

104TH CONGRESS
1ST SESSION

H. R. 2150

To amend the Small Business Act and the Small Business Investment Act of 1958 to reduce the cost to the Federal Government of guaranteeing certain loans and debentures, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

AUGUST 1, 1995

Mrs. MEYERS of Kansas introduced the following bill; which was referred to the Committee on Small Business

A BILL

To amend the Small Business Act and the Small Business Investment Act of 1958 to reduce the cost to the Federal Government of guaranteeing certain loans and debentures, 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 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Small Business Credit
5 Efficiency Act of 1995”.

1 **SEC. 2. FEE FOR LOAN GUARANTEES SOLD ON SECONDARY**
2 **MARKET.**

3 Section 5(g)(4)(A) of the Small Business Act (15
4 U.S.C. 634(g)(4)(A)) is amended by striking “ $\frac{4}{10}$ of one
5 percent” and inserting “one-half of 1 percent”.

6 **SEC. 3. GENERAL BUSINESS LOANS.**

7 (a) **REDUCED LEVEL OF PARTICIPATION IN GUARAN-**
8 **TEED LOANS.**—Section 7(a)(2) of the Small Business Act
9 (15 U.S.C. 636(a)(2)) is amended to read as follows:

10 “(2) **LEVEL OF PARTICIPATION IN GUARAN-**
11 **TEED LOANS.**—

12 “(A) **IN GENERAL.**—In agreements to par-
13 ticipate in loans on a deferred basis under this
14 subsection, such participation by the Adminis-
15 tration shall be—

16 “(i) equal to 80 percent of the balance
17 of the financing outstanding at the time of
18 disbursement if such financing is less than
19 or equal to \$100,000; and

20 “(ii) equal to 75 percent of the bal-
21 ance of the financing outstanding at the
22 time of disbursement if such financing is
23 greater than \$100,000.

24 “(B) **REDUCED PARTICIPATION.**—The
25 guarantee percentage specified by subparagraph
26 (A) for any loan may be reduced upon the re-

1 quest of the participating lender. The Adminis-
2 tration shall not use the percent of guarantee
3 requested as a criterion for establishing prior-
4 ities in approving guarantee requests.

5 “(C) INTEREST RATE UNDER PREFERRED
6 LENDERS PROGRAM.—The maximum interest
7 rate for a loan guaranteed under the Preferred
8 Lenders Program shall not exceed the maxi-
9 mum interest rate, as determined by the Ad-
10 ministration, which is made applicable to other
11 loan guarantees under this subsection.

12 “(D) PREFERRED LENDERS PROGRAM DE-
13 FINED.—In this paragraph, the term ‘Preferred
14 Lenders Program’ means a program under
15 which a written agreement between the lender
16 and the Administration delegates to the lend-
17 er—

18 “(i) complete authority to make and
19 close loans with a guarantee from the Ad-
20 ministration without obtaining the prior
21 specific approval of the Administration;
22 and

23 “(ii) authority to service and liquidate
24 such loans.”.

1 (b) GUARANTEE FEES.—Section 7(a)(18) of the
2 Small Business Act (15 U.S.C. 636(a)(18)) is amended
3 to read as follows:

4 “(18) GUARANTEE FEES.—

5 “(A) GENERAL FEE.—The Administration
6 shall collect a guarantee fee equal to—

7 “(i) 2 percent of the gross amount of
8 any loan guaranteed under this subsection
9 of an amount less than \$250,000;

10 “(ii) 2.5 percent of the gross amount
11 of any loan guaranteed under this sub-
12 section of an amount equal to or greater
13 than \$250,000 and less than \$500,000; or

14 “(iii) 3 percent of the gross amount of
15 any loan guaranteed under this subsection
16 of an amount equal to or greater than
17 \$500,000.

18 Such fee shall be payable by the participating
19 lending institution and may be charged to the
20 borrower.

21 “(B) ADDITIONAL FEE TO OFFSET
22 COST.—

23 “(i) IN GENERAL.—In addition to the
24 guarantee fee to be collected under sub-
25 paragraph (A), the Administration shall

1 collect a fee for loans guaranteed under
2 this subsection (other than loans for which
3 a guarantee fee may be collected under
4 section 5(g)(4)(A)) in an amount equal to
5 not more than four-tenths of 1 percent per
6 year of the outstanding principal portion of
7 such loan guaranteed by the Administra-
8 tion.

9 “(ii) USE.—Fees collected under
10 clause (i) shall be used solely to offset the
11 cost (as defined by section 502(5) of the
12 Congressional Budget Act of 1974) of
13 guaranteeing loans under this subsection.

14 “(iii) PAYMENT.—Fees collected
15 under clause (i) shall be payable by the
16 participating lending institution and shall
17 not be charged to the borrower.”.

18 (c) REPEAL OF PROVISIONS ALLOWING RETENTION
19 OF GUARANTEE FEES BY LENDERS.—Section 7(a)(19) of
20 the Small Business Act (15 U.S.C. 636(a)(19)) is amend-
21 ed—

22 (1) in subparagraph (B)—

23 (A) by striking “shall (i) develop” and in-
24 serting “shall develop”; and

1 (B) by striking “, and (ii)” and all that
2 follows before the period at the end; and

3 (2) by striking subparagraph (C).

4 **SEC. 4. MODIFICATIONS TO DEVELOPMENT COMPANY DE-**
5 **BENTURE PROGRAM.**

6 (a) **MAXIMUM LOAN AMOUNT.**—Section 502(2) of
7 the Small Business Investment Act of 1958 (15 U.S.C.
8 696(2)) is amended to read as follows:

9 “(2) Loans made by the Administration under
10 this section shall be limited to \$1,250,000 for each
11 such identifiable small business concern.”.

12 (b) **FEE TO OFFSET COST.**—Section 503(b)(3) of the
13 Small Business Investment Act of 1958 (15 U.S.C.
14 697(b)(3)) is amended by inserting before the semicolon
15 the following: “and includes a one-eighth of 1 percent fee
16 which shall be paid to the Administration and which shall
17 be used solely to offset the cost (as defined by section
18 502(5) of the Congressional Budget Act of 1974) of guar-
19 anteeing the debenture.”.

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