

Union Calendar No. 10

106TH CONGRESS
1ST SESSION

H. R. 440

[Report No. 106–12]

To make technical corrections to the Microloan Program.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 2, 1999

Mr. TALENT (for himself, Ms. VELÁZQUEZ, Mr. PASCRELL, and Ms. SCHAKOWSKY) introduced the following bill; which was referred to the Committee on Small Business

FEBRUARY 8, 1999

Committed to the Committee of the Whole House on the State of the Union
and ordered to be printed

A BILL

To make technical corrections to the Microloan Program.

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 “Microloan Program
5 Technical Corrections Act of 1999”.

1 **SEC. 2. TECHNICAL CORRECTIONS.**

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

4 (1) by amending paragraph (7)(B) to read as
5 follows:

6 “(B) AVAILABILITY OF FUNDS.—Subject
7 to appropriations, the Administration shall en-
8 sure that at least \$800,000 of new loan funds
9 are available for each State in any fiscal year.
10 All funds are to be made available subject to
11 approval of the Administration. If, at the begin-
12 ning of the third quarter of a fiscal year, the
13 Administration determines that the funds nec-
14 essary to comply with this provision are unlikely
15 to be awarded that year, the Administration
16 may make those funds available to any State or
17 intermediary.”; and

18 (2) in paragraph (8)—

19 (A) by inserting “and providing funding to
20 intermediaries” after “program applicants”;
21 and

22 (B) by inserting “and provide funding to”
23 after “shall select”.

24 **SEC. 3. LOAN LOSS RESERVE.**

25 Section 7(m)(3)(D) of the Small Business Act (15
26 U.S.C. 636(m)(3)(D)) is amended to read as follows:

1 “(D)(i) IN GENERAL.—The Administrator
2 shall, by regulation, require each intermediary
3 to establish a loan loss reserve fund, and to
4 maintain such reserve fund until all obligations
5 owed to the Administration under this sub-
6 section are repaid.

7 “(ii) LEVEL OF LOAN LOSS RESERVE
8 FUND.—

9 “(I) Subject to subclause (III), the
10 Administration shall require the loan loss
11 reserve fund of an intermediary to be
12 maintained at a level equal to 15 percent
13 of the outstanding balance of the notes
14 receivable owed to the intermediary.

15 “(II) REVIEW OF LOAN LOSS.—After
16 the initial 5 years of each intermediary’s
17 participation in the program authorized by
18 this subsection, the Administration shall,
19 at the request of the intermediary, conduct
20 a review of the annual loss rate of each
21 intermediary. Any intermediary in oper-
22 ation under this subsection prior to Octo-
23 ber 1, 1994 that requests a reduction in its
24 loan loss reserve shall be reviewed based on

1 the most recent five year period preceding
2 the request.

3 “(II) REDUCTION OF THE LOAN LOSS
4 RESERVE.—Subject to the requirements of
5 this subclause the Administrator may re-
6 duce the annual loan loss reserve
7 requirement to reflect the actual average
8 loan loss rate for the intermediary during
9 the preceding five year period, except that
10 in no case shall the loan loss reserve be re-
11 duced to less than 10 percent of the out-
12 standing balance of the notes receivable
13 owed to the intermediary.

14 “A reduction may be allowed only if
15 the intermediary demonstrates to the satis-
16 faction of the Administrator that—

17 “(aa) the average annual loss
18 rate for the intermediary during the
19 preceding 5 year period is less than
20 15 percent; and

21 “(bb) that no other factors exist
22 that may impair the ability of the
23 intermediary to repay all obligations
24 owed to the Administration under this
25 subsection.”.

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