

105<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# S. 2448

To amend title V of the Small Business Investment Act of 1958, relating to public policy goals and real estate appraisals, to amend section 7(a) of the Small Business Act, relating to interest rates and real estate appraisals, and to amend section 7(m) of the Small Business Act with respect to the loan loss reserve requirements for intermediaries, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

SEPTEMBER 8 (legislative day, AUGUST 31), 1998

Mr. KERRY (for himself, Mr. WELLSTONE, Mr. HARKIN, and Ms. LANDRIEU) introduced the following bill; which was read twice and referred to the Committee on Small Business

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## A BILL

To amend title V of the Small Business Investment Act of 1958, relating to public policy goals and real estate appraisals, to amend section 7(a) of the Small Business Act, relating to interest rates and real estate appraisals, and to amend section 7(m) of the Small Business Act with respect to the loan loss reserve requirements for intermediaries, 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 Loan  
3 Enhancement Act”.

4 **SEC. 2. LOANS FOR PLANT ACQUISITION, CONSTRUCTION,  
5 CONVERSION, AND EXPANSION.**

6 (a) **PUBLIC POLICY GOALS.**—Section 501(d)(3)(C) of  
7 the Small Business Investment Act of 1958 (15 U.S.C.  
8 695(d)(3)(C)) is amended by inserting “or women-owned  
9 business development” before the comma.

10 (b) **REAL ESTATE APPRAISALS.**—Section 502(3) of  
11 the Small Business Investment Act of 1958 (15 U.S.C.  
12 696(3)) is amended by adding at the end the following:

13 “(F) **REAL ESTATE APPRAISALS.**—

14 “(i) **LOANS EXCEEDING \$250,000.**—

15 Notwithstanding any other provision of  
16 law, if a loan under this section involves  
17 the use of more than \$250,000 of the loan  
18 proceeds for a real estate transaction, prior  
19 to disbursement of the loan, the Adminis-  
20 trator shall require an appraisal of the real  
21 estate by a State licensed or certified ap-  
22 praiser.

23 “(ii) **LOANS OF \$250,000 OR LESS.**—

24 Notwithstanding any other provision of  
25 law, if a loan under this subsection in-  
26 volves the use of \$250,000 or less of the

1 loan proceeds for a real estate transaction,  
 2 prior to disbursement of the loan, the par-  
 3 ticipating lender may, in accordance with  
 4 the policy of the participating lender with  
 5 respect to loans made without a govern-  
 6 ment guarantee, require an appraisal of  
 7 the real estate by a State licensed or cer-  
 8 tified appraiser.

9 “(iii) DEFINITION.—In this subpara-  
 10 graph, the term ‘real estate transaction’  
 11 includes the acquisition or construction of  
 12 land or a building and any improvement to  
 13 land or to a building.”.

14 **SEC. 3. SECTION 7(a) LOAN PROGRAM.**

15 (a) YEAR 2000 TECHNOLOGY REQUIREMENTS.—Sec-  
 16 tion 7(a) of the Small Business Act (15 U.S.C. 636(a))  
 17 is amended, in the matter preceding paragraph (1), by in-  
 18 serting “and to assist small business concerns in meeting  
 19 technology requirements for the Year 2000,” after “and  
 20 working capital,”.

21 (b) REAL ESTATE APPRAISALS.—Section 7(a) of the  
 22 Small Business Act (15 U.S.C. 636(a)) is amended by  
 23 adding at the end the following:

24 “(27) REAL ESTATE APPRAISALS.—

1           “(A) LOANS EXCEEDING \$250,000.—Not-  
2 withstanding any other provision of law, if a  
3 loan guaranteed under this subsection involves  
4 the use of more than \$250,000 of the loan pro-  
5 ceeds for a real estate transaction, prior to dis-  
6 bursement of the loan, the Administrator shall  
7 require an appraisal of the real estate by a  
8 State licensed or certified appraiser.

9           “(B) LOANS OF \$250,000 OR LESS.—Not-  
10 withstanding any other provision of law, if a  
11 loan guaranteed under this subsection involves  
12 the use of \$250,000 or less of the loan proceeds  
13 for a real estate transaction, prior to disburse-  
14 ment of the loan, the participating lender may,  
15 in accordance with the policy of the participat-  
16 ing lender with respect to loans made without  
17 a government guarantee, require an appraisal  
18 of the real estate by a State licensed or certified  
19 appraiser.

20           “(C) DEFINITION.—In this paragraph, the  
21 term ‘real estate transaction’ includes the ac-  
22 quisition or construction of land or a building  
23 and any improvement to land or to a building.”.

24           (c) INTEREST RATES.—Section 7(a)(4) of the Small  
25 Business Act (15 U.S.C. 636(a)(4)) is amended—

1           (1) by striking “(4)” and all that follows  
2 through “Notwithstanding” and inserting the follow-  
3 ing:

4           “(4) INTEREST RATES.—Notwithstanding”; and  
5           (2) by striking subparagraph (B).

6 **SEC. 4. MICROLOAN PROGRAM.**

7           Section 7(m)(3)(D) of the Small Business Act (15  
8 U.S.C. 636(m)(3)(D)) is amended—

9           (1) in the first sentence, by striking “The Ad-  
10 ministratoꝛ” and inserting the following:

11                   “(i) IN GENERAL.—The Adminis-  
12 trator”; and

13           (2) by striking the second sentence and insert-  
14 ing the following:

15                   “(ii) LEVEL OF LOAN LOSS RESERVE  
16 FUND.—

17                           “(I) IN GENERAL.—Subject to  
18 subclause (II), the Administration  
19 shall require the loan loss reserve  
20 fund to be maintained at a level equal  
21 to not more than 15 percent of the  
22 outstanding balance of the microloans  
23 owed to the intermediary.

24                           “(II) REDUCTION OF LOAN LOSS  
25 RESERVE REQUIREMENT.—After the

1 initial 5 years of an intermediary's  
2 participation in the program under  
3 this subsection, upon the initial re-  
4 quest of the intermediary made at any  
5 time after that period, the Adminis-  
6 trator shall annually conduct a review  
7 of the average annual loss rate of the  
8 intermediary and, if the intermediary  
9 demonstrates to the satisfaction of the  
10 Administrator that the average annual  
11 loss rate for the intermediary during  
12 the preceding 5-year period is less  
13 than 15 percent, and the Adminis-  
14 trator determines that no other factor  
15 exists that is likely to impair the abil-  
16 ity of the intermediary to repay all ob-  
17 ligations owed to the Administration  
18 under this subsection, the Adminis-  
19 trator shall reduce that annual loan  
20 loss reserve requirement to reflect the  
21 actual average annual loss rate for  
22 that intermediary during that period,  
23 except that in no case shall the loan  
24 loss reserve requirement for an inter-  
25 mediary be reduced to less than 10

1 percent of the outstanding balance of  
2 the microloans owed to the inter-  
3 mediary.”.

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