

109TH CONGRESS
1ST SESSION

H. R. 2640

To make improvements to the microenterprise programs administered by
the Small Business Administration.

IN THE HOUSE OF REPRESENTATIVES

MAY 25, 2005

Mr. RUSH introduced the following bill; which was referred to the Committee on Small Business, and in addition to the Committee on 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 make improvements to the microenterprise programs
administered by the Small Business Administration.

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 “SBA Microenterprise
5 Improvements Act”.

6 **SEC. 2. MICROLOAN PROGRAM IMPROVEMENTS.**

7 (a) INTERMEDIARY ELIGIBILITY REQUIREMENTS.—
8 Section 7(m)(2) of the Small Business Act (15 U.S.C.
9 636(m)(2)) is amended—

1 (1) in subparagraph (A)—by striking “in para-
2 graph (10); and” and inserting “of the term ‘inter-
3 mediary’ under paragraph (11)(A);”; and

4 (2) in subparagraph (B)—

5 (A) by striking “(B) has at least” and in-
6 serting the following:

7 “(B) has—

8 “(i) at least”; and

9 (B) by striking the period at the end and
10 inserting the following:

11 “; or

12 “(ii) a full-time employee who has not
13 less than 3 years experience making
14 microloans to startup, newly established, or
15 growing small business concerns; and

16 “(C) has at least 1 year experience pro-
17 viding, as an integral part of its microloan pro-
18 gram, intensive marketing, management, and
19 technical assistance to its borrowers.”.

20 (b) CONFORMING CHANGE IN AVERAGE SMALLER
21 LOAN SIZE.—Section 7(m)(3)(F)(iii) of the Small Busi-
22 ness Act (15 U.S.C. 636(m)(3)(F)(iii)) is amended by
23 striking “\$7,500” and inserting “\$10,000”.

1 (c) LIMITATION ON THIRD PARTY TECHNICAL AS-
2 SISTANCE.—Section 7(m)(4)(E)(ii) of the Small Business
3 Act (15 U.S.C. 636(m)(4)(E)(ii)) is amended—

4 (1) by striking “**TECHNICAL ASSISTANCE**” in
5 the heading and inserting “**THIRD PARTY TECH-**
6 **NICAL ASSISTANCE**”; and

7 (2) by striking “25 percent” and inserting “30
8 percent”.

9 (d) LOAN TERMS.—Section 7(m)(1)(B)(i) of the
10 Small Business Act (15 U.S.C. 636(m)(1)(B)(i)) is
11 amended by striking “short-term,”.

12 (e) REPORT ON TRANSFERRED AMOUNTS.—Section
13 7(m)(9)(B) of the Small Business Act (15 U.S.C.
14 636(m)(9)(B)) is amended—

15 (1) by striking “The Administration” and in-
16 serting the following:

17 “(i) IN GENERAL.—The Administra-
18 tion”;

19 (2) by striking the period after “financing”;
20 and

21 (3) by adding at the end the following new
22 clause:

23 “(ii) REPORT.—The Administration
24 shall report, in its annual budget request
25 and performance plan to Congress, on the

1 performance by the Administration of the
2 requirements of clause (i).”.

3 (f) ACCURATE SUBSIDY MODEL.—Section 7(m) of
4 the Small Business Act (15 U.S.C. 636(m)) is amended
5 by adding at the end the following new paragraph:

6 “(14) IMPROVED SUBSIDY MODEL.—The Ad-
7 ministrator shall develop a subsidy model for the
8 microloan program under this subsection, to be used
9 in the fiscal year 2006 budget, that is more accurate
10 than the subsidy model in effect on the day before
11 the date of enactment of this paragraph.”.

12 (g) INCREASED FLEXIBILITY FOR PROVIDING TECH-
13 NICAL ASSISTANCE TO POTENTIAL BORROWERS.—Section
14 7(m)(4)(E)(i) of the Small Business Act (15 U.S.C.
15 636(m)(4)(E)(i)) is amended by striking “25 percent” and
16 inserting “30 percent”.

17 **SEC. 3. PRIME REAUTHORIZATION AND TRANSFER TO THE**
18 **SMALL BUSINESS ACT.**

19 (a) PROGRAM REAUTHORIZATION.—Subtitle C of
20 title I of the Riegle Community Development and Regu-
21 latory Improvement Act of 1994 (15 U.S.C. 6901 note)
22 is amended to read as follows:

1 **“SEC. 37. PROGRAM FOR INVESTMENT IN MICROENTRE-**
2 **PRENEURS.**

3 “(a) DEFINITIONS.—For purposes of this section, the
4 following definitions shall apply:

5 “(1) ADMINISTRATION.—The term ‘Administra-
6 tion’ means the Small Business Administration.

7 “(2) ADMINISTRATOR.—The term ‘Adminis-
8 trator’ means the Administrator of the Small Busi-
9 ness Administration.

10 “(3) CAPACITY BUILDING SERVICES.—The term
11 ‘capacity building services’ means services provided
12 to an organization that is, or that is in the process
13 of becoming, a microenterprise development organi-
14 zation or program, for the purpose of enhancing its
15 ability to provide training and services to disadvan-
16 taged entrepreneurs.

17 “(4) COLLABORATIVE.—The term ‘collabo-
18 rative’ means 2 or more nonprofit entities that agree
19 to act jointly as a qualified organization under this
20 section.

21 “(5) DISADVANTAGED ENTREPRENEUR.—The
22 term ‘disadvantaged entrepreneur’ means a micro-
23 entrepreneur that—

24 “(A) is a low-income person;

25 “(B) is a very low-income person; or

1 “(C) lacks adequate access to capital or
2 other resources essential for business success,
3 or is economically disadvantaged, as determined
4 by the Administrator.

5 “(6) DISADVANTAGED NATIVE AMERICAN EN-
6 TREPRENEUR.—The term ‘disadvantaged Native
7 American entrepreneur’ means a disadvantaged en-
8 trepreneur who is also a member of an Indian Tribe.

9 “(7) INDIAN TRIBE.—The term ‘Indian tribe’
10 has the same meaning as in section 4(a) of the In-
11 dian Self-Determination and Education Assistance
12 Act.

13 “(8) INTERMEDIARY.—The term ‘intermediary’
14 means a private, nonprofit entity that seeks to serve
15 microenterprise development organizations and pro-
16 grams, as authorized under subsection (d).

17 “(9) LOW-INCOME PERSON.—The term ‘low-in-
18 come person’ means having an income, adjusted for
19 family size, of not more than—

20 “(A) for metropolitan areas, 80 percent of
21 the area median income; and

22 “(B) for nonmetropolitan areas, the great-
23 er of—

24 “(i) 80 percent of the area median in-
25 come; or

1 “(ii) 80 percent of the statewide non-
2 metropolitan area median income.

3 “(10) MICROENTREPRENEUR.—The term
4 ‘microentrepreneur’ means the owner or developer of
5 a microenterprise.

6 “(11) MICROENTERPRISE.—The term ‘micro-
7 enterprise’ means a sole proprietorship, partnership,
8 or corporation that—

9 “(A) has fewer than 5 employees; and

10 “(B) generally lacks access to conventional
11 loans, equity, or other banking services.

12 “(12) MICROENTERPRISE DEVELOPMENT ORGA-
13 NIZATION OR PROGRAM.—The term ‘microenterprise
14 development organization or program’ means a non-
15 profit entity, or a program administered by such an
16 entity, including community development corpora-
17 tions or other nonprofit development organizations
18 and social service organizations, that provides serv-
19 ices to disadvantaged entrepreneurs.

20 “(13) TRAINING AND TECHNICAL ASSIST-
21 ANCE.—The term ‘training and technical assistance’
22 means services and support provided to disadvan-
23 taged entrepreneurs, such as assistance for the pur-
24 pose of enhancing business planning, marketing,
25 management, financial management skills, and as-

1 sistance for the purpose of accessing financial serv-
2 ices.

3 “(14) VERY LOW-INCOME PERSON.—The term
4 ‘very low-income person’ means having an income,
5 adjusted for family size, of not more than 150 per-
6 cent of the poverty line (as defined in section 673(2)
7 of the Community Services Block Grant Act (42
8 U.S.C. 9902(2)), including any revision required by
9 that section).

10 “(b) ESTABLISHMENT OF PROGRAM.—The Adminis-
11 trator shall establish a microenterprise technical assist-
12 ance and capacity building grant program to provide as-
13 sistance from the Administration in the form of grants
14 to qualified organizations in accordance with this section.

15 “(c) USES OF ASSISTANCE.—A qualified organization
16 shall use grants made under this section—

17 “(1) to provide training and technical assist-
18 ance to disadvantaged entrepreneurs;

19 “(2) to provide training and capacity building
20 services to microenterprise development organiza-
21 tions and programs and groups of such organiza-
22 tions to assist such organizations and programs in
23 developing microenterprise training and services;

24 “(3) to aid in researching and developing the
25 best practices in the field of microenterprise and

1 technical assistance programs for disadvantaged en-
2 trepreneurs;

3 “(4) to provide training and technical assist-
4 ance to disadvantaged Native American entre-
5 preneurs and prospective entrepreneurs; and

6 “(5) for such other activities as the Adminis-
7 trator determines are consistent with the purposes of
8 this section.

9 “(d) QUALIFIED ORGANIZATIONS.—For purposes of
10 eligibility for assistance under this section, a qualified or-
11 ganization shall be—

12 “(1) a nonprofit microenterprise development
13 organization or program (or a group or collaborative
14 thereof) that has a demonstrated record of delivering
15 microenterprise services to disadvantaged entre-
16 preneurs;

17 “(2) an intermediary;

18 “(3) a microenterprise development organiza-
19 tion or program that is accountable to a local com-
20 munity, working in conjunction with a State or local
21 government or Indian tribe; or

22 “(4) an Indian tribe acting on its own, if the
23 Indian tribe can certify that no private organization
24 or program referred to in this subsection exists with-
25 in its jurisdiction.

1 “(e) ALLOCATION OF ASSISTANCE; SUBGRANTS.—

2 “(1) ALLOCATION OF ASSISTANCE.—

3 “(A) IN GENERAL.—The Administrator
4 shall allocate assistance from the Administra-
5 tion under this section to ensure that—

6 “(i) activities described in subsection
7 (c)(1) are funded using not less than 75
8 percent of amounts made available for
9 such assistance; and

10 “(ii) activities described in subsection
11 (c)(2) are funded using not less than 15
12 percent of amounts made available for
13 such assistance.

14 “(B) LIMIT ON INDIVIDUAL ASSISTANCE.—

15 No single person may receive more than 10 per-
16 cent of the total funds appropriated under this
17 section in a single fiscal year.

18 “(2) TARGETED ASSISTANCE.—The Adminis-
19 trator shall ensure that not less than 50 percent of
20 the grants made under this section are used to ben-
21 efit very low-income persons, including those resid-
22 ing on Indian reservations.

23 “(3) SUBGRANTS AUTHORIZED.—

24 “(A) IN GENERAL.—A qualified organiza-
25 tion receiving assistance under this section may

1 provide grants using that assistance to qualified
2 small and emerging microenterprise organiza-
3 tions and programs, subject to such rules and
4 regulations as the Administrator determines to
5 be appropriate.

6 “(B) LIMIT ON ADMINISTRATIVE EX-
7 PENSES.—Not more than 7.5 percent of assist-
8 ance received by a qualified organization under
9 this section may be used for administrative ex-
10 penses in connection with the making of sub-
11 grants under subparagraph (A).

12 “(4) DIVERSITY.—In making grants under this
13 section, the Administrator shall ensure that grant
14 recipients include both large and small microenter-
15 prise organizations, serving urban, rural, and Indian
16 tribal communities serving diverse populations.

17 “(5) PROHIBITION ON PREFERENTIAL CONSID-
18 ERATION OF CERTAIN SBA PROGRAM PARTICI-
19 PANTS.—In making grants under this section, the
20 Administrator shall ensure that any application
21 made by a qualified organization that is a partici-
22 pant in the program established under section 7(m)
23 of the Small Business Act does not receive pref-
24 erential consideration over applications from other

1 qualified organizations that are not participants in
2 such program.

3 “(f) MATCHING REQUIREMENTS.—

4 “(1) IN GENERAL.—Financial assistance under
5 this section shall be matched with funds from
6 sources other than the Federal Government on the
7 basis of not less than 50 percent of each dollar pro-
8 vided by the Administration.

9 “(2) SOURCES OF MATCHING FUNDS.—Fees,
10 grants, gifts, funds from loan sources, and in-kind
11 resources of a grant recipient from public or private
12 sources may be used to comply with the matching
13 requirement in paragraph (1).

14 “(3) EXCEPTION.—

15 “(A) IN GENERAL.—In the case of an ap-
16 plicant for assistance under this section with se-
17 vere constraints on available sources of match-
18 ing funds, the Administrator may reduce or
19 eliminate the matching requirements of para-
20 graph (1).

21 “(B) LIMITATION.—Not more than 10 per-
22 cent of the total funds made available from the
23 Administration in any fiscal year to carry out
24 this section may be excepted from the matching

1 requirements of paragraph (1), as authorized by
2 subparagraph (A) of this paragraph.

3 “(g) APPLICATIONS FOR ASSISTANCE.—An applica-
4 tion for assistance under this section shall be submitted
5 in such form and in accordance with such procedures as
6 the Administrator shall establish.

7 “(h) RECORDKEEPING AND REPORTING.—

8 “(1) IN GENERAL.—Each organization that re-
9 ceives assistance from the Administration in accord-
10 ance with this section shall—

11 “(A) submit to the Administration not less
12 than once in every 18-month period, financial
13 statements audited by an independent certified
14 public accountant;

15 “(B) submit an annual report to the Ad-
16 ministration on its activities; and

17 “(C) keep such records as may be nec-
18 essary to disclose the manner in which any as-
19 sistance under this section is used.

20 “(2) ACCESS.—The Administration shall have
21 access upon request, for the purposes of determining
22 compliance with this section, to any records of any
23 organization that receives assistance from the Ad-
24 ministration in accordance with this section.

1 “(3) DATA COLLECTION.—Each organization
2 that receives assistance from the Administration in
3 accordance with this section shall collect information
4 relating to, as applicable—

5 “(A) the number of individuals counseled
6 or trained;

7 “(B) the number of hours of counseling
8 provided;

9 “(C) the number of startup small business
10 concerns formed;

11 “(D) the number of small business con-
12 cerns expanded;

13 “(E) the number of low-income individuals
14 counseled or trained; and

15 “(F) the number of very low-income indi-
16 viduals counseled or trained.

17 “(i) AUTHORIZATION OF APPROPRIATIONS.—

18 “(1) IN GENERAL.—There are authorized to be
19 appropriated to the Administrator \$15,000,000 for
20 each of the fiscal years 2005 through 2007 to carry
21 out the provisions of this section, which shall remain
22 available until expended.

23 “(2) TRAINING FOR NATIVE AMERICAN ENTRE-
24 PRENEURS.—In addition to the amount authorized
25 under subsection (i)(1), there are authorized to be

1 appropriated to the Administrator \$2,000,000 for
2 each of the fiscal years 2005 through 2007 to carry
3 out the provisions of subsection (c)(4), which shall
4 remain available until expended.”.

5 (b) TRANSFER PROVISIONS.—

6 (1) SMALL BUSINESS ACT AMENDMENTS.—The
7 Small Business Act (15 U.S.C. 631 et seq.) is
8 amended by redesignating section 37 as section 38.

9 (2) TRANSFER.—Section 37 of the Riegle Com-
10 munity Development and Regulatory Improvement
11 Act of 1994 (15 U.S.C. 6901 note), as so designated
12 by subsection (a) of this section, is transferred to,
13 and inserted after, section 36 of the Small Business
14 Act.

15 (c) REFERENCES.—All references in Federal law to
16 the “Program for Investment in Microentrepreneurs Act
17 of 1999” or the “PRIME Act” shall be deemed to be ref-
18 erences to section 37 of the Small Business Act, as added
19 by this section.

20 (d) RULE OF CONSTRUCTION.—Nothing in this sec-
21 tion or the amendments made by this section shall affect
22 any grant or assistance provided under the Program for
23 Investment in Microentrepreneurs Act of 1999, before the
24 date of enactment of this Act, and any such grant or as-
25 sistance shall be subject to the Program for Investment

1 in Microentrepreneurs Act of 1999, as in effect on the day
2 before the date of enactment of this Act.

