

110TH CONGRESS
1ST SESSION

S. 163

AN ACT

To improve the disaster loan program of the Small Business Administration, 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; TABLE OF CONTENTS.**

2 (a) **SHORT TITLE.**—This Act may be cited as the
 3 “Small Business Disaster Response and Loan Improve-
 4 ments Act of 2007”.

5 (b) **TABLE OF CONTENTS.**—The table of contents for
 6 this Act is as follows:

- Sec. 1. Short title; table of contents.
- Sec. 2. Definitions.
- Sec. 3. Extension of program authority.

TITLE I—DISASTER PLANNING AND RESPONSE

- Sec. 101. Disaster loans to nonprofits.
- Sec. 102. Disaster loan amounts.
- Sec. 103. Small business development center portability grants.
- Sec. 104. Assistance to out-of-State businesses.
- Sec. 105. Outreach programs.
- Sec. 106. Small business bonding threshold.
- Sec. 107. Termination of program.
- Sec. 108. Increasing collateral requirements.
- Sec. 109. Public awareness of disaster declaration and application periods.
- Sec. 110. Consistency between Administration regulations and standard operating procedures.
- Sec. 111. Processing disaster loans.
- Sec. 112. Development and implementation of major disaster response plan.
- Sec. 113. Disaster planning responsibilities.
- Sec. 114. Additional authority for district offices of the Administration.
- Sec. 115. Assignment of employees of the Office of Disaster Assistance and Disaster Cadre.

TITLE II—DISASTER LENDING

- Sec. 201. Catastrophic national disaster declaration.
- Sec. 202. Private disaster loans.
- Sec. 203. Technical and conforming amendments.
- Sec. 204. Expedited disaster assistance loan program.
- Sec. 205. HUBZones.

TITLE III—DISASTER ASSISTANCE OVERSIGHT

- Sec. 301. Congressional oversight.

7 **SEC. 2. DEFINITIONS.**

8 In this Act—

1 (1) the terms “Administration” and “Adminis-
2 trator” mean the Small Business Administration
3 and the Administrator thereof, respectively;

4 (2) the term “catastrophic national disaster”
5 means a catastrophic national disaster declared
6 under section 7(b)(11) of the Small Business Act
7 (15 U.S.C. 636(b)), as added by this Act;

8 (3) the term “declared disaster” means a major
9 disaster or a catastrophic national disaster;

10 (4) the term “disaster area” means an area af-
11 fected by a natural or other disaster, as determined
12 for purposes of paragraph (1) or (2) of section 7(b)
13 of the Small Business Act (15 U.S.C. 636(b)), dur-
14 ing the period of such declaration;

15 (5) the term “disaster loan program of the Ad-
16 ministration” means assistance under section 7(b) of
17 the Small Business Act (15 U.S.C. 636(b));

18 (6) the term “disaster update period” means
19 the period beginning on the date on which the Presi-
20 dent declares a major disaster or a catastrophic na-
21 tional disaster and ending on the date on which such
22 declaration terminates;

23 (7) the term “major disaster” has the meaning
24 given that term in section 102 of the Robert T.

1 “(4) LOANS TO NONPROFITS.—In addition to
2 any other loan authorized by this subsection, the Ad-
3 ministrator may make such loans (either directly or
4 in cooperation with banks or other lending institu-
5 tions through agreements to participate on an imme-
6 diate or deferred basis) as the Administrator deter-
7 mines appropriate to a nonprofit organization lo-
8 cated or operating in an area affected by a natural
9 or other disaster, as determined under paragraph
10 (1) or (2), or providing services to persons who have
11 evacuated from any such area.”.

12 **SEC. 102. DISASTER LOAN AMOUNTS.**

13 (a) INCREASED LOAN CAPS.—Section 7(b) of the
14 Small Business Act (15 U.S.C. 636(b)) is amended by in-
15 serting immediately after paragraph (4), as added by this
16 title, the following:

17 “(5) INCREASED LOAN CAPS.—

18 “(A) AGGREGATE LOAN AMOUNTS.—Ex-
19 cept as provided in subparagraph (B), and not-
20 withstanding any other provision of law, the ag-
21 gregate loan amount outstanding and com-
22 mitted to a borrower under this subsection may
23 not exceed \$2,000,000.

24 “(B) WAIVER AUTHORITY.—The Adminis-
25 trator may, at the discretion of the Adminis-

1 trator, increase the aggregate loan amount
2 under subparagraph (A) for loans relating to a
3 disaster to a level established by the Adminis-
4 trator, based on appropriate economic indica-
5 tors for the region in which that disaster oc-
6 curred.”.

7 (b) DISASTER MITIGATION.—

8 (1) IN GENERAL.—Section 7(b)(1)(A) of the
9 Small Business Act (15 U.S.C. 636(b)(1)(A)) is
10 amended by inserting “of the aggregate costs of
11 such damage or destruction (whether or not com-
12 pensated for by insurance or otherwise)” after “20
13 per centum”.

14 (2) EFFECTIVE DATE.—The amendment made
15 by paragraph (1) shall apply with respect to a loan
16 or guarantee made after the date of enactment of
17 this Act.

18 (c) TECHNICAL AMENDMENTS.—Section 7(b) of the
19 Small Business Act (15 U.S.C. 636(b)) is amended—

20 (1) in the matter preceding paragraph (1), by
21 striking “the, Administration” and inserting “the
22 Administration”;

23 (2) in paragraph (2)(A), by striking “Disaster
24 Relief and Emergency Assistance Act” and inserting
25 “Robert T. Stafford Disaster Relief and Emergency

1 Assistance Act (42 U.S.C. 5121 et seq.) (in this sub-
2 section referred to as a ‘major disaster’); and

3 (3) in the undesignated matter at the end—

4 (A) by striking “, (2), and (4)” and insert-
5 ing “and (2)”; and

6 (B) by striking “, (2), or (4)” and insert-
7 ing “(2)”.

8 **SEC. 103. SMALL BUSINESS DEVELOPMENT CENTER PORT-**
9 **ABILITY GRANTS.**

10 Section 21(a)(4)(C)(viii) of the Small Business Act
11 (15 U.S.C. 648(a)(4)(C)(viii)) is amended—

12 (1) in the first sentence, by striking “as a re-
13 sult of a business or government facility down sizing
14 or closing, which has resulted in the loss of jobs or
15 small business instability” and inserting “due to
16 events that have resulted or will result in, business
17 or government facility downsizing or closing”; and

18 (2) by adding at the end “At the discretion of
19 the Administrator, the Administrator may make an
20 award greater than \$100,000 to a recipient to ac-
21 commodate extraordinary occurrences having a cata-
22 strophic impact on the small business concerns in a
23 community.”.

1 **SEC. 104. ASSISTANCE TO OUT-OF-STATE BUSINESSES.**

2 Section 21(b)(3) of the Small Business Act (15
3 U.S.C. 648(b)(3)) is amended—

4 (1) by striking “At the discretion” and insert-
5 ing the following: “SMALL BUSINESS DEVELOPMENT
6 CENTERS.—

7 “(A) IN GENERAL.—At the discretion”;
8 and

9 (2) by adding at the end the following:

10 “(B) DURING DISASTERS.—

11 “(i) IN GENERAL.—At the discretion
12 of the Administrator, the Administrator
13 may authorize a small business develop-
14 ment center to provide such assistance to
15 small business concerns located outside of
16 the State, without regard to geographic
17 proximity, if the small business concerns
18 are located in a disaster area declared
19 under section 7(b)(2)(A).

20 “(ii) CONTINUITY OF SERVICES.—A
21 small business development center that
22 provides counselors to an area described in
23 clause (i) shall, to the maximum extent
24 practicable, ensure continuity of services in
25 any State in which such small business de-

1 velopment center otherwise provides serv-
2 ices.

3 “(iii) ACCESS TO DISASTER RECOVERY
4 FACILITIES.—For purposes of providing
5 disaster recovery assistance under this sub-
6 paragraph, the Administrator shall, to the
7 maximum extent practicable, permit small
8 business development center personnel to
9 use any site or facility designated by the
10 Administrator for use to provide disaster
11 recovery assistance.”.

12 **SEC. 105. OUTREACH PROGRAMS.**

13 (a) IN GENERAL.—Not later than 30 days after the
14 date of the declaration of a disaster area, the Adminis-
15 trator may establish a contracting outreach and technical
16 assistance program for small business concerns which have
17 had a primary place of business in, or other significant
18 presence in, such disaster area.

19 (b) ADMINISTRATOR ACTION.—The Administrator
20 may carry out subsection (a) by acting through—

21 (1) the Administration;

22 (2) the Federal agency small business officials
23 designated under section 15(k)(1) of the Small Busi-
24 ness Act (15 U.S.C. 644(k)(1)); or

1 (3) any Federal, State, or local government en-
2 tity, higher education institution, procurement tech-
3 nical assistance center, or private nonprofit organi-
4 zation that the Administrator may determine appro-
5 priate, upon conclusion of a memorandum of under-
6 standing or assistance agreement, as appropriate,
7 with the Administrator.

8 **SEC. 106. SMALL BUSINESS BONDING THRESHOLD.**

9 (a) IN GENERAL.—Except as provided in subsection
10 (b), and notwithstanding any other provision of law, for
11 any procurement related to a major disaster, the Adminis-
12 trator may, upon such terms and conditions as the Admin-
13 istrator may prescribe, guarantee and enter into commit-
14 ments to guarantee any surety against loss resulting from
15 a breach of the terms of a bid bond, payment bond, per-
16 formance bond, or bonds ancillary thereto, by a principal
17 on any total work order or contract amount at the time
18 of bond execution that does not exceed \$5,000,000.

19 (b) INCREASE OF AMOUNT.—Upon request of the
20 head of any Federal agency other than the Administration
21 involved in reconstruction efforts in response to a major
22 disaster, the Administrator may guarantee and enter into
23 a commitment to guarantee any security against loss
24 under subsection (a) on any total work order or contract

1 amount at the time of bond execution that does not exceed
2 \$10,000,000.

3 **SEC. 107. TERMINATION OF PROGRAM.**

4 Section 711(c) of the Small Business Competitive
5 Demonstration Program Act of 1988 (15 U.S.C. 644 note)
6 is amended by inserting after “January 1, 1989” the fol-
7 lowing: “, and shall terminate on the date of enactment
8 of the Small Business Disaster Response and Loan Im-
9 provements Act of 2007”.

10 **SEC. 108. INCREASING COLLATERAL REQUIREMENTS.**

11 Section 7(c)(6) of the Small Business Act (15 U.S.C.
12 636(c)(6)) is amended by striking “\$10,000 or less” and
13 inserting “\$14,000 or less (or such higher amount as the
14 Administrator determines appropriate in the event of a
15 catastrophic national disaster declared under subsection
16 (b)(11))”.

17 **SEC. 109. PUBLIC AWARENESS OF DISASTER DECLARATION**
18 **AND APPLICATION PERIODS.**

19 (a) IN GENERAL.—Section 7(b) of the Small Busi-
20 ness Act (15 U.S.C. 636(b)) is amended by inserting im-
21 mediately after paragraph (5), as added by this Act, the
22 following:

23 “(6) COORDINATION WITH FEMA.—

24 “(A) IN GENERAL.—Notwithstanding any
25 other provision of law, for any disaster (includ-

1 ing a catastrophic national disaster) declared
2 under this subsection or major disaster, the Ad-
3 ministrators, in consultation with the Adminis-
4 trator of the Federal Emergency Management
5 Agency, shall ensure, to the maximum extent
6 practicable, that all application periods for dis-
7 aster relief under this Act correspond with ap-
8 plication deadlines established under the Robert
9 T. Stafford Disaster Relief and Emergency As-
10 sistance Act (42 U.S.C. 5121 et seq.), or as ex-
11 tended by the President.

12 “(B) DEADLINES.—Notwithstanding any
13 other provision of law, not later than 10 days
14 before the closing date of an application period
15 for a major disaster (including a catastrophic
16 national disaster), the Administrator, in con-
17 sultation with the Administrator of the Federal
18 Emergency Management Agency, shall submit
19 to the Committee on Small Business and Entre-
20 preneurship of the Senate and the Committee
21 on Small Business of the House of Representa-
22 tives a report that includes—

23 “(i) the deadline for submitting appli-
24 cations for assistance under this Act relat-
25 ing to that major disaster;

1 “(ii) information regarding the num-
2 ber of loan applications and disbursements
3 processed by the Administrator relating to
4 that major disaster for each day during the
5 period beginning on the date on which that
6 major disaster was declared and ending on
7 the date of that report; and

8 “(iii) an estimate of the number of
9 potential applicants that have not sub-
10 mitted an application relating to that
11 major disaster.

12 “(7) PUBLIC AWARENESS OF DISASTERS.—If a
13 disaster (including a catastrophic national disaster)
14 is declared under this subsection, the Administrator
15 shall make every effort to communicate through
16 radio, television, print, and web-based outlets, all
17 relevant information needed by disaster loan appli-
18 cants, including—

19 “(A) the date of such declaration;

20 “(B) cities and towns within the area of
21 such declaration;

22 “(C) loan application deadlines related to
23 such disaster;

24 “(D) all relevant contact information for
25 victim services available through the Adminis-

1 tration (including links to small business devel-
2 opment center websites);

3 “(E) links to relevant Federal and State
4 disaster assistance websites, including links to
5 websites providing information regarding assist-
6 ance available from the Federal Emergency
7 Management Agency;

8 “(F) information on eligibility criteria for
9 Administration loan programs, including where
10 such applications can be found; and

11 “(G) application materials that clearly
12 state the function of the Administration as the
13 Federal source of disaster loans for homeowners
14 and renters.”.

15 (b) **MARKETING AND OUTREACH.**—Not later than 90
16 days after the date of enactment of this Act, the Adminis-
17 trator shall create a marketing and outreach plan that—

18 (1) encourages a proactive approach to the dis-
19 aster relief efforts of the Administration;

20 (2) makes clear the services provided by the Ad-
21 ministration, including contact information, applica-
22 tion information, and timelines for submitting appli-
23 cations, the review of applications, and the disburse-
24 ment of funds;

1 (3) describes the different disaster loan pro-
2 grams of the Administration, including how they are
3 made available and the eligibility requirements for
4 each loan program;

5 (4) provides for regional marketing, focusing on
6 disasters occurring in each region before the date of
7 enactment of this Act, and likely scenarios for disas-
8 ters in each such region; and

9 (5) ensures that the marketing plan is made
10 available at small business development centers and
11 on the website of the Administration.

12 **SEC. 110. CONSISTENCY BETWEEN ADMINISTRATION REGU-**
13 **LATIONS AND STANDARD OPERATING PROCE-**
14 **DURES.**

15 (a) IN GENERAL.—The Administrator shall, prompt-
16 ly following the date of enactment of this Act, conduct
17 a study of whether the standard operating procedures of
18 the Administration for loans offered under section 7(b) of
19 the Small Business Act (15 U.S.C. 636(b)) are consistent
20 with the regulations of the Administration for admin-
21 istering the disaster loan program.

22 (b) REPORT.—Not later than 180 days after the date
23 of enactment of this Act, the Administration shall submit
24 to Congress a report containing all findings and rec-

1 ommendations of the study conducted under subsection
2 (a).

3 **SEC. 111. PROCESSING DISASTER LOANS.**

4 (a) **AUTHORITY FOR QUALIFIED PRIVATE CONTRAC-**
5 **TORS TO PROCESS DISASTER LOANS.**—Section 7(b) of the
6 Small Business Act (15 U.S.C. 636(b)) is amended by in-
7 serting immediately after paragraph (7), as added by this
8 Act, the following:

9 “(8) **AUTHORITY FOR QUALIFIED PRIVATE CON-**
10 **TRACTORS.**—

11 “(A) **DISASTER LOAN PROCESSING.**—The
12 Administrator may enter into an agreement
13 with a qualified private contractor, as deter-
14 mined by the Administrator, to process loans
15 under this subsection in the event of a major
16 disaster or a catastrophic national disaster de-
17 clared under paragraph (11), under which the
18 Administrator shall pay the contractor a fee for
19 each loan processed.

20 “(B) **LOAN LOSS VERIFICATION SERV-**
21 **ICES.**—The Administrator may enter into an
22 agreement with a qualified lender or loss
23 verification professional, as determined by the
24 Administrator, to verify losses for loans under
25 this subsection in the event of a major disaster

1 Representatives detailing the amendments to the dis-
2 aster response plan.

3 (b) CONTENTS.—The report required under sub-
4 section (a)(2) shall include—

5 (1) any updates or modifications made to the
6 disaster response plan since the report regarding the
7 disaster response plan submitted to Congress on
8 July 14, 2006;

9 (2) a description of how the Administrator
10 plans to utilize and integrate District Office per-
11 sonnel of the Administration in the response to a
12 major disaster, including information on the utiliza-
13 tion of personnel for loan processing and loan dis-
14 bursement;

15 (3) a description of the disaster scalability
16 model of the Administration and on what basis or
17 function the plan is scaled;

18 (4) a description of how the agency-wide Dis-
19 aster Oversight Council is structured, which offices
20 comprise its membership, and whether the Associate
21 Deputy Administrator for Entrepreneurial Develop-
22 ment of the Administration is a member;

23 (5) a description of how the Administrator
24 plans to coordinate the disaster efforts of the Ad-
25 ministration with State and local government offi-

1 cials, including recommendations on how to better
2 incorporate State initiatives or programs, such as
3 State-administered bridge loan programs, into the
4 disaster response of the Administration;

5 (6) recommendations, if any, on how the Ad-
6 ministration can better coordinate its disaster re-
7 sponse operations with the operations of other Fed-
8 eral, State, and local entities;

9 (7) any surge plan for the disaster loan pro-
10 gram of the Administration in effect on or after Au-
11 gust 29, 2005 (including surge plans for loss
12 verification, loan processing, mailroom, customer
13 service or call center operations, and a continuity of
14 operations plan);

15 (8) the number of full-time equivalent employ-
16 ees and job descriptions for the planning and dis-
17 aster response staff of the Administration;

18 (9) the in-service and preservice training proce-
19 dures for disaster response staff of the Administra-
20 tion;

21 (10) information on the logistical support plans
22 of the Administration (including equipment and
23 staffing needs, and detailed information on how such
24 plans will be scalable depending on the size and
25 scope of the major disaster;

1 (11) a description of the findings and rec-
2 ommendations of the Administrator, if any, based on
3 a review of the response of the Administration to
4 Hurricane Katrina of 2005, Hurricane Rita of 2005,
5 and Hurricane Wilma of 2005; and

6 (12) a plan for how the Administrator, in con-
7 sultation with the Administrator of the Federal
8 Emergency Management Agency, will coordinate the
9 provision of accommodations and necessary re-
10 sources for disaster assistance personnel to effec-
11 tively perform their responsibilities in the aftermath
12 of a major disaster.

13 (c) EXERCISES.—Not later than 6 months after the
14 date of the submission of the report under subsection
15 (a)(2), the Administrator shall develop and execute sim-
16 ulation exercises to demonstrate the effectiveness of the
17 amended disaster response plan required under this sec-
18 tion.

19 **SEC. 113. DISASTER PLANNING RESPONSIBILITIES.**

20 (a) ASSIGNMENT OF SMALL BUSINESS ADMINISTRA-
21 TION DISASTER PLANNING RESPONSIBILITIES.—The Ad-
22 ministrator shall specifically assign the disaster planning
23 responsibilities described in subsection (b) to an employee
24 of the Administration who—

1 (1) is not an employee of the Office of Disaster
2 Assistance of the Administration;

3 (2) shall report directly to the Administrator;
4 and

5 (3) has a background and expertise dem-
6 onstrating significant experience in the area of dis-
7 aster planning.

8 (b) RESPONSIBILITIES.—The responsibilities de-
9 scribed in this subsection are—

10 (1) creating and maintaining the comprehensive
11 disaster response plan of the Administration;

12 (2) ensuring in-service and pre-service training
13 procedures for the disaster response staff of the Ad-
14 ministration;

15 (3) coordinating and directing Administration
16 training exercises, including mock disaster re-
17 sponses, with other Federal agencies; and

18 (4) other responsibilities, as determined by the
19 Administrator.

20 (c) REPORT.—Not later than 30 days after the date
21 of enactment of this Act, the Administrator shall submit
22 to the Committee on Small Business and Entrepreneur-
23 ship of the Senate and the Committee on Small Business
24 of the House of Representatives a report containing—

1 (1) a description of the actions of the Adminis-
2 trator to assign an employee under subsection (a);

3 (2) information detailing the background and
4 expertise of the employee assigned under subsection
5 (a); and

6 (3) information on the status of the implemen-
7 tation of the responsibilities described in subsection
8 (b).

9 **SEC. 114. ADDITIONAL AUTHORITY FOR DISTRICT OFFICES**
10 **OF THE ADMINISTRATION.**

11 (a) IN GENERAL.—Section 7(b) of the Small Busi-
12 ness Act (15 U.S.C. 636(b)) is amended by inserting im-
13 mediately after paragraph (8), as added by this Act, the
14 following:

15 “(9) USE OF DISTRICT OFFICES.—In the event
16 of a major disaster, the Administrator may author-
17 ize a district office of the Administration to process
18 loans under paragraph (1) or (2).”.

19 (b) DESIGNATION.—

20 (1) IN GENERAL.—The Administrator may des-
21 ignate an employee in each district office of the Ad-
22 ministration to act as a disaster loan liaison between
23 the disaster processing center and applicants under
24 the disaster loan program of the Administration.

1 (2) RESPONSIBILITIES.—Each employee des-
2 ignated under paragraph (1) shall—

3 (A) be responsible for coordinating and fa-
4 cilitating communications between applicants
5 under the disaster loan program of the Admin-
6 istration and disaster loan processing staff re-
7 garding documentation and information re-
8 quired for completion of an application; and

9 (B) provide information to applicants
10 under the disaster loan program of the Admin-
11 istration regarding additional services and bene-
12 fits that may be available to such applicants to
13 assist with recovery.

14 (3) OUTREACH.—In providing outreach to dis-
15 aster victims following a declared disaster, the Ad-
16 ministrators shall make disaster victims aware of—

17 (A) any relevant employee designated
18 under paragraph (1); and

19 (B) how to contact that employee.

20 **SEC. 115. ASSIGNMENT OF EMPLOYEES OF THE OFFICE OF**
21 **DISASTER ASSISTANCE AND DISASTER**
22 **CADRE.**

23 (a) IN GENERAL.—Section 7(b) of the Small Busi-
24 ness Act (15 U.S.C. 636(b)) is amended by inserting im-

1 mediate after paragraph (9), as added by this Act, the
2 following:

3 “(10) DISASTER ASSISTANCE EMPLOYEES.—

4 “(A) IN GENERAL.—In carrying out this
5 section, the Administrator may, where prac-
6 ticable, ensure that the number of full-time
7 equivalent employees—

8 “(i) in the Office of the Disaster As-
9 sistance is not fewer than 800; and

10 “(ii) in the Disaster Cadre of the Ad-
11 ministration is not fewer than 750.

12 “(B) REPORT.—In carrying out this sub-
13 section, if the number of full-time employees for
14 either the Office of Disaster Assistance or the
15 Disaster Cadre of the Administration is below
16 the level described in subparagraph (A) for that
17 office, not later than 21 days after the date on
18 which that staffing level decreased below the
19 level described in subparagraph (A), the Admin-
20 istrator shall submit to the Committee on Ap-
21 propriations and the Committee on Small Busi-
22 ness and Entrepreneurship of the Senate and
23 the Committee on Appropriations and Com-
24 mittee on Small Business of the House of Rep-
25 resentatives, a report—

1 “(i) detailing staffing levels on that
2 date;

3 “(ii) requesting, if practicable and de-
4 termined appropriate by the Administrator,
5 additional funds for additional employees;
6 and

7 “(iii) containing such additional infor-
8 mation, as determined appropriate by the
9 Administrator.”.

10 **TITLE II—DISASTER LENDING**

11 **SEC. 201. CATASTROPHIC NATIONAL DISASTER DECLARA-** 12 **TION.**

13 Section 7(b) of the Small Business Act (15 U.S.C.
14 636(b)) is amended by inserting immediately after para-
15 graph (10), as added by this Act, the following:

16 “(11) CATASTROPHIC NATIONAL DISASTERS.—

17 “(A) IN GENERAL.—The President may
18 make a catastrophic national disaster declara-
19 tion in accordance with this paragraph.

20 “(B) PROMULGATION OF RULES.—

21 “(i) IN GENERAL.—Not later than 6
22 months after the date of enactment of this
23 paragraph, the Administrator, with the
24 concurrence of the Secretary of Homeland
25 Security and the Administrator of the Fed-

1 eral Emergency Management Agency, shall
2 promulgate regulations establishing a
3 threshold for a catastrophic national dis-
4 aster declaration.

5 “(ii) CONSIDERATIONS.—In promul-
6 gating the regulations required under
7 clause (i), the Administrator shall establish
8 a threshold that—

9 “(I) is similar in size and scope
10 to the events relating to the terrorist
11 attacks of September 11, 2001, and
12 Hurricane Katrina of 2005;

13 “(II) requires that the President
14 declares a major disaster before mak-
15 ing a catastrophic national disaster
16 declaration under this paragraph;

17 “(III) requires consideration of—

18 “(aa) the dollar amount per
19 capita of damage to the State, its
20 political subdivisions, or a region;

21 “(bb) the number of small
22 business concerns damaged,
23 physically or economically, as a
24 direct result of the event;

1 “(cc) the number of individ-
2 uals and households displaced
3 from their predisaster residences
4 by the event;

5 “(dd) the severity of the im-
6 pact on employment rates in the
7 State, its political subdivisions, or
8 a region;

9 “(ee) the anticipated length
10 and difficulty of the recovery
11 process;

12 “(ff) whether the events
13 leading to the relevant major dis-
14 aster declaration are of an un-
15 usually large and calamitous na-
16 ture that is orders of magnitude
17 larger than for an average major
18 disaster; and

19 “(gg) any other factor deter-
20 mined relevant by the Adminis-
21 trator.

22 “(C) AUTHORIZATION.—If the President
23 makes a catastrophic national disaster declara-
24 tion under this paragraph, the Administrator
25 may make such loans under this paragraph (ei-

1 ther directly or in cooperation with banks or
2 other lending institutions through agreements
3 to participate on an immediate or deferred
4 basis) as the Administrator determines appro-
5 priate to small business concerns located any-
6 where in the United States that are economi-
7 cally adversely impacted as a result of that cat-
8 astrophic national disaster.

9 “(D) LOAN TERMS.—A loan under this
10 paragraph shall be made on the same terms as
11 a loan under paragraph (2).”.

12 **SEC. 202. PRIVATE DISASTER LOANS.**

13 (a) IN GENERAL.—Section 7 of the Small Business
14 Act (15 U.S.C. 636) is amended—

15 (1) by redesignating subsections (c) and (d) as
16 subsections (d) and (e), respectively; and

17 (2) by inserting after subsection (b) the fol-
18 lowing:

19 “(c) PRIVATE DISASTER LOANS.—

20 “(1) DEFINITIONS.—In this subsection—

21 “(A) the term ‘disaster area’ means any
22 area for which the President declared a major
23 disaster (as that term is defined in section 102
24 of the Robert T. Stafford Disaster Relief and
25 Emergency Assistance Act (42 U.S.C. 5122))

1 that subsequently results in the President mak-
2 ing a catastrophic national disaster declaration
3 under subsection (b)(11);

4 “(B) the term ‘eligible small business con-
5 cern’ means a business concern that is—

6 “(i) a small business concern, as de-
7 fined in this Act; or

8 “(ii) a small business concern, as de-
9 fined in section 103 of the Small Business
10 Investment Act of 1958; and

11 “(C) the term ‘qualified private lender’
12 means any privately-owned bank or other lend-
13 ing institution that the Administrator deter-
14 mines meets the criteria established under para-
15 graph (9).

16 “(2) AUTHORIZATION.—The Administrator may
17 guarantee timely payment of principal and interest,
18 as scheduled on any loan issued by a qualified pri-
19 vate lender to an eligible small business concern lo-
20 cated in a disaster area.

21 “(3) USE OF LOANS.—A loan guaranteed by
22 the Administrator under this subsection may be used
23 for any purpose authorized under subsection (b).

24 “(4) ONLINE APPLICATIONS.—

1 “(A) ESTABLISHMENT.—The Adminis-
2 trator may establish, directly or through an
3 agreement with another entity, an online appli-
4 cation process for loans guaranteed under this
5 subsection.

6 “(B) OTHER FEDERAL ASSISTANCE.—The
7 Administrator may coordinate with the head of
8 any other appropriate Federal agency so that
9 any application submitted through an online ap-
10 plication process established under this para-
11 graph may be considered for any other Federal
12 assistance program for disaster relief.

13 “(C) CONSULTATION.—In establishing an
14 online application process under this paragraph,
15 the Administrator shall consult with appro-
16 priate persons from the public and private sec-
17 tors, including private lenders.

18 “(5) MAXIMUM AMOUNTS.—

19 “(A) GUARANTEE PERCENTAGE.—The Ad-
20 ministrators may guarantee not more than 85
21 percent of a loan under this subsection.

22 “(B) LOAN AMOUNTS.—The maximum
23 amount of a loan guaranteed under this sub-
24 section shall be \$2,000,000.

1 “(6) LOAN TERM.—The longest term of a loan
2 for a loan guaranteed under this subsection shall
3 be—

4 “(A) 15 years for any loan that is issued
5 without collateral; and

6 “(B) 25 years for any loan that is issued
7 with collateral.

8 “(7) FEES.—

9 “(A) IN GENERAL.—The Administrator
10 may not collect a guarantee fee under this sub-
11 section.

12 “(B) ORIGINATION FEE.—The Adminis-
13 trator may pay a qualified private lender an
14 origination fee for a loan guaranteed under this
15 subsection in an amount agreed upon in ad-
16 vance between the qualified private lender and
17 the Administrator.

18 “(8) DOCUMENTATION.—A qualified private
19 lender may use its own loan documentation for a
20 loan guaranteed by the Administrator, to the extent
21 authorized by the Administrator. The ability of a
22 lender to use its own loan documentation for a loan
23 guaranteed under this subsection shall not be con-
24 sidered part of the criteria for becoming a qualified

1 private lender under the regulations promulgated
2 under paragraph (9).

3 “(9) IMPLEMENTATION REGULATIONS.—

4 “(A) IN GENERAL.—Not later than 1 year
5 after the date of enactment of the Small Busi-
6 ness Disaster Response and Loan Improve-
7 ments Act of 2007, the Administrator shall
8 issue final regulations establishing permanent
9 criteria for qualified private lenders.

10 “(B) REPORT TO CONGRESS.—Not later
11 than 6 months after the date of enactment of
12 the Small Business Disaster Response and
13 Loan Improvements Act of 2007, the Adminis-
14 trator shall submit a report on the progress of
15 the regulations required by subparagraph (A) to
16 the Committee on Small Business and Entre-
17 preneurship of the Senate and the Committee
18 on Small Business of the House of Representa-
19 tives.

20 “(10) AUTHORIZATION OF APPROPRIATIONS.—

21 “(A) IN GENERAL.—Amounts necessary to
22 carry out this subsection shall be made avail-
23 able from amounts appropriated to the Admin-
24 istration to carry out subsection (b).

1 “(B) AUTHORITY TO REDUCE INTEREST
2 RATES.—Funds appropriated to the Adminis-
3 tration to carry out this subsection, may be
4 used by the Administrator, to the extent avail-
5 able, to reduce the rate of interest for any loan
6 guaranteed under this subsection by not more
7 than 3 percentage points.

8 “(11) PURCHASE OF LOANS.—The Adminis-
9 trator may enter into an agreement with a qualified
10 private lender to purchase any loan issued under
11 this subsection.”.

12 (b) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to disasters declared under section
14 7(b)(2) of the Small Business Act (631 U.S.C. 636(b)(2))
15 before, on, or after the date of enactment of this Act.

16 **SEC. 203. TECHNICAL AND CONFORMING AMENDMENTS.**

17 The Small Business Act (15 U.S.C. 631 et seq.) is
18 amended—

19 (1) in section 4(c)—

20 (A) in paragraph (1), by striking “7(c)(2)”
21 and inserting “7(d)(2)”; and

22 (B) in paragraph (2)—

23 (i) by striking “7(c)(2)” and inserting
24 “7(d)(2)”; and

25 (ii) by striking “7(e),”; and

1 (2) in section 7(b), in the undesignated matter
2 following paragraph (3)—

3 (A) by striking “That the provisions of
4 paragraph (1) of subsection (c)” and inserting
5 “That the provisions of paragraph (1) of sub-
6 section (d)”;

7 (B) by striking “Notwithstanding the pro-
8 visions of any other law the interest rate on the
9 Administration’s share of any loan made under
10 subsection (b) except as provided in subsection
11 (c),” and inserting “Notwithstanding any other
12 provision of law, and except as provided in sub-
13 section (d), the interest rate on the Administra-
14 tion’s share of any loan made under subsection
15 (b)”.

16 **SEC. 204. EXPEDITED DISASTER ASSISTANCE LOAN PRO-**
17 **GRAM.**

18 (a) DEFINITIONS.—In this section—

19 (1) the term “immediate disaster assistance”
20 means assistance provided during the period begin-
21 ning on the date on which the President makes a
22 catastrophic disaster declaration under paragraph
23 (11) of section 7(b) of the Small Business Act (15
24 U.S.C. 636(b)), as added by this Act, and ending on
25 the date that an impacted small business concern is

1 able to secure funding through insurance claims,
2 Federal assistance programs, or other sources; and

3 (2) the term “program” means the expedited
4 disaster assistance business loan program estab-
5 lished under subsection (b).

6 (b) CREATION OF PROGRAM.—The Administrator
7 shall take such administrative action as is necessary to
8 establish and implement an expedited disaster assistance
9 business loan program to provide small business concerns
10 with immediate disaster assistance under paragraph (11)
11 of section 7(b) of the Small Business Act (15 U.S.C.
12 636(b)), as added by this Act.

13 (c) CONSULTATION REQUIRED.—In establishing the
14 program, the Administrator shall consult with—

15 (1) appropriate personnel of the Administration
16 (including District Office personnel of the Adminis-
17 tration);

18 (2) appropriate technical assistance providers
19 (including small business development centers);

20 (3) appropriate lenders and credit unions;

21 (4) the Committee on Small Business and En-
22 trepreneurship of the Senate; and

23 (5) the Committee on Small Business of the
24 House of Representatives.

25 (d) RULES.—

1 (1) IN GENERAL.—Not later than 1 year after
2 the date of enactment of this Act, the Administrator
3 shall issue rules in final form establishing and imple-
4 menting the program in accordance with this sec-
5 tion. Such rules shall apply as provided for in this
6 section, beginning 90 days after their issuance in
7 final form.

8 (2) CONTENTS.—The rules promulgated under
9 paragraph (1) shall—

10 (A) identify whether appropriate uses of
11 funds under the program may include—

12 (i) paying employees;

13 (ii) paying bills and other financial
14 obligations;

15 (iii) making repairs;

16 (iv) purchasing inventory;

17 (v) restarting or operating a small
18 business concern in the community in
19 which it was conducting operations prior to
20 the declared disaster, or to a neighboring
21 area, county, or parish in the disaster
22 area; or

23 (vi) covering additional costs until the
24 small business concern is able to obtain

1 funding through insurance claims, Federal
2 assistance programs, or other sources; and

3 (B) set the terms and conditions of any
4 loan made under the program, subject to para-
5 graph (3).

6 (3) TERMS AND CONDITIONS.—A loan made by
7 the Administration under this section—

8 (A) shall be for not more than \$150,000;

9 (B) shall be a short-term loan, not to ex-
10 ceed 180 days, except that the Administrator
11 may extend such term as the Administrator de-
12 termines necessary or appropriate on a case-by-
13 case basis;

14 (C) shall have an interest rate not to ex-
15 ceed 1 percentage point above the prime rate of
16 interest that a private lender may charge;

17 (D) shall have no prepayment penalty;

18 (E) may only be made to a borrower that
19 meets the requirements for a loan under section
20 7(b) of the Small Business Act (15 U.S.C.
21 636(b));

22 (F) may be refinanced as part of any sub-
23 sequent disaster assistance provided under sec-
24 tion 7(b) of the Small Business Act;

1 (G) may receive expedited loss verification
2 and loan processing, if the applicant is—

3 (i) a major source of employment in
4 the disaster area (which shall be deter-
5 mined in the same manner as under sec-
6 tion 7(b)(3)(B) of the Small Business Act
7 (15 U.S.C. 636(b)(3)(B))); or

8 (ii) vital to recovery efforts in the re-
9 gion (including providing debris removal
10 services, manufactured housing, or building
11 materials); and

12 (H) shall be subject to such additional
13 terms as the Administrator determines nec-
14 essary or appropriate.

15 (e) REPORT TO CONGRESS.—Not later than 5
16 months after the date of enactment of this Act, the Ad-
17 ministrator shall report to the Committee on Small Busi-
18 ness and Entrepreneurship of the Senate and the Com-
19 mittee on Small Business of the House of Representatives
20 on the progress of the Administrator in establishing the
21 program.

22 (f) AUTHORIZATION.—There are authorized to be ap-
23 propriated to the Administrator such sums as are nec-
24 essary to carry out this section.

1 **SEC. 205. HUBZONES.**

2 (a) IN GENERAL.—Section 3(p) of the Small Busi-
3 ness Act (15 U.S.C. 632(p)) is amended—

4 (1) in paragraph (1)—

5 (A) in subparagraph (D), by striking “or”;

6 (B) in subparagraph (E), by striking the
7 period at the end and inserting a semicolon;
8 and

9 (C) by adding at the end the following:

10 “(F) areas in which the President has de-
11 clared a major disaster (as that term is defined
12 in section 102 of the Robert T. Stafford Dis-
13 aster Relief and Emergency Assistance Act (42
14 U.S.C. 5122)) as a result of Hurricane Katrina
15 of August 2005 or Hurricane Rita of Sep-
16 tember 2005, during the time period described
17 in paragraph (8); or

18 “(G) catastrophic national disaster areas.”;

19 (2) in paragraph (4), by adding at the end the
20 following:

21 “(E) CATASTROPHIC NATIONAL DISASTER
22 AREA.—

23 “(i) IN GENERAL.—The term ‘cata-
24 strophic national disaster area’ means an
25 area—

1 “(I) affected by a catastrophic
2 national disaster declared under sec-
3 tion 7(b)(11), during the time period
4 described in clause (ii); and

5 “(II) for which the Administrator
6 determines that designation as a
7 HUBZone would substantially con-
8 tribute to the reconstruction and re-
9 covery effort in that area.

10 “(ii) TIME PERIOD.—The time period
11 for the purposes of clause (i)—

12 “(I) shall be the 2-year period
13 beginning on the date that the appli-
14 cable catastrophic national disaster
15 was declared under section 7(b)(11);
16 and

17 “(II) may, at the discretion of
18 the Administrator, be extended to be
19 the 3-year period beginning on the
20 date described in subclause (I).”;

21 (3) by adding at the end the following:

22 “(8) TIME PERIOD.—The time period for the
23 purposes of paragraph (1)(F)—

1 “(A) shall be the 2-year period beginning
2 on the later of the date of enactment of this
3 paragraph and August 29, 2007; and

4 “(B) may, at the discretion of the Admin-
5 istrator, be extended to be the 3-year period be-
6 ginning on the later of the date of enactment
7 of this paragraph and August 29, 2007.”.

8 (b) TOLLING OF GRADUATION.—Section 7(j)(10)(C)
9 of the Small Business Act (15 U.S.C. 636(j)(10)(C)) is
10 amended by adding at the end the following:

11 “(iii)(I) For purposes of this subpara-
12 graph, if the Administrator designates an area
13 as a HUBZone under section 3(p)(4)(E)(i)(II),
14 the Administrator shall not count the time pe-
15 riod described in subclause (II) of this clause
16 for any small business concern—

17 “(aa) that is participating in any pro-
18 gram, activity, or contract under section
19 8(a); and

20 “(bb) the principal place of business
21 of which is located in that area.

22 “(II) The time period for purposes of sub-
23 clause (I)—

24 “(aa) shall be the 2-year period begin-
25 ning on the date that the applicable cata-

1 strophic national disaster was declared
2 under section 7(b)(11); and

3 “(bb) may, at the discretion of the
4 Administrator, be extended to be the 3-
5 year period beginning on the date de-
6 scribed in item (aa).”.

7 (c) STUDY OF HUBZONE DISASTER AREAS.—Not
8 later than 1 year after the date of enactment of this Act,
9 the Comptroller General of the United States shall submit
10 a report to the Committee on Small Business and Entre-
11 preneurship of the Senate and the Committee on Small
12 Business of the House of Representatives evaluating the
13 designation by the Administrator of catastrophic national
14 disaster areas, as that term is defined in section
15 3(p)(4)(E) of the Small Business Act (as added by this
16 Act), as HUBZones.

17 **TITLE III—DISASTER**
18 **ASSISTANCE OVERSIGHT**

19 **SEC. 301. CONGRESSIONAL OVERSIGHT.**

20 (a) MONTHLY ACCOUNTING REPORT TO CON-
21 GRESS.—

22 (1) REPORTING REQUIREMENTS.—Not later
23 than the fifth business day of each month during the
24 applicable period for a major disaster, the Adminis-
25 trator shall provide to the Committee on Small Busi-

1 ness and Entrepreneurship and the Committee on
2 Appropriations of the Senate and to the Committee
3 on Small Business and the Committee on Appropria-
4 tions of the House of Representatives a report on
5 the operation of the disaster loan program author-
6 ized under section 7 of the Small Business Act (15
7 U.S.C. 636) for that major disaster during the pre-
8 ceding month.

9 (2) CONTENTS.—Each report under paragraph
10 (1) shall include—

11 (A) the daily average lending volume, in
12 number of loans and dollars, and the percent by
13 which each category has increased or decreased
14 since the previous report under paragraph (1);

15 (B) the weekly average lending volume, in
16 number of loans and dollars, and the percent by
17 which each category has increased or decreased
18 since the previous report under paragraph (1);

19 (C) the amount of funding spent over the
20 month for loans, both in appropriations and
21 program level, and the percent by which each
22 category has increased or decreased since the
23 previous report under paragraph (1);

24 (D) the amount of funding available for
25 loans, both in appropriations and program level,

1 and the percent by which each category has in-
2 creased or decreased since the previous report
3 under paragraph (1), noting the source of any
4 additional funding;

5 (E) an estimate of how long the available
6 funding for such loans will last, based on the
7 spending rate;

8 (F) the amount of funding spent over the
9 month for staff, along with the number of staff,
10 and the percent by which each category has in-
11 creased or decreased since the previous report
12 under paragraph (1);

13 (G) the amount of funding spent over the
14 month for administrative costs, and the percent
15 by which such spending has increased or de-
16 creased since the previous report under para-
17 graph (1);

18 (H) the amount of funding available for
19 salaries and expenses combined, and the per-
20 cent by which such funding has increased or de-
21 creased since the previous report under para-
22 graph (1), noting the source of any additional
23 funding; and

1 (I) an estimate of how long the available
2 funding for salaries and expenses will last,
3 based on the spending rate.

4 (b) DAILY DISASTER UPDATES TO CONGRESS FOR
5 PRESIDENTIALLY DECLARED DISASTERS.—

6 (1) IN GENERAL.—Each day during a disaster
7 update period, excluding Federal holidays and week-
8 ends, the Administration shall provide to the Com-
9 mittee on Small Business and Entrepreneurship of
10 the Senate and to the Committee on Small Business
11 of the House of Representatives a report on the op-
12 eration of the disaster loan program of the Adminis-
13 tration for the area in which the President declared
14 a major disaster.

15 (2) CONTENTS.—Each report under paragraph
16 (1) shall include—

17 (A) the number of Administration staff
18 performing loan processing, field inspection,
19 and other duties for the declared disaster, and
20 the allocations of such staff in the disaster field
21 offices, disaster recovery centers, workshops,
22 and other Administration offices nationwide;

23 (B) the daily number of applications re-
24 ceived from applicants in the relevant area, as
25 well as a breakdown of such figures by State;

1 (C) the daily number of applications pend-
2 ing application entry from applicants in the rel-
3 evant area, as well as a breakdown of such fig-
4 ures by State;

5 (D) the daily number of applications with-
6 drawn by applicants in the relevant area, as
7 well as a breakdown of such figures by State;

8 (E) the daily number of applications sum-
9 marily declined by the Administration from ap-
10 plicants in the relevant area, as well as a break-
11 down of such figures by State;

12 (F) the daily number of applications de-
13 clined by the Administration from applicants in
14 the relevant area, as well as a breakdown of
15 such figures by State;

16 (G) the daily number of applications in
17 process from applicants in the relevant area, as
18 well as a breakdown of such figures by State;

19 (H) the daily number of applications ap-
20 proved by the Administration from applicants in
21 the relevant area, as well as a breakdown of
22 such figures by State;

23 (I) the daily dollar amount of applications
24 approved by the Administration from applicants

1 in the relevant area, as well as a breakdown of
2 such figures by State;

3 (J) the daily amount of loans dispersed,
4 both partially and fully, by the Administration
5 to applicants in the relevant area, as well as a
6 breakdown of such figures by State;

7 (K) the daily dollar amount of loans dis-
8 bursed, both partially and fully, from the rel-
9 evant area, as well as a breakdown of such fig-
10 ures by State;

11 (L) the number of applications approved,
12 including dollar amount approved, as well as
13 applications partially and fully disbursed, in-
14 cluding dollar amounts, since the last report
15 under paragraph (1); and

16 (M) the declaration date, physical damage
17 closing date, economic injury closing date, and
18 number of counties included in the declaration
19 of a major disaster.

20 (c) NOTICE OF THE NEED FOR SUPPLEMENTAL
21 FUNDS.—On the same date that the Administrator noti-
22 fies any committee of the Senate or the House of Rep-
23 resentatives that supplemental funding is necessary for
24 the disaster loan program of the Administration in any
25 fiscal year, the Administrator shall notify in writing the

1 Committee on Small Business and Entrepreneurship of
2 the Senate and the Committee on Small Business of the
3 House of Representatives regarding the need for supple-
4 mental funds for that loan program.

5 (d) REPORT ON CONTRACTING.—

6 (1) IN GENERAL.—Not later than 6 months
7 after the date on which the President declares a
8 major disaster, and every 6 months thereafter until
9 the date that is 18 months after the date on which
10 the major disaster was declared, the Administrator
11 shall submit a report to the Committee on Small
12 Business and Entrepreneurship of the Senate and to
13 the Committee on Small Business of the House of
14 Representatives regarding Federal contracts award-
15 ed as a result of that major disaster.

16 (2) CONTENTS.—Each report submitted under
17 paragraph (1) shall include—

18 (A) the total number of contracts awarded
19 as a result of that major disaster;

20 (B) the total number of contracts awarded
21 to small business concerns as a result of that
22 major disaster;

23 (C) the total number of contracts awarded
24 to women and minority-owned businesses as a
25 result of that major disaster; and

1 (D) the total number of contracts awarded
2 to local businesses as a result of that major dis-
3 aster.

4 (e) REPORT ON LOAN APPROVAL RATE.—

5 (1) IN GENERAL.—Not later than 6 months
6 after the date of enactment of this Act, the Adminis-
7 trator shall submit a report to the Committee on
8 Small Business and Entrepreneurship of the Senate
9 and the Committee on Small Business of the House
10 of Representatives detailing how the Administration
11 can improve the processing of applications under the
12 disaster loan program of the Administration.

13 (2) CONTENTS.—The report submitted under
14 paragraph (1) shall include—

15 (A) recommendations, if any, regarding—

16 (i) staffing levels during a major dis-
17 aster;

18 (ii) how to improve the process for
19 processing, approving, and disbursing
20 loans under the disaster loan program of
21 the Administration, to ensure that the
22 maximum assistance is provided to victims
23 in a timely manner;

24 (iii) the viability of using alternative
25 methods for assessing the ability of an ap-

1 plicant to repay a loan, including the credit
2 score of the applicant on the day before
3 the date on which the disaster for which
4 the applicant is seeking assistance was de-
5 clared;

6 (iv) methods, if any, for the Adminis-
7 tration to expedite loss verification and
8 loan processing of disaster loans during a
9 major disaster for businesses affected by,
10 and located in the area for which the
11 President declared, the major disaster that
12 are a major source of employment in the
13 area or are vital to recovery efforts in the
14 region (including providing debris removal
15 services, manufactured housing, or building
16 materials);

17 (v) legislative changes, if any, needed
18 to implement findings from the Accelerated
19 Disaster Response Initiative of the Admin-
20 istration; and

21 (vi) a description of how the Adminis-
22 tration plans to integrate and coordinate
23 the response to a major disaster with the
24 technical assistance programs of the Ad-
25 ministration; and

1 (B) the plans of the Administrator for im-
2 plementing any recommendation made under
3 subparagraph (A).

Passed the Senate August 3, 2007.

Attest:

Secretary.

110TH CONGRESS
1ST SESSION

S. 163

AN ACT

To improve the disaster loan program of the Small Business Administration, and for other purposes.