

**Union Calendar No. 130**

104TH CONGRESS  
1ST SESSION

**H. R. 2150**

**[Report No. 104-239]**

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**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.

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SEPTEMBER 6, 1995

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

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1<sup>ST</sup> SESSION**H. R. 2150****[Report No. 104-239]**

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**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

SEPTEMBER 6, 1995

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[Omit the part struck through and insert the part printed in italic]

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**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,*

1 **SECTION 1. SHORT TITLE.**

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

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

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

9 **SEC. 3. GENERAL BUSINESS LOANS.**

10 (a) **REDUCED LEVEL OF PARTICIPATION IN GUARAN-**  
11 **TEED LOANS.**—Section 7(a)(2) of the Small Business Act  
12 (15 U.S.C. 636(a)(2)) is amended to read as follows:

13 “(2) **LEVEL OF PARTICIPATION IN GUARAN-**  
14 **TEED LOANS.**—

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

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

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

1           “(B) REDUCED PARTICIPATION.—The  
2           guarantee percentage specified by subparagraph  
3           (A) for any loan may be reduced upon the re-  
4           quest of the participating lender. The Adminis-  
5           tration shall not use the percent of guarantee  
6           requested as a criterion for establishing prior-  
7           ities in approving guarantee requests.

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

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

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

1                   “(ii) authority to service and liquidate  
2                   such loans.”.

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

6                   “(18) GUARANTEE FEES.—

7                   “(A) GENERAL FEE.—~~The~~ *For any loan or*  
8 *financing made under this subsection other than*  
9 *a loan repayable in a period of one year or less,*  
10 *the Administration shall collect a guarantee fee*  
11 *equal to—*

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

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

19                   “(iii) 3 percent of the gross amount of  
20 any loan guaranteed under this subsection  
21 of an amount equal to or greater than  
22 \$500,000.

23                   Such fee shall be payable by the participating  
24 lending institution and may be charged to the  
25 borrower.

1           “(B) ADDITIONAL FEE TO OFFSET  
2 COST.—

3           “(i) IN GENERAL.—In addition to the  
4 guarantee fee to be collected under sub-  
5 paragraph (A), the Administration shall  
6 collect a fee for loans guaranteed under  
7 this subsection (other than loans for which  
8 a guarantee fee may be collected under  
9 section 5(g)(4)(A)) in an amount equal to  
10 not more than four-tenths of 1 percent per  
11 year of the outstanding principal portion of  
12 such loan guaranteed by the Administra-  
13 tion.

14           “(ii) USE.—Fees collected under  
15 clause (i) shall be used solely to offset the  
16 cost (as defined by section 502(5) of the  
17 Congressional Budget Act of 1974) of  
18 guaranteeing loans under this subsection.

19           “(iii) PAYMENT.—Fees collected  
20 under clause (i) shall be payable by the  
21 participating lending institution and shall  
22 not be charged to the borrower.”.

23           (c) REPEAL OF PROVISIONS ALLOWING RETENTION  
24 OF GUARANTEE FEES BY LENDERS.—Section 7(a)(19) of

1 the Small Business Act (15 U.S.C. 636(a)(19)) is amend-  
2 ed—

3 (1) in subparagraph (B)—

4 (A) by striking “shall (i) develop” and in-  
5 serting “shall develop”; and

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

8 (2) by striking subparagraph (C).

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

11 (a) **MAXIMUM LOAN AMOUNT.**—Section 502(2) of  
12 the Small Business Investment Act of 1958 (15 U.S.C.  
13 696(2)) is amended to read as follows:

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

17 (b) **FEE TO OFFSET COST.**—Section 503(b)(3) of the  
18 Small Business Investment Act of 1958 (15 U.S.C.  
19 697(b)(3)) is amended by inserting before the semicolon  
20 the following: “and includes a one-eighth of 1 percent fee  
21 which shall be paid to the Administration and which shall  
22 be used solely to offset the cost (as defined by section  
23 502(5) of the Congressional Budget Act of 1974) of guar-  
24 anteeing the debenture.”.