beginning on
17 the first day any member of a family eligible for
18 benefits under the State plan sells any good or serv-
19 ice as part of operating a commercial enterprise with
20 5 or fewer employees, which is owned in whole or in
21 part by such family member, all income of such fam-
22 ily member attributable to the enterprise and all re-
23 sources in which such family member has a bene-
24 ficial interest used primarily in the enterprise shall

1 be disregarded in determining the amount of aid to
2 which the family is entitled under the State plan;”.

3 (2) SSI AND MEDICAID.—

4 (A) EXCLUSION FROM INCOME.—Section
5 1612(b) of such Act (42 U.S.C. 1382a(b)), as
6 amended by subsection (a)(2)(A) of this section,
7 is amended—

8 (i) by striking “and” at the end of
9 paragraph (18);

10 (ii) in paragraph (19), by striking the
11 period and inserting “; and”; and

12 (iii) by adding at the end the follow-
13 ing:

14 “(20) during the 2-year period beginning on the
15 first day such individual (or such spouse) sells any
16 good or service as part of operating a commercial
17 enterprise with 5 or fewer employees, which is owned
18 in whole or in part by such individual (or such
19 spouse), all income of such individual (or such
20 spouse) attributable to the enterprise.”.

21 (B) EXCLUSION FROM RESOURCES.—Sec-
22 tion 1613(a) of such Act (42 U.S.C. 1382b(a)),
23 as amended by subsection (a)(2)(B) of this sec-
24 tion, is amended—

1 (i) by striking “and” at the end of
2 paragraph (10);

3 (ii) in paragraph (11), by striking the
4 period and inserting “; and”; and

5 (iii) by inserting after paragraph (11)
6 the following:

7 “(12) during the 2-year period beginning on the
8 first day such individual (or such spouse) sells any
9 good or service as part of operating a commercial
10 enterprise with 5 or fewer employees, which is owned
11 in whole or in part by such individual (or such
12 spouse), all resources of such individual (or such
13 spouse) that are used primarily in the enterprise.”.

14 **SEC. 3. UNEMPLOYMENT COMPENSATION FOR INDIVID-**
15 **UALS STARTING MICROENTERPRISES.**

16 (a) STATE LAW REQUIREMENTS.—Subsection (a) of
17 section 3304 of the Internal Revenue Code of 1986 (relat-
18 ing to State law requirements) is amended by striking
19 “and” at the end of paragraph (17), by redesignating
20 paragraph (18) as paragraph (19), and by inserting after
21 paragraph (17) the following new paragraph:

22 “(18) compensation shall be payable to individ-
23 uals starting microenterprises as provided in section
24 3(b) of the Act for microenterprises; and”.

1 (b) PAYMENT OF COMPENSATION TO INDIVIDUALS
2 STARTING MICROENTERPRISES.—

3 (1) IN GENERAL.—For purposes of section
4 3304(a)(18) of the Internal Revenue Code of 1986,
5 a State law shall provide that—

6 (A) each individual who is an eligible indi-
7 vidual with respect to any benefit year shall be
8 entitled to receive regular or extended unem-
9 ployment compensation, as the case may be,
10 without regard to any State or Federal require-
11 ments relating to availability for work, active
12 search for work, or refusal to accept suitable
13 work, and

14 (B) such individual shall be considered to
15 be unemployed for purposes of the State and
16 Federal laws applicable to unemployment com-
17 pensation, as long as the individual is actively
18 involved in the ownership and operation of a
19 microenterprise or the preparation of a business
20 plan for the ownership and operation of a
21 microenterprise and is receiving guidance or
22 consultation in starting up or operating a
23 microenterprise from an experienced entre-
24 preneur or provider of technical business assist-
25 ance.

1 (2) AUTHORIZATION FOR USING UNEMPLOY-
2 MENT FUNDS TO PROVIDE STARTUP ASSISTANCE.—
3 Nothing in section 3304(a)(4) or 3306(f) of the In-
4 ternal Revenue Code of 1986 or section 303(a)(5) of
5 the Social Security Act shall prevent amounts in a
6 State unemployment fund from being used to pro-
7 vide assistance to eligible individuals in starting
8 microenterprises. The amount of assistance so pro-
9 vided may be in the form of a lump sum and shall
10 be in lieu of the periodic payments of compensation
11 to which the individual would otherwise have been
12 entitled and shall not exceed the aggregate amount
13 of compensation to which the individual would other-
14 wise have been so entitled.

15 (3) DEFINITIONS.—For purposes of this sec-
16 tion—

17 (A) ELIGIBLE INDIVIDUAL.—The term “el-
18 igible individual” means, with respect to any
19 benefit year, an individual who—

20 (i) is eligible to receive regular or ex-
21 tended compensation under the State law
22 during such benefit year,

23 (ii) is starting a microenterprise in
24 which the individual will have an ownership
25 interest, and

1 (iii) submits a request to the State
2 agency for compensation under this sub-
3 section.

4 (B) MICROENTERPRISE.—The term
5 “microenterprise” means any unincorporated
6 trade or business with 5 or fewer employees, 1
7 or more of whom own the enterprise.

8 (C) OTHER TERMS.—The terms “com-
9 pensation”, “extended compensation”, “regular
10 compensation”, “benefit year”, “State”, and
11 “State law” have the respective meanings given
12 to such terms under section 205 of the Federal-
13 State Extended Unemployment Compensation
14 Act of 1970.

15 **SEC. 4. TREATMENT OF MICROENTERPRISE LOANS AND**
16 **GRANTS BY INSURED DEPOSITORY INSTITU-**
17 **TIONS AS COMMUNITY REINVESTMENT.**

18 Section 804 of the Community Reinvestment Act of
19 1977 (12 U.S.C. 2903) is amended by adding at the end
20 the following new subsections:

21 “(c) MICROENTERPRISE LOANS.—

22 “(1) TREATMENT OF LOANS AND GRANTS.—
23 The following amounts shall be treated as an invest-
24 ment in a regulated financial institution’s commu-
25 nity for purposes of subsection (a):

1 “(A) The amount of any loan described in
2 paragraph (2)(A) made by the regulated finan-
3 cial institution directly to a microenterprise, if
4 the loan is made in accordance with the require-
5 ments of subsection (c).

6 “(B) The amount of any grant or donation
7 made by the regulated financial institution to
8 any microenterprise intermediary to meet oper-
9 ating costs of the intermediary, including the
10 costs associated with training, technical assist-
11 ance, and other support services provided by
12 the intermediary to microenterprises.

13 “(C) The amount of any regulated finan-
14 cial institution’s investment in a revolving fund
15 established by the institution for loans to
16 microenterprise intermediaries for lending to
17 microenterprises if—

18 “(i) the amount of the investment in
19 the revolving fund is equal to or greater
20 than the amount which is equal to 0.05
21 percent of the assets of the institution;

22 “(ii) the regulated financial institu-
23 tion—

24 “(I) makes grants or donations
25 described in subparagraph (B) to

1 microenterprise intermediaries the
2 total amount of which equals or ex-
3 ceeds the amount which is equal to 15
4 percent of the amount required to be
5 invested in the revolving fund under
6 clause (i); or

7 “(II) provides financial services,
8 including the establishment and main-
9 tenance of a transaction account, for
10 a microenterprise (or any individual
11 who controls the microenterprise) who
12 receives a microenterprise loan from a
13 microenterprise intermediary, at pref-
14 erential or reduced rates which are
15 at least as favorable to the
16 microenterprise as the rates offered
17 for such services to the institution’s
18 most preferred commercial customers;
19 and

20 “(iii) loans from the revolving fund
21 may be made only to microenterprise
22 intermediaries who agree to use the pro-
23 ceeds of the loan to make microenterprise
24 loans in accordance with the requirements
25 of subsection (d).

1 “(2) MICROENTERPRISE LOAN.—For purposes
2 of this subsection and subsection (d), the term
3 ‘microenterprise loan’—

4 “(A) means a loan—

5 “(i) to a commercial enterprise with 5
6 or fewer employees, 1 or more of whom
7 own the enterprise;

8 “(ii) in amounts not less than \$100
9 and not more than \$10,000;

10 “(iii) the interest rate on which is
11 comparable to the interest rate charged on
12 secured commercial loans offered by the
13 regulated financial institution to the insti-
14 tution’s most preferred commercial cus-
15 tomers;

16 “(iv) which—

17 “(I) is not secured by collateral;

18 or

19 “(II) is secured by collateral the
20 value of which, as a percentage of the
21 amount of the loan, is substantially
22 less than the percentage generally re-
23 quired by the institution for commer-
24 cial loans; and

1 “(v) the terms of which may permit
2 the deferral of principal or interest pay-
3 ments otherwise due under such terms;
4 and

5 “(B) includes a loan to a microenterprise
6 intermediary the proceeds of which will be used
7 by the intermediary for making loans described
8 in subparagraph (A).

9 “(d) CRITERIA FOR MICROENTERPRISE LOANS.—

10 “(1) IN GENERAL.—A microenterprise loan
11 meets the requirements of this subsection if the loan
12 is made in accordance with the following criteria:

13 “(A) In considering any loan to a
14 microenterprise, the lender takes into account—

15 “(i) the creditworthiness of any per-
16 son who controls the microenterprise in
17 lieu of the creditworthiness of the enter-
18 prise;

19 “(ii) in the case of a microenterprise
20 which is a startup business, whether the
21 microenterprise is soundly conceived; and

22 “(iii) the need of the microenterprise
23 for expansion capital.

24 “(B) The lender accepts as collateral for
25 the loan a security interest in any personal

1 property of any person who controls the
2 microenterprise which consists of consumer or
3 household goods.

4 “(C) The lender does not require collateral
5 or a secured interest for more than 50 percent
6 of the face amount of the loan.

7 “(D) The loans are made in amounts not
8 less than \$100 and not more than \$10,000 to
9 persons who would not otherwise qualify for a
10 commercial loan.

11 “(E) The lender provides technical assist-
12 ance, training, and counseling in business prac-
13 tices, such as accounting, marketing, manage-
14 ment, sales, financial practices, and general
15 business practices, and closely monitors the
16 microenterprise during the period the loan is
17 outstanding, including the enterprise’s loan re-
18 payment performance.

19 “(2) LENDER DEFINED.—For purposes of
20 paragraph (1), the term ‘lender’ means—

21 “(A) in the case of a microenterprise loan
22 by a regulated financial institution to a
23 microenterprise, the regulated financial institu-
24 tion; and

1 “(II) in amounts not less than
2 \$100 and not more than \$10,000; and

3 “(III) the interest rate on which
4 is comparable to the interest rate
5 charged on secured commercial loans
6 offered by the savings association to
7 the association’s most preferred com-
8 mercial customers;

9 “(IV) which is not secured by
10 collateral or is secured by collateral
11 the value of which, as a percentage of
12 the amount of the loan, is substan-
13 tially less than the percentage gen-
14 erally required by the institution for
15 commercial loans; and

16 “(V) the terms of which may per-
17 mit the deferral of principal or inter-
18 est payments otherwise due under
19 such terms;

20 “(ii) includes a loan to a
21 microenterprise intermediary the proceeds
22 of which will be used by the intermediary
23 for making loans described in clause (i);
24 and

25 “(iii) does not include—

1 “(I) any loan to a micro-
2 enterprise which does not meet the re-
3 quirements of paragraph (8); or

4 “(II) any loan to a micro-
5 enterprise intermediary which does
6 not agree to use the proceeds of the
7 loan to make microenterprise loans in
8 accordance with the requirements of
9 paragraph (8).”.

10 (c) CRITERIA FOR MICROENTERPRISE LOANS.—Sec-
11 tion 10(m) of the Home Owners’ Loan Act (12 U.S.C.
12 1467a(m)) is amended by adding at the end the following
13 new paragraph:

14 “(8) CRITERIA FOR MICROENTERPRISE
15 LOANS.—

16 “(A) IN GENERAL.—A microenterprise
17 loan meets the requirements of this paragraph
18 only if the savings association makes the
19 microenterprise loan, or the microenterprise
20 intermediary which receives a loan from the as-
21 sociation, agrees to use the proceeds of the loan
22 to make microenterprise loans in accordance
23 with the following criteria:

1 “(i) In considering any loan to a
2 microenterprise, the lender takes into ac-
3 count—

4 “(I) the creditworthiness of any
5 person who controls the
6 microenterprise in lieu of the credit-
7 worthiness of the enterprise;

8 “(II) in the case of a
9 microenterprise which is a startup
10 business, whether the microenterprise
11 is soundly conceived; and

12 “(III) the need of the
13 microenterprise for expansion capital.

14 “(ii) The lender accepts as collateral
15 for the loan a security interest in any per-
16 sonal property of any person who controls
17 the microenterprise which consists of
18 consumer or household goods.

19 “(iii) The lender does not require col-
20 lateral or a secured interest for more than
21 50 percent of the face amount of the loan.

22 “(iv) The loans are made in amounts
23 not less than \$100 and not more than
24 \$10,000 to persons who would not other-
25 wise qualify for a commercial loan.

1 “(v) The lender provides technical as-
2 sistance, training, and counseling in busi-
3 ness practices, such as accounting, market-
4 ing, management, financial practices, and
5 general business practices and sales, to the
6 microenterprise in connection with the loan
7 and closely monitors the microenterprise,
8 including the enterprise’s loan repayment
9 performance.

10 “(B) LENDER DEFINED.—For purposes of
11 subparagraph (A), the term ‘lender’ means—

12 “(i) in the case of a microenterprise
13 loan by a savings association to a
14 microenterprise, the savings association;
15 and

16 “(ii) in the case of a microenterprise
17 loan by a microenterprise intermediary to
18 a microenterprise, the microenterprise
19 intermediary.”.

20 **SEC. 6. USE OF CDBG ASSISTANCE FOR ADMINISTRATIVE**
21 **COSTS OF ENTITIES ASSISTING**
22 **MICROENTERPRISES.**

23 Section 105(a)(23) of the Housing and Community
24 Development Act of 1974 (42 U.S.C. 5305(a)(23)) is
25 amended by adding at the end the following flush material:

1 “assistance provided to such entities under this
2 paragraph may be used for reasonable administra-
3 tive and operating costs of such entities related to
4 facilitating economic development through activities
5 under subparagraphs (A) through (C);”.

6 **SEC. 7. ESTABLISHMENT OF MICROENTERPRISE DIVISION**
7 **IN EACH FEDERAL BANKING AGENCY.**

8 (a) **IN GENERAL.**—Each Federal banking agency (as
9 defined in section 3(z) of the Federal Deposit Insurance
10 Act) shall establish a division to be known as the
11 “Microenterprise Technical and Operations Office” to pro-
12 mote microenterprises by offering technical assistance,
13 training, outreach, and other support to groups and indi-
14 viduals engaged in, or desiring to establish, a
15 microenterprise or an institution which offers credit or fi-
16 nancial services to microenterprises.

17 (b) **DUTIES OF MICROENTERPRISE DIVISION.**—The
18 Microenterprise Technical and Operations Office of each
19 Federal banking agency shall—

20 (1) facilitate the creation and financing of
21 microenterprises by—

22 (A) collecting information relating to
23 microenterprises, including the ownership char-
24 acteristics of microenterprises and the perform-
25 ance of microenterprises by industry;

1 (B) providing such information without
2 charge to interested persons; and

3 (C) generally serving as a clearinghouse
4 for information relating to microenterprises;
5 and

6 (2) monitor and provide assistance to the
7 microenterprise divisions established pursuant to
8 section 34 of the Federal Deposit Insurance Act.

9 (a) MICROENTERPRISE DEFINED.—As used in this
10 section, the term “microenterprise” means any commer-
11 cial enterprise with 5 or fewer employees, 1 or more of
12 whom own the enterprise.

13 **SEC. 8. STUDY.**

14 (a) AVAILABILITY OF CREDIT FOR SMALL BUSI-
15 NESSES WHICH ARE LARGER THAN
16 MICROENTERPRISES.—The Financial Institutions Exam-
17 ination Council shall conduct a study before the end of
18 the 2-year period beginning on the date of the enactment
19 of this Act, based on the agency’s experience in admin-
20 istering the microenterprise loan provisions of this Act,
21 and the amendments made by this Act, on the best means
22 to make credit available for small businesses which—

23 (1) do not qualify for microenterprise loans or
24 need credit in larger amounts than is available
25 through microenterprise loans; and

1 (2) need credit in smaller amounts than is gen-
2 erally available from financial institutions or the
3 Small Business Administration.

4 (b) RECOMMENDATIONS AND REPORT.—The Finan-
5 cial Institutions Examination Council shall submit a re-
6 port to the Congress before the end of the 2-year period
7 referred to in subsection (a) containing the findings and
8 conclusions of the agency in connection with the study
9 conducted pursuant to subsection (a) and such rec-
10 ommendations for legislative and administrative action as
11 the agency may determine to be appropriate.

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HR 1019 IH—2