

**MARKUP OF: H.R. 7903, “TO AMEND THE SMALL  
BUSINESS ACT TO ESTABLISH THE COMMUNITY  
ADVANTAGE LOAN PROGRAM” H.R. 8211, “504  
MODERNIZATION AND SMALL MANUFACTURER  
ENHANCEMENT ACT OF 2020” H.R. 8199, “504  
CREDIT RISK MANAGEMENT IMPROVEMENT  
ACT OF 2020” H.R. 8229, “PARITY FOR  
HUBZONE APPEALS ACT OF 2020”**

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**HEARING**

BEFORE THE

COMMITTEE ON SMALL BUSINESS

UNITED STATES

HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTEENTH CONGRESS

SECOND SESSION

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**WEDNESDAY, SEPTEMBER 16, 2020**

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON SMALL BUSINESS,

*Washington, DC.*

The Committee met, pursuant to call, at 10:32 a.m., in Room 2175, Rayburn House Office Building. Hon. Nydia Velázquez [chairwoman of the Committee] presiding.

Present: Representatives Velázquez, Finkenauer, Golden, Kim, Crow, Davids, Chu, Mfume, Evans, Schneider, Espaillat, Delgado, Houlahan, Craig, Chabot, Radewagen, Balderson, Hern, Hagedorn, Stauber, Burchett, Spano, Joyce, and Bishop.

Chairwoman VELÁZQUEZ. Good morning. With a quorum being present, I call this morning's meeting of the Committee on Small Business to order.

Without objection, the Chair is authorized to declare a recess at any time.

I would like to begin by noting some important requirements. During the covered period as designated by the speaker, the Committee will operate in accordance with H.R. 965 and the subsequent guidance from the Rules Committee in a manner that respects the rights of all members to participate. Standing House and Committee rules and practice will continue to apply during hybrid proceedings as well.

House regulations require members to be visible through a video connection throughout the proceeding. Due to the nature of a markup, it is extremely important that members follow this rule to ensure a quorum can be established and that members' votes can be recorded by the clerk.

As a reminder, members can participate in only one proceeding at a time, so if you have another Committee proceeding or meeting, please sign off and rejoin later.

If a member wishes to offer an amendment that has not been pre-filed, we will take a brief recess to allow for its uploading, printing, and distribution, then resume.

We may also recess briefly to address technical issues in the event a member cannot be recognized to speak or offer an amendment.

Finally, for those members physically present in the Committee room today, we will also be following the health and safety guidance issued by the attending physician that includes social distancing and especially the use of masks. I urge members and staff to wear a mask at all times while in the hearing room, and I thank you in advance for your commitment to a safe environment for all.

Welcome to our first hybrid markup. Today, we will be considering four bipartisan bills. Three of them make important changes to the lending programs to make it easier for small businesses to access capital. Another will provide much needed uniformity for the HUBZone appeals process for protest determinations.

I would like to begin by taking a moment to thank the Ranking Member and all the members of the Small Business Committee for their commitment to small firms during this particularly tough year. The coronavirus pandemic has threatened the very existence of millions of small businesses all across the country. Members of this Committee were front and center working tirelessly to help small businesses survive. I commend each and every one of you for your leadership during these unprecedented times.

For the past 6 months, our Committee has worked around the clock to make sure the emergency relief reaches struggling small businesses. While we continue to press for more aid for those that are bearing the brunt of this pandemic, we must also focus on SBA's core programs and responsibilities. Today's markup is a continuation of our work to improve day-to-day operations of the agency.

Prior to the coronavirus, the Committee held numerous hearings and roundtables to learn what is working and what needs to be improved at SBA. The bills we are considering today are a product of that work and a testament to our ability to work together day in and day out on behalf of small businesses. Following in the long-standing tradition of the Committee, all of the bills are bipartisan. I am proud of the work of our Committee and am especially grateful to have Ranking Member Chabot as a pioneer in this process.

With that said, let's turn to the bills under consideration.

H.R. 7903, to establish the Community Advantage Loan Program, introduced by Ms. Chu and cosponsored by Mr. Spano.

H.R. 8211, the "504 Modernization and Small Manufacturer Enhancement Act of 2020," introduced by Ms. Craig and cosponsored by Mr. Chabot.

H.R. 8199, the "504 Credit Risk Management Improvement Act," introduced by Mr. Bishop and cosponsored by Ms. Craig.

H.R. 8229, the "Parity for HUBZone Appeals Act of 2020," introduced by Ms. Radewagen and cosponsored by Ms. Houlahan.

I strongly support each of the four bills to be marked up today.

I would now like to recognize our Ranking Member, Mr. Chabot, for his opening remarks.

Mr. CHABOT. Thank you, Madam Chairwoman. And thank you for holding today's markup.

As always, I appreciate your willingness to work with me and with our staff in such a bipartisan manner. All four of these bills are led by members of both parties, which is now the norm in this Committee. We find common ground, and that makes our Committee so successful. Thank you for that.

I will be brief in my opening as we will discuss each bill as it is called up.

Our Committee continues to be of critical importance to this Congress, and most importantly to our country, especially in these challenging COVID times. Over the past 6 months, our Committee has been working nonstop on emergency measures to help our nation's small businesses to literally survive. As we move forward towards recovery, it is more important than ever that the SBA's core programs are operating at an optimum level.

Each of the bills before us today improves some aspect of the SBA programs that small businesses across the country utilize to help speed up this country's recovery. I support each of these measures, and I want to thank all of our members, both Republican and Democrat alike for their hard work on these bills. Again, I complement you on your bipartisan operation of this Committee, as we had done when I was Chair, and we have worked together for many years now. I think it really works for us and this Committee, and most importantly, for the country.

I thank you, and I yield back.

Chairwoman VELAZQUEZ. Thank you, Mr. Chabot. The gentleman yields back.

Before we get into the individual bills, are there any members present who seek recognition for the purpose of making an opening statement?

Seeing none, we will move to consideration of H.R. 7903, to establish the Community Advantage Loan Program, introduced by Ms. Chu and cosponsored by Mr. Spano.

H.R. 7903

The bill codifies the Community Advantage Program known as "CA," which has been on a pilot status since it was initiated by SBA in 2011.

I would like to now recognize the gentlewoman from California, Ms. Chu, the sponsor of the bill for an opening statement.

Ms. CHU. Thank you, Madam Chairwoman. And thank you to my colleague, Mr. Spano, for his partnership on this important legislation.

The Community Advantage Program was established as a pilot at SBA nearly 10 years ago with the goal of meeting the credit, management, and technical assistance needs of small businesses in underserved markets. The program provides mission granted lenders with access to SBA 7(a) loan guarantees to deliver financing to the disadvantaged small businesses that too often lack adequate access to capital that their businesses need to thrive. This is a proven success that reaches significantly more women and minority-owned businesses than the traditional 7(a) program. That is why I introduced this legislation to elevate the Community Advantage Program from a pilot to one of SBA's core lending programs.

I want to thank my colleagues on this Committee for their support and bipartisan input to make this bill stronger by increasing targeting of underserved businesses and ensuring that small businesses in disaster areas can qualify for the program.

This is so important, especially as wildfires rage through California, including in my very own district. We are facing a long and challenging recovery once we defeat the coronavirus, and Community Advantage can play a bit part in ensuring that no small businesses are left behind.

Thank you, and I yield back.

Chairwoman VELAZQUEZ. The gentlewoman yields back.

I would like now to recognize the gentleman from Florida, Mr. Spano, the cosponsor of the bill for an opening statement.

Mr. SPANO. Thank you, Madam Chairwoman and Ranking Member Chabot for convening the markup today.

I am excited to discuss several important bills and programs that will continue to assist small businesses from coast to coast.

As a former small business owner myself, one of my main motivations for getting involved in politics was to fight for small businesses, and I am honored to do that today.

I would also like to thank Representative Judy Chu for working with me on details to improve the Community Advantage Loan Program.

The program, which was launched by the SBA a decade ago, aims to assist small businesses in historically underserved areas. Through a combination of financial assistance and technical assistance, this program has proven to be a gamechanger for many small businesses.

In my home state of Florida, there are over 2.5 million small businesses. However, a remaining challenge for small businesses is access to capital. Representative Chu and I heard about this during our Subcommittee on Investigations, Oversight, and Regulations hearing back in May of 2019 when we discussed the Community Advantage Loan Program. This program, which provides low interest loans to small businesses, was created by the SBA and continues today as a pilot program.

H.R. 7903, which I am a proud cosponsor of, brings consistency and assurances to program participants as it reauthorizes the program for 5 more years. H.R. 7903 codifies and strengthens the program to better serve businesses. Legislation outlines the mission-oriented program by defining loan terms and requirements that a certain amount of loans must be made to small businesses in underserved areas. Additionally, H.R. 7903 outlines important weekly and annual reporting requirements for the SBA. These reports will be instrumental as Congress measures the efficiency and the effectiveness of this program moving forward. Now more than ever it is time to support our small businesses. PPP and the EIDL have helped small businesses keep their doors open and have saved numerous jobs. H.R. 7903 is another way we can assist these small businesses in need. My hope is that this bill is a step in the right direction for small businesses that continue to face challenges finding access to capital as our nation continues to recover.

I urge my colleagues to support this bill, and I yield back.

Chairwoman VELAZQUEZ. The gentleman yields back.

Now I recognize the Ranking Member for his statement.

Mr. CHABOT. Thank you, Madam Chair. I will be brief.

As the country continues to deal with COVID-19, the SBA's existing toolbox of programs provide capital assistance and resources to America's main street small businesses. One of the existing government-guarantee lending programs that aims to assist small businesses in underserved areas across the country is the Community Advantage Loan Program. It was originally created by the SBA without congressional involvement and thus, currently operates as a pilot program that lacks oversight benchmarks and comprehensive reporting requirements.

I would like to thank Representative Judy Chu and Representative Ross Spano for working hard and in a thorough manner to authorize the Community Advantage Loan Program for 5 years. H.R. 7903 not only delivers certainty, but it comprehensively outlines the intent of the program. It defines the rules of the program for lenders and businesses and requires strong reporting requirements to ensure Congress can prudently measure the program.

H.R. 7903 will ensure this program meets the needs of America's small businesses while informing Congress of the program's performance. Now more than ever, the nation's smallest firms need financial assistance and technical assistance. This program delivers both. I commend Representative Chu and Representative Spano for putting forth this legislation, and I want to especially thank Representative Spano for his service on this Committee and this Congress. He has very aggressively, very well served as the Ranking Member of the Investigations, Oversight, and Regulations Subcommittee. He has done a tremendous job doing that, and we appreciate his service and the things that you have accomplished here will benefit small businesses for quite some time. Thank you for doing it in a bipartisan manner as you and Representative Chu have done while you have worked on this Committee.

I urge my colleagues to support this legislation, and I yield back. Chairwoman VELAZQUEZ. Thank you. The gentleman yields back.

Are there any other members who wish to be recognized for a statement on H.R. 7903?

Mr. MFUME. Madam Chair?

Chairwoman VELAZQUEZ. Who seeks recognition?

Mr. MFUME. Mr. Mfume.

Chairwoman VELAZQUEZ. Mr. Mfume is recognized.

Mr. MFUME. Thank you very much, Madam Chair.

My congratulations to both Ms. Chu and Mr. Spano.

I have a quick question just for clarification.

The bill establishes, I understand, a working group that will advise the SBA well into the future, and I am just trying to get clarity on the criteria for the working group. I do not know if I missed that or not, but if either of the sponsors could expand on that, that would be great.

Chairwoman VELÁZQUEZ. Yes. I would ask the counsel to explain.

Mr. PELLETIER. Can you describe exactly what you are asking about the scope of the working group?

Mr. MFUME. I am trying to figure out what is the criteria to be a part of or to be included in this working since it is going to be advising the SBA going forward. It is not to second guess them. I am just trying to get a sense of how it is to be established.

Mr. PELLETIER. Sure. There are two criteria. Two groups of folks that can be included. One is geographically diverse representation of members from among covered institutions participating in the program. Those are the CA lenders and representatives from the Office of Capital Access at SBA, the Office of Credit Risk Management at SBA, and the Office of Economic Opportunity at SBA.

Mr. MFUME. Is there a term to each one of these persons' service on that group?

Mr. PELLETIER. The legislation is silent as to the length of service.

Mr. MFUME. I beg your pardon?

Mr. PELLETIER. The legislation is silent as to the length of service.

Mr. MFUME. Okay. Is there a rotation? That is the other point that I was trying to ask about. Are people rotated on and off periodically, including the fact that they have a length of service? Are the terms staggered? I am just trying to get a sense. That is all.

Mr. PELLETIER. That is usually taken care of by the working group themselves. This legislation is silent as to that point exactly.

Mr. MFUME. Okay. All right then. Thank you very much. Thank you, Madam Chair.

Chairwoman VELÁZQUEZ. Thank you, Mr. Mfume. The gentleman yields back.

I now recognize myself.

Many entrepreneurs, especially those from traditionally underserved communities, have struggled to access affordable capital on reasonable terms. The most recent example of this comes from the Paycheck Protection Program (PPP), where just 12 percent of Black and Latino business owners who apply for PPP loans reported receiving the amount they asked for. To fill this gap, a nationwide network of nonprofit mission lenders has stepped up to help these businesses who have been left behind by traditional lenders. These lenders include SBA certified development companies, microlenders, and CDFIs, all of whom are empowered to further strengthen their communities using this program. So far, the CA program has been incredibly successful in meeting its goal of channeling critically needed capital to underserved markets. According to SBA, this program reaches significantly more women and minorities than the traditional 7(a) loan program. I have been critical of the 7(a) program because the portfolio basically shows that they are making the bigger loans, but loans less than \$150,000 are the loans that are applied for by minority businesses and female business owners. There is this gap that exists under the 7(a). The 504 is filling that gap and it is clear that in the near decade since its inception, the CA program has matured into a program that deserves statutory recognition and status. That is why I am proud to support today's bill to codify the CA program under the Small Business Act.

I want to thank Ms. Chu and Mr. Spano for their leadership on this issue. I encourage all of my colleagues to vote yes.

If there is no further discussion, the Committee will move to consideration of H.R. 7903.

The clerk will report the title of the bill.

The CLERK. H.R. 7903, to establish the Community Advantage Loan Program.

Chairwoman VELÁZQUEZ. Without objection—

Mr. SPANO. Madam Chair?

Chairwoman VELAZQUEZ. H.R. 79—

Mr. SPANO. Madam Chair, I have not amended it.

Chairwoman VELAZQUEZ. Yes. I will go through that.

Without objection, H.R. 7903 is considered as read and open for amendment at any point.

Are there any members who wish to offer an amendment?

Mr. SPANO. Madam Chair, I have an amendment at the desk and apologize for jumping the gun.

Chairwoman VELAZQUEZ. The clerk will report the amendment.

The CLERK. Amendment to H.R. 7903—

Chairwoman VELAZQUEZ. Without objection, the amendment is considered as read.

The gentleman is recognized for 5 minutes.

Mr. SPANO. Thank you, Madam Chairwoman.

Florida is home to more than 2.5 million small businesses and 3.5 million small business employees. In my district alone there are 12,000 small businesses and over 100,000 small business employees. For years, I, too, ran my own small business. I know firsthand the challenges that small business owners face and the grit and determination necessary to overcome them.

One of the unfortunate challenges that many Florida businesses combat are the unforeseen impacts of hurricanes, and other weather-related disasters. Today, the Gulf Coast region is actually suffering the impact of Hurricane Sally as it moves ashore, and our prayers are certainly with them today. Natural disasters leave destruction in their wake, including the dreams of small business owners. That is why I am offering the amendment to bring a bit of certainty to small businesses that find themselves in the middle of uncertain circumstances recovering from a disaster. My amendment will include designated disaster areas as an underserved area as it relates to the Community Advantage Loan Program. This classification would stand throughout the disaster designation and for a period of 2 years afterward supporting small businesses throughout the recovery process.

Additionally, the amendment contains a provision that would help Congress better understand the role of a small business's credit score within the Community Advantage Loan Program. In March of this year, the SBA's Office of Inspector General released a report outlining a number of issues within the program, including the role of a small business's credit score. My amendment, which requires the SBA to report on the performance of loans based on credit score ranges provides a clear metric for Congress to use in evaluation of the program.

I appreciate the opportunity to offer these two provisions in the amendment that would strengthen and improve the Community Advantage Loan Program, and I yield back.

Chairwoman VELÁZQUEZ. Are there any other members who wish to be recognized for a statement on the amendment?

Mr. CHABOT. Madam Chair?

Chairwoman VELÁZQUEZ. Ranking Member Mr. Chabot.

Mr. CHABOT. Thank you. Move to strike the last word.

I want to thank the gentleman from Florida, Mr. Spano, for offering this amendment that will strengthen the underlying bill. The amendment contains two important provisions.

First, it makes sure that small businesses that are impacted by a natural disaster have a place within this program as they recover and rebuild.

Second, it follows through on the SBA Inspector General Report by examining the credit scores of small businesses operating within the program. These changes will enhance the Community Advantage Loan Program and provide Congress with a clear view of the program's performance. I know Representative Spano has worked diligently on this program, including meeting with me to specifically discuss next steps. I would like to thank him for his hard work which will benefit people all over the country but especially in areas which are subject to natural disasters as parts of Florida are.

I urge my colleagues to support this amendment, and I yield back the balance of my time.

Chairwoman VELÁZQUEZ. The gentleman yields back.

Are there any other members who wish to be recognized for a statement on the amendment?

Let me recognize myself briefly.

I really appreciate Mr. Spano for offering this important amendment which will strengthen this program, reaching into communities impacted by natural disasters. With the rise in number and strength of natural disasters all across the country, it is important that this Committee improves SBA capital access offerings. I support the amendment, and I encourage all my colleagues to support it as well.

The question is now on Amendment 1 offered by the gentleman from Florida, Mr. Spano.

All those in favor say aye.

Those opposed say no.

In the opinion of the Chair the ayes have it and the amendment is agreed to.

Are there any other members who wish to be recognized for the purposes of offering an amendment?

Mr. CROW. Madam Chair, I have an amendment.

Chairwoman VELÁZQUEZ. The gentleman, Mr. Crow, has an amendment at the desk.

The clerk will report the amendment.

The CLERK. Amendment to H.R. 7903 offered by Mr. Crow.

Chairwoman VELÁZQUEZ. Without objection, the amendment is considered as read.

I recognize the gentleman from Colorado, Mr. Crow, for 5 minutes.

Mr. CROW. Madam Chair, thank you for the opportunity to speak on H.R. 7903.

Before COVID-19, 83 percent of all entrepreneurs did not have access to bank loans or venture capital, including SBA loans. Almost 65 percent of entrepreneurs relied on personal and family savings for startup capital. Additionally, although the number of women and minority-owned businesses is growing, they are less likely to start their own business due to lack of access to capital, entrepreneurial training, and networks, the basics of starting a successful enterprise. Entrepreneurs, particularly those in traditionally underserved communities, need upfront support to take the risk of starting a business.

The ongoing pandemic has made these disparities even larger. The economic hardship brought on by the pandemic continues to exacerbate previously distressed economies, so creating opportunities for business growth in a post-COVID-19 economy will be critical to revitalize the impacted areas. That is why the underlying bill is so important. It provides an avenue for mission-based lenders who tend to have more relationships and trust in underserved areas to reach more businesses that are not traditionally eligible for 7(a) loans.

H.R. 7903 offered by my friend and colleague, Representative Chu of California, includes a stipulation that lenders operating under the Community Advantage Program must ensure that at minimum 60 percent of their loans go to small businesses in traditionally underserved markets. These are defined as “low- to moderate-income community, HUBZone, enterprise community, opportunity zone, or rural areas.”

My amendment would increase the 60 percent stipulation to 75 percent, which would ensure that lenders under the Community Advantage Loan Program focus their outreach more closely on underserved small businesses.

Small businesses in underserved communities are hurting, and I believe that this bill with my amendment will resonate with mission-based lenders and make their objective all the more clear.

I urge my colleagues to support my amendment, and I thank the Chairwoman for the opportunity to speak on its behalf. I yield back.

Chairwoman VELÁZQUEZ. The gentleman yields back.

Are there any other members who wish to be recognized on Mr. Crow’s amendment?

Mr. CHABOT. Madam Chair?

Chairwoman VELÁZQUEZ. Ranking Member Chabot.

Mr. CHABOT. Thank you, Madam Chair.

I want to thank Representative Crow for this amendment and his efforts to improve the Community Advantage Loan Program. This amendment focuses this program even more on underserved small businesses. That is a worthy effort. I support it. I support this amendment and I yield back.

Chairwoman VELÁZQUEZ. Thank you. The gentleman yields back. Thank you so much, Mr. Chabot.

Again, I will ask all the members to support this important amendment. It is going to make a large difference for those minority businesses in underserved communities that are struggling right now, and I am happy to support it.

The question is now on Amendment 2 offered by the gentleman from Colorado, Mr. Crow.

All those in favor say aye.

All those opposed say no.

I am sorry; all those that support the amendment say aye.

All those opposed say no.

In the opinion of the Chair, the ayes have it and the amendment is agreed to.

Are there any other members who wish to be recognized for the purpose of offering an amendment?

Seeing none, the question is now on H.R. 7903 as amended.

All those in favor say aye.

All those opposed say no.

In the opinion of the Chair the ayes have it and H.R. 7903 as amended is agreed to.

The question now occurs on reporting H.R. 7903 as amended to the House.

All those in favor say aye.

All those opposed say no.

In the opinion of the Chair the ayes have it.

H.R. 7903 as amended is reported to the House.

Without objection, Committee staff is authorized to correct punctuation, make other necessary technical corrections and conforming changes.

Without objection members have 2 business days to file additional supplemental, dissenting, and minority views.

H.R. 8211

Our second bill today is H.R. 8211, the "504 Modernization and Small Manufacturer Enhancement Act of 2020," introduced by Ms. Craig and cosponsored by Ranking Member Chabot. This bill will help manufacturing firms access the affordable long-term capital they need to sustain and expand operations and create jobs.

I will now recognize the gentlewoman from Minnesota, Ms. Craig, for an opening statement on H.R. 8211.

Ms. CRAIG. Thank you so much, Madam Chairwoman, for yielding.

I am proud to lead H.R. 8211, the "504 Modernization and Small Manufacturer Enhancement Act of 2020," and I would like to thank Ranking Member Chabot, the original cosponsor, for his work on the bill.

The 504 Loan Program backs long-term loans up to \$5.5 million to support investment in major fixed assets such as land, buildings, heavy equipment, and machinery. The program is delivered by local, certified development companies (CDCs), which are private, nonprofit corporations established to promote economic development within their communities. The program promotes economic development, job creation and retention, and expansion of small businesses throughout a three-part partnership.

In December of 2019, the Subcommittee on Investigations, Oversight, and Regulations heard from CDC leaders about their experiences with the program and improvements needed. Some of the issues mentioned were the lengthy and complex loan closing process, which has caused third-party lenders to walk away from poten-

tial deals and the occupancy rules governing the program hindering the financing of projects for multi-story buildings.

H.R. 8211 would make various improvements to the 504 program, making it more accessible to small businesses and ultimately drive economic development and growth. More specifically, the bill would increase the maximum loan amount to \$6.5 million, require SBA district offices to partner with SBA resource partners to provide entrepreneurial development assistance, decrease project costs for small manufacturers, and increase the job creation retention requirements streamlining numerous administrative processes and would create an express loan program for loans less than \$500,000.

In a time of economic process and unemployment, I believe we need to continue to invest in our small businesses, specifically small manufacturers, to promote economic development and the creation and retention of jobs.

Small businesses are the heart of this economy, and with these improvements, more small businesses will be able to grow and ultimately contribute to the economic landscape of not only their communities but of this country.

I urge my colleagues to support H.R. 8211, and Madam Chairwoman, I yield back.

Chairwoman VELÁZQUEZ. The gentlewoman yields back.

Now I recognize the cosponsor of the bill, Mr. Chabot for an opening statement.

Mr. CHABOT. Thank you, Madam Chair.

Many of the SBA's government guarantee loan programs have a strong track record of producing results. Included near the top of this list is the 504 CDC Loan Program. Year in and year out, the program helps to transform small businesses and their neighborhoods where they operate. This legislation, which I have cosponsored along with my democratic colleague, Ms. Craig—and I want to thank her for her leadership and hard work on this—will further enhance and modernize the program in order to assist and serve small businesses across the Nation. Specifically, the bill expands the public policy goals that will qualify a small business with a 504 Loan Program. The legislation also puts a focus on small manufacturers, as Ms. Craig indicated, by increasing their loan amount and increasing assistance available to them. Additionally, H.R. 8211 streamlines the 504 Loan Program, the closing process, and creates an express program for loans below a half million dollars. These changes will enhance and improve the programs for many small businesses.

I want to thank again Representative Craig for working with me on these provisions. I fully support this legislation and urge my colleagues to do so as well.

I yield back.

Chairwoman VELÁZQUEZ. Mr. Chabot yields back.

Are there any other members who wish to be recognized for a statement on H.R. 8211?

Seeing none, I would like to recognize myself. I just want to take this opportunity to thank Ms. Craig and Mr. Chabot for their leadership on this important effort to enhance the ability of small manufacturers to access long-term growth capital through this bill.

By streamlining the 504 loan closing process, the bill makes program compliance easier for CDCs, borrowers, and especially the third-party lenders who are essential to the 504 loan structure. We know that closing delays have caused loans to flow through and businesses to lose out on affordable financing. To that end, Ms. Craig has put forth a strong proposal to address these issues.

I want to thank my colleagues on this Committee for their continued support of SBA's 504 Loan Program, and I encourage all my colleagues to support the bill.

If there is no further discussion, the Committee will move on to consideration of H.R. 8211.

The clerk will report the title of the bill.

The CLERK. H.R. 8211, the 504 Modernization—

Chairwoman VELAZQUEZ. Without objection, H.R. 8211 is considered as read and open for amendment at any point.

Does anyone wish to offer an amendment?

Ms. CHU. Madam Chair?

Chairwoman VELAZQUEZ. Who seeks recognition?

The lady from California, Ms. Chu, is recognized.

Ms. CHU. Yes. Thank you, Chairwoman.

I urge my colleagues to support my amendment to H.R. 8211, the "504 Modernization Act."

Chairwoman VELAZQUEZ. I am sorry, Ms. Chu, can you state for what purpose are you asking recognition?

Ms. CHU. Yes. I am submitting an amendment to H.R. 8211.

Chairwoman VELAZQUEZ. The clerk will report the amendment.

The CLERK. Amendment to H.R. 8211 offered by Ms. Chu of California.

Chairwoman VELAZQUEZ. Without objection, the amendment is considered as read.

The gentlewoman is recognized for 5 minutes.

Ms. CHU. Thank you, Chairwoman.

I urge my colleagues to support my amendment to H.R. 8211, the "504 Modernization and Small Manufacturer Enhancement Act of 2020."

This amendment will make 504 financing available to more small businesses by offering an alternate job retention goal and will permanently authorize and expand the 504 refinancing program. This builds upon my previous legislation, the CREED Act, which in 2015 revived the refinancing program under 504, allowing more small businesses to lower costs under existing real estate and fixed asset tax. In December 2019, I chaired a hearing on the 504 program in the Subcommittee on Investigations, Oversight, and Regulations. I commend my colleagues for introducing this bill to address many of the concerns that small business owners raised during that hearing.

I look forward to supporting this underlying bill and urge support for my amendment.

Chairwoman VELAZQUEZ. The gentlelady yields back.

Are there any other members who wish to be recognized for a statement on the amendment?

Mr. Chabot?

Mr. CHABOT. Thank you, Madam Chair. I will be brief.

I want to thank Representative Chu for working to make adjustments and improvements in this program. The program has made a real difference in communities and the changes that we are entertaining today, including Ms. Chu's amendment, will further add to the program's mission.

I support the amendment, and I yield back.

Chairwoman VELAZQUEZ. The gentleman yields back.

Are there any other members who wish to be recognized on this amendment?

Okay. Seeing none, I recognize myself briefly.

I thank the gentlelady from California for offering this amendment, and I appreciate her commitment to affordable loan refinancing.

In a world where small business loans are growing more and more predatory, Congress should be finding ways to enhance the ability of small businesses to refinance debt on reasonable terms through the 504 program. Ms. Chu's amendment is a step in that direction, and I am happy to support her amendment.

The question is now on Amendment 1 offered by the gentlelady from California, Ms. Chu.

All those in favor say aye.

Those opposed, no.

In the opinion of the Chair, the ayes have it and the amendment is agreed to.

Are there any other members who wish to be recognized for the purposes of offering an amendment?

I believe the gentleman from Ohio is seeking recognition.

Mr. CHABOT. Thank you. Yes, thank you.

I want to briefly thank the Chairwoman for her efforts with this markup, this bill, and also this amendment. Once again—

Chairwoman VELAZQUEZ. You are seeking recognition. You have an amendment.

The clerk will report the amendment.

The CLERK. Amendment to H.R. 8211 offered by Mr. Chabot—

Chairwoman VELAZQUEZ. Without objection, the amendment is considered as read.

The Ranking Member is recognized for 5 minutes.

Mr. CHABOT. Thank you, Madam Chair. I was thanking you for your amendment and working on something else here. We appreciate the cooperation.

This amendment is straightforward. It increases the flexibility of small businesses to operate within the 504 CDC Loan Program.

If a small business cannot meet the job retention or job creation requirements within the 504 program, they are still eligible for the program if they meet a public policy goal. This amendment expands the list of public policy goals to also include expanding a small business that has 10 employees or fewer. These small businesses are often in need of the most support, both when it comes to resources and financial assistance.

I introduced a bill this past summer that focuses on small businesses with 10 employees or less in the context of COVID-19. This amendment is similar and will assist the smallest of small businesses that hope to utilize the 504 CDC Loan Program. These

small businesses are truly the “mom and pop” shops down on main street. They support millions of jobs and transform neighborhoods. Now is the time to ensure that they have as much assistance as possible.

I urge my colleagues to support the amendment and yield back. Chairwoman VELAZQUEZ. The gentleman yields back.

Are there any other members who wish to be recognized on the amendment?

Seeing none, I will recognize myself in support of the gentleman’s amendment.

I really appreciate the Ranking Member’s commitment to small businesses. Especially at this moment through this pandemic, COVID-19, we have learned how those smaller of the small businesses have been left behind when it comes to access to PPP and even EIDL, the Economic Injury Disaster Loan, and this is why this amendment is so important.

Mr. Chabot’s amendment is a common-sense proposal that will improve the bill under consideration and strengthen the 504 program’s ability to reach America’s microbusinesses.

I encourage all my colleagues to vote yes.

The question is now on Amendment 2 offered by the Ranking Member, Mr. Chabot.

All those in favor say aye.

Those opposed, no.

In the opinion of the Chair, the ayes have it and the amendment is agreed to.

I would like to recognize myself for the purpose of offering an amendment.

I have an amendment at the desk, and the clerk, please report the amendment.

The CLERK. Amendment to H.R. 8211 offered by Chair Velázquez.

Chairwoman VELÁZQUEZ. Without objection, the amendment is considered as read.

I recognize myself for 5 minutes.

This amendment seeks to expand the pool of buildings that may be purchased by small business owners with a 504 loan. Current occupancy requirements for financing projects to purchase an existing building requires business owners to occupy 51 percent of the building and allows them to lease out up to 49 percent. This has created challenges for CDCs in trying to qualify a two-story building for 504 financing. Industry stakeholders have advocated that a change to 50-50 will greatly simplify the process for purchasing two-story buildings. Although a change to 50-50 would ease the process for purchasing two-story buildings with a 504 loan, multi-story buildings would still be ineligible for 504 financing.

In my district in Brooklyn, the majority of buildings are not two stories. They tend to be four and five-story walkups, typically with a small business occupying the first floor. Under current rules, that small business owner will be required to occupy multiple stories of the buildings if they thought to purchase it with a 504 loan. For many small firms that is simply unobtainable, making the 504 program obsolete for them.

Earlier in the Congress, our Committee held a hearing on the 504 program, and we heard from a CDC in the Boston area who said that in the 30 years of being in business, they have only done 53 loans in the city of Boston. That is because so few buildings there and in densely populated cities across the country cannot meet SBA's occupancy requirements. This is a clear gap in the coverage of the 504 program, and this amendment helps fill it.

The bottom line here is that we should be making it easier, not harder, for small businesses to access affordably priced capital on reasonable terms. That is the entire point of the SBA loan programs.

I believe this amendment accomplishes exactly that for small business owners seeking to expand by purchasing the building they currently occupy regardless of whether they are in an urban or rural area.

I urge members to support my amendment.

At this point, are there any other members who wish to be recognized for a statement on the amendment?

Mr. CHABOT. Madam Chair?

Chairwoman VELAZQUEZ. I recognize the Ranking Member.

Mr. CHABOT. Thank you, Madam Chair. I will be brief.

I want to thank the Chairwoman for offering this amendment which improves the bill. This and the other changes that we are making will assist numerous small businesses, both in her district, my district, and districts all over the country to have a better chance of surviving, operating well, thriving, and creating more jobs.

Thank you for the amendment. I intend to support it. I would urge my colleagues to support it and I yield back.

Chairwoman VELAZQUEZ. Thank you. The gentleman yields back.

The question is now on Amendment 3 offered by myself.

All those in favor say aye.

Those opposed, no.

In the opinion of the Chair, the ayes have it and the amendment is agreed to.

Are there any other members who wish to be recognized for the purpose of offering an amendment?

Seeing none, the question is now on H.R. 8211 as amended.

All those in favor say aye.

All those opposed say no.

In the opinion of the Chair, the ayes have it and H.R. 8211 as amended is agreed to.

The question now occurs on reporting H.R. 8211 as amended to the House.

All those in favor say aye.

All those opposed say no.

In the opinion of the Chair, the ayes have it.

H.R. 8211, as amended, is reported to the House.

Without objection, Committee staff is authorized to correct punctuation, make other necessary technical corrections and conforming changes.

Without objection, members have 2 business days to file additional supplemental, dissenting, and minority views.

H.R. 8199

The next bill under consideration today is H.R. 8199, the “504 Credit Risk Management Improvement Act” introduced by Mr. Bishop and cosponsored by Ms. Craig. The bill clarifies the oversight rule of SBA’s Office of Credit Risk Management with respect to the CDCs who deliver the 504 Loan Program.

I would now like to recognize Mr. Bishop, the sponsor of the bill, for an opening statement.

Mr. BISHOP. Thank you, Madam Chairwoman, and Ranking Member Chabot for holding this critical markup. Thank you also for the opportunity to lead the “504 Credit Risk Management Improvement Act of 2020” in cooperation with Representative Craig and to address it in this hearing.

As our nation grapples with COVID-19, it is important for Congress and this Committee to consider policy proposals that bolster the tools available to small businesses. With approximately \$5 billion on lending in fiscal year 2019, the SBA’s 504 CDC Loan Program is a very important economic development program in operation and a crucial tool for small business.

The program with its job creation and job retention requirements has been transformative for neighborhoods and communities from North Carolina to Ohio to Texas. With a focus on long-term and fixed-rate financing, it is often a lending tool that is suited for growing and expanding small businesses that do not fit traditional and conventional funding models.

In the 9th Congressional District of North Carolina, the district I represent, we have over 13,000 small businesses. This represents over 100,000 small business workers. These small businesses and their employees play an outsized role in our local and state economy. When these small businesses are growing, expanding, and creating jobs, our entire economy flourishes.

That is why it is instrumental for this Committee to continue its focus on access to capital. I want to thank Representative Craig for working in a bipartisan manner with me to strengthen the 504 CDC Loan Program.

The “504 Credit Risk Management Improvement Act of 2020” contains numerous provisions that will ensure the program remains available to small businesses that truly need the SBA’s assistance. The legislation puts a focus on the SBA’s oversight capabilities when it comes to the 504 CDC Loan Program. By outlining the responsibilities of the Office of Credit Risk Management and detailing the file review and enforcement authorities at the SBA, H.R. 8199 will further protect American taxpayer dollars.

Beyond oversight, the legislation also requires the SBA to outline clear rules for CDCs and small businesses to follow when it comes to environmental obligations. Too often we hear of roadblocks that prohibit small businesses from expanding and creating jobs. The nation’s small businesses, startups, and entrepreneurs are nimble and quick. When they know the rules of the road, they will adapt and deliver for customers.

Unfortunately, ambiguous rules get in the way of progress. This legislation will help remove one of those barriers and provide clear guidance. Because of the fee structure of the 504 CDC loan program, this program has operated on zero cost to the American tax-

payer. Provisions in my bill will help continue this trend moving forward.

Small businesses need our help, and I am confident this common-sense proposal will help thousands of small business owners and their employees.

I want to again thank Representative Craig for working on this legislation and thank the Committee for considering it. I urge my colleagues to vote yes on this bill.

Thank you, Madam Chairman. I yield back.

Chairwoman VELAZQUEZ. Thank you. The gentleman yields back.

Now I recognize the gentlewoman from Minnesota, Ms. Craig, the cosponsor of the bill, for an opening statement.

Ms. CRAIG. Thank you so much, Madam Chairwoman, for yielding.

I first want to say thank you to Representative Bishop for leading this bill and his work on it. I am proud to be the lead cosponsor for the "504 Credit Risk Management Improvement Act of 2020."

This bipartisan legislation would make necessary updates to clarify the Office of Credit Risk Management's role in administering the 504 Loan Program and direct the SBA to issue rules for compliance with the National Environmental Policy Act of 1969. This will provide clarity asked for by CDC leaders and guarantee that the 504 program can continue to provide assistance while conserving small business's working capital.

As I have said before, small businesses are the heart of our economy. We must continue to improve our programs to best serve these businesses to ensure economic development and investment in rural economies.

Thank you so much, again, Representative Bishop and Madam Chairwoman. I yield back.

Chairwoman VELAZQUEZ. The gentlelady yields back.

Are there any other members who wish to be recognized for a statement on H.R. 8199?

Mr. Chabot?

Mr. CHABOT. Thank you, Madam Chair.

As a way to strengthen the popular 504 CDC Loan Program, Representatives Bishop and Craig have worked in a bipartisan manner to craft H.R. 8199. This legislation bolsters oversight and requires clear and concise rules for CDCs and small businesses. With any government guarantee loan program, oversight is paramount. H.R. 8199 outlines the rules and duties of the Office of Credit Risk Management as it oversees the 504 Loan Program at the SBA.

Additionally, this legislation requires the SBA to clearly outline how certain loans must be treated under the National Environmental Policy Act. Small businesses and certified development companies require comprehensive information in order to make daily business decisions.

I would like to thank Representative Bishop and Representative Craig again for working in a bipartisan manner to put the nation's small businesses first when it comes to the 504 Loan Program.

I fully support the legislation and urge my colleagues to support it. I yield back.

Chairwoman VELÁZQUEZ. The gentleman yields back.  
 Are there any other members who wish to be recognized?  
 If not, I will speak on this bill.

It is an important bill, and I want to thank both Mr. Bishop and Ms. Craig for your leadership.

To optimize oversight of the 504 program and all the capital access programs at SBA, SBA established the Office of Credit Risk Management (OCRM) within the Office of Capital Access. OCRM conducts reviews of lenders to ensure that they are complying with program requirements. In 2018, Congress passed bipartisan legislation to codify the office and gave it the tools needed to conduct proper oversight and hold noncompliant lenders accountable. It was Congress's intent that by boosting OCRM and enhancing its enforcement powers, the office will minimize the likelihood that the capital access programs, including the 504 program will face a positive subsidy.

Therefore, I am pleased Mr. Bishop has introduced this important piece of legislation that clarifies OCRM's oversight role and enhances its enforcement powers by shifting loan closing file review responsibilities to OCRM.

I urge my colleagues to support this legislation.

If there is no further discussion, the Committee will move to consideration of H.R. 8199.

The clerk will report the title of the bill.

The CLERK. H.R. 8199, the 504 Credit Risk—

Chairwoman VELÁZQUEZ. Without objection, H.R. 8199 is considered as read and open for amendment at any point.

Are there any other members who wish to be recognized for the purposes of offering an amendment?

Seeing none, the question is now on H.R. 8199.

All those in favor say aye.

All those opposed say no.

In the opinion of the Chair, the ayes have it.

H.R. 8199 is agreed to.

The question now occurs on reporting H.R. 8199 to the House.

All those in favor say aye.

All those opposed say no.

In the opinion of the Chair, the ayes have it and H.R. 8199 is reported to the House.

Without objection, Committee staff is authorized to correct punctuation and make other necessary technical corrections and conforming changes.

Without objection, members have 2 business days to file additional supplemental, dissenting, and minority views.

H.R. 8229

The final bill up for consideration today is H.R. 8229, the "Parity for HUBZone Appeals Act of 2020," introduced by Mrs. Radewagen and cosponsored by Ms. Houlahan, which ensures the HUBZone program has the same appeal processes for protest determinations of the service-disabled, veteran-owned, and the women-owned small business programs.

I will now recognize the gentlelady from American Samoa, Ms. Radewagen, the author of the bill, for an opening statement on H.R. 8229.

Ms. RADEWAGEN. Thank you, Madam Chairwoman.

I would like to thank my colleague, Ms. Houlahan, for collaborating with me on this important legislation.

The SBA's various small business contracting programs support different types of entrepreneurs from women and service-disabled veterans to minorities and the economically disadvantaged.

By providing these businesses with special federal contracting, whether a business holds a specific status is critical to determine whether that company is eligible to compete for these special contract opportunities. Not only does the business have a vested interest in obtaining and maintaining its status, but the federal Government also has an interest in making sure these special contracts are not awarded to fraudulent firms. If a company is suspected to be ineligible for a status it claims to hold, an interested party can protest the firm's status.

For historically underutilized business zones, or HUBZone small businesses, the initial protest decision is made by the HUBZone program director, and if the small business disagrees with the decision, the small business may appeal the protest decision to the associate administrator of the Office of Government Contracting and Business Development (AAGCBD).

This differs significantly from the appeals process utilized by the SBA's other federal contracting programs. Currently, most of the SBA's federal contracting programs authorize the SBA's Office of Hearings and Appeals (OHA) to hear the appeal. Unlike the AAGCBD who directly oversees all the SBA's federal contracting program offices, including the HUBZone program, OHA is an independent office of the SBA. Leaving the appeal decision to the AAGCBD raises questions of conflict of interest, whereas housing that process at OHA will ensure the decision remains separate and independent from any influence.

Additionally, requiring the AAGCBD to hear these appeals places the responsibility on the office to have a thorough understanding of the nuances of SBA's HUBZone eligibility and size requirements, procurement law, and have the time and resources to assess the facts of the appellants' case in a thorough and impartial manner.

The primary role of the AAGCBD is to oversee all of the SBA's federal contracting programs. This duty takes precedence over adjudicating HUBZone appeals. In contrast, OHA administrative judges are primarily tasked with similar appeals, and thus, are well versed at making these decisions objectively and impartially. Thus, passage of the bill means that small businesses will have a greater chance of having a fair and knowledgeable assessment.

Finally, the AAGCBD's appeals decisions are currently named in a vacuum. There is no visibility into reasons why a decision was reached. In contrast, all of OHA's decisions are published online and easily searchable. These opinions are critical for small businesses to obtain a greater understanding of the rules surrounding the eligibility. Therefore, shifting the responsibility to hear HUBZone appeals to OHA will provide the public with much needed guidance and transparency.

In sum, H.R. 8229 will bring greater parity, fairness, and transparency between SBA's HUBZone program and its other federal

programs. I urge my colleagues to support this common-sense legislation, and I yield back.

Chairwoman VELAZQUEZ. The gentlelady yields back.

I appreciate her work on this issue. Thank you so much for your commitment on behalf of small businesses.

Are there any other members who wish to be recognized for a statement on H.R. 8229?

I now want to recognize the Ranking Member.

Mr. CHABOT. Thank you, Madam Chairwoman.

I would like to thank the gentlelady from American Samoa, Ms. Radewagen, and the gentlelady from Pennsylvania, Ms. Houlahan, for their leadership on this legislation. Ms. Radewagen is joining us all the way from American Samoa where I believe it is something like 4 o'clock in the morning. It just goes to show how she and other members of this Committee are willing to work very hard and at very unusual hours of the day and night to help our nation's small businesses.

As we heard from our colleagues, the current appeals process for the HUBZone program raises many red flags, including questions of conflict of interest, lack of transparency and responsibility, and on and on. The AAGCBD plays a key role within the leadership structure of the SBA, and we need to ensure that this official is equipped to successfully supervise all of the SBA's various federal contracting programs.

Relieving this official of the duty of hearing HUBZone appeals will help to do that. Furthermore, the SBA's Office of Hearings and Appeals is a fully functioning, independent organization un beholden to any of the SBA's federal contracting offices, and OHA administrative judges are trained to hear exactly these types of matters. By moving HUBZone appeals from the AAGCBD's purview to OHA through the passage of this bill, HUBZone small businesses will be able to receive impartial, fair, and knowledgeable treatment of their case. H.R. 8229 makes a necessary and long overdue correction in the way HUBZone appeals are approached.

I urge my colleagues to support this commonsense legislation, and I yield back.

Chairwoman VELÁZQUEZ. The gentleman yields back.

Are there any other members who wish to be recognized on this legislation?

Okay. I would like to recognize myself briefly.

SBA's Office of Hearings and Appeals provides independent quasi-judicial reviews of certain SBA program decisions. While OHA hears appeals for protest determinations concerning the status of a small business as a service-disabled, veteran-owned small business or a woman-owned small business, unfortunately, it does not do the same for the HUBZone program. By requiring SBA to issue regulations granting OHA jurisdiction over these appeals, H.R. 8229 advances our efforts in this Committee towards uniformity among SBA's contracting programs. More importantly, it capitalizes on OHA's expertise and promotes efficiency. Finally, because OHA opinions are published, this bill will encourage transparency and consistency in judgments.

I commend Ms. Radewagen and Ms. Houlahan for working together on this legislation, and I urge colleagues to support the bill.

If there is no further discussion, the Committee will move on to consideration of H.R. 8229.

The clerk will report the title of the bill.

The CLERK. H.R. 8229—

Chairwoman VELAZQUEZ. Without objection, H.R. 8229 is considered as read and open for amendment at any point.

Does anyone wish to offer an amendment?

Seeing none, the question is now on H.R. 8229.

All those in favor say aye.

All those opposed say no.

In the opinion of the Chair, the ayes have it and H.R. 8229 is agreed to.

The question now occurs on reporting H.R. 8229 to the House.

All those in favor say aye.

All those opposed say no.

In the opinion of the Chair, the ayes have it.

H.R. 8229 is reported to the House.

Without objection, Committee staff is authorized to correct punctuation, make other necessary technical corrections and conforming changes.

Without objection, members have 2 business days to file additional supplemental, dissenting, and minority views.

I thank all the members for their participation today.

If there is no further business to come before the Committee, we are adjourned. Thank you.

[Whereupon, at 11:40 a.m., the committee was adjourned.]

## APPENDIX

I

116TH CONGRESS  
2D SESSION**H. R. 7903**

To amend the Small Business Act to establish the Community Advantage  
Loan Program.

## IN THE HOUSE OF REPRESENTATIVES

JULY 31, 2020

Ms. JUDY CHU of California (for herself and Mr. SPANO) introduced the  
following bill; which was referred to the Committee on Small Business

**A BILL**

To amend the Small Business Act to establish the  
Community Advantage Loan 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. COMMUNITY ADVANTAGE LOAN PROGRAM.**

4 Section 7(a) of the Small Business Act (15 U.S.C.  
5 636(a)) is amended by adding at the end the following:

6 “(37) COMMUNITY ADVANTAGE LOAN PRO-  
7 GRAM.—

8 “(A) PURPOSES.—The purposes of the  
9 Community Advantage Loan Program are—

1           “(i) to create a mission-oriented loan  
2           guarantee program that builds on the dem-  
3           onstrated success of the Community Ad-  
4           vantage Pilot Program of the Administra-  
5           tion, as established in 2011, to reach more  
6           underserved small business concerns;

7           “(ii) to increase lending to small busi-  
8           ness concerns in underserved and rural  
9           markets, including veterans and members  
10          of the military community, small business  
11          concerns owned and controlled by socially  
12          and economically disadvantaged individ-  
13          uals, women, and startups;

14          “(iii) to ensure that the program  
15          under this subsection (in this paragraph  
16          referred to as the ‘7(a) loan program’) is  
17          more inclusive and more broadly meets  
18          congressional intent to reach borrowers  
19          who are unable to get credit elsewhere on  
20          reasonable terms and conditions;

21          “(iv) to help underserved small busi-  
22          ness concerns become bankable by utilizing  
23          the small-dollar financing and business  
24          support experience of mission-oriented  
25          lenders;

1           “(v) to allow certain mission-oriented  
2 lenders, primarily nonprofit financial inter-  
3 mediaries focused on economic develop-  
4 ment in underserved markets, to access  
5 guarantees for loans under this subsection  
6 (in this paragraph referred to as ‘7(a)  
7 loans’) of not more than \$250,000 and  
8 provide management and technical assist-  
9 ance to small business concerns as needed;

10           “(vi) to provide certainty for the lend-  
11 ing partners that make loans under this  
12 subsection and to attract new lenders; and

13           “(vii) to encourage collaboration be-  
14 tween mission-oriented and conventional  
15 lenders under this subsection in order to  
16 support underserved small business con-  
17 cerns.

18           “(B) DEFINITIONS.—In this paragraph—

19           “(i) the term ‘covered institution’  
20 means—

21           “(I) a development company, as  
22 defined in section 103 of the Small  
23 Business Investment Act of 1958 (15  
24 U.S.C. 662), participating in the 504  
25 Loan Guaranty program established

1 under title V of such Act (15 U.S.C.  
2 695 et seq.);

3 “(II) a nonprofit intermediary, as  
4 defined in subsection (m)(12), partici-  
5 pating in the microloan program  
6 under subsection (m);

7 “(III) a non-Federally regulated  
8 entity certified as a community devel-  
9 opment financial institution by the  
10 Community Development Financial  
11 Institutions Fund established under  
12 section 104(a) of the Riegle Commu-  
13 nity Development and Regulatory Im-  
14 provement Act of 1994 (12 U.S.C.  
15 4703(a)); and

16 “(IV) an eligible intermediary, as  
17 defined in subsection (l)(1), as in ef-  
18 fect on the day before the date of en-  
19 actment of this paragraph, that par-  
20 ticipated in the Intermediary Lending  
21 Pilot Program established under sub-  
22 section (l)(2);

23 “(ii) the term ‘existing business’  
24 means a small business concern that has  
25 been in existence for not less than 2 years

1 on the date on which a loan is made to the  
2 small business concern under the program;

3 “(iii) the term ‘new business’ means a  
4 small business concern that has been exist-  
5 ence for not more than 2 years on the date  
6 on which a loan is made to the small busi-  
7 ness concern under the program;

8 “(iv) the term ‘program’ means the  
9 Community Advantage Loan Program es-  
10 tablished under subparagraph (C);

11 “(v) the term ‘Reservist’ means a  
12 member of a reserve component of the  
13 Armed Forces named in section 10101 of  
14 title 10, United States Code;

15 “(vi) the term ‘rural area’ means any  
16 county that the Bureau of the Census has  
17 defined as mostly rural or completely rural  
18 in the most recent decennial census;

19 “(vii) the term ‘service-connected’ has  
20 the meaning given the term in section  
21 101(16) of title 38, United States Code;

22 “(viii) the term ‘small business con-  
23 cern in an underserved market’ means a  
24 small business concern—

25 “(I) that is located in—

1                   “(aa) a low- to moderate-in-  
2                   come community;

3                   “(bb) a HUBZone;

4                   “(cc) a community that has  
5                   been designated as an empower-  
6                   ment zone or an enterprise com-  
7                   munity under section 1391 of the  
8                   Internal Revenue Code of 1986;

9                   “(dd) a community that has  
10                  been designated as a promise  
11                  zone by the Secretary of Housing  
12                  and Urban Development;

13                  “(ee) a community that has  
14                  been designated as a qualified  
15                  opportunity zone under section  
16                  1400Z-1 of the Internal Revenue  
17                  Code of 1986; or

18                  “(ff) a rural area;

19                  “(II) for which more than 50  
20                  percent of the employees reside in a  
21                  low- or moderate-income community;

22                  “(III) that is a startup or new  
23                  business;

24                  “(IV) owned and controlled by  
25                  socially and economically disadvan-

1                   tagged individuals, including Black  
2                   Americans, Hispanic Americans, Na-  
3                   tive Americans, Asian Pacific Ameri-  
4                   cans, and other minorities;

5                   “(V) owned and controlled by  
6                   women;

7                   “(VI) owned and controlled by  
8                   veterans;

9                   “(VII) owned and controlled by  
10                  service-disabled veterans;

11                  “(VIII) not less than 51 percent  
12                  owned and controlled by one or  
13                  more—

14                         “(aa) members of the Armed  
15                         Forces participating in the Tran-  
16                         sition Assistance Program of the  
17                         Department of Defense;

18                         “(bb) Reservists;

19                         “(cc) spouses of veterans,  
20                         members of the Armed Forces, or  
21                         Reservists; or

22                         “(dd) surviving spouses of  
23                         veterans who died on active duty  
24                         or as a result of a service-con-  
25                         nected disability; or

1                   “(IX) that is eligible to receive a  
2                   veterans advantage loan;

3                   “(ix) the term ‘small business concern  
4                   owned and controlled by socially and eco-  
5                   nomically disadvantaged individuals’ has  
6                   the meaning given the term in section  
7                   8(d)(3)(C);

8                   “(x) the term ‘startup’ means a busi-  
9                   ness that has not yet opened; and

10                   “(xi) the term ‘veterans advantage  
11                   loan’ means a loan made to a small busi-  
12                   ness concern under this subsection that is  
13                   eligible for a waiver of the guarantee fee  
14                   under paragraph (18) or the yearly fee  
15                   under paragraph (23) because the small  
16                   business concern is a concern described in  
17                   subclause (VI), (VII), or (VIII) of clause  
18                   (viii).

19                   “(C) ESTABLISHMENT.—There is estab-  
20                   lished a Community Advantage Loan Program  
21                   under which the Administration may guarantee  
22                   loans made by covered institutions under this  
23                   subsection, including loans made to small busi-  
24                   ness concerns in underserved markets.

1           “(D) PROGRAM LEVELS.—In each of fiscal  
2 years 2021 through 2025, not more than 10  
3 percent of the number of loans guaranteed  
4 under this subsection may be guaranteed under  
5 the program.

6           “(E) NEW LENDERS.—

7           “(i) FISCAL YEARS 2021 AND 2022.—In  
8 each of fiscal years 2021 and 2022—

9           “(I) not more than 150 covered  
10 institutions shall participate in the  
11 program; and

12           “(II) the Administrator shall  
13 allow for new applicants and give pri-  
14 ority to applications submitted by any  
15 covered institution that is located in  
16 an area with insufficient lending  
17 under the program.

18           “(ii) FISCAL YEARS 2023, 2024, AND  
19 2025.—

20           “(I) IN GENERAL.—In each of  
21 fiscal years 2023, 2024, and 2025—

22           “(aa) except as provided in  
23 subclause (II), not more than  
24 175 covered institutions shall  
25 participate in the program; and

1           “(bb) the Administrator  
2 shall allow for new applicants  
3 and give priority to applications  
4 submitted by any covered institu-  
5 tion that is located in an area  
6 with insufficient lending under  
7 the program.

8           “(II) EXCEPTION FOR FISCAL  
9 YEAR 2025.—In fiscal year 2025, not  
10 more than 200 covered institutions  
11 may participate in the program if—

12           “(aa) after reviewing the re-  
13 port under subparagraph (M)(iii),  
14 the Administrator determines  
15 that not more than 200 covered  
16 institutions may participate in  
17 the program;

18           “(bb) the Administrator no-  
19 tifies Congress in writing of the  
20 determination of the Adminis-  
21 trator under item (aa); and

22           “(cc) not later than July 30,  
23 2024, the Administrator notifies  
24 the public of the determination of

1 the Administrator under item  
2 (aa).

3 “(F) GRANDFATHERING OF EXISTING  
4 LENDERS.—Any covered institution that par-  
5 ticipated in the Community Advantage Pilot  
6 Program of the Administration and is in good  
7 standing on the day before the date of enact-  
8 ment of this paragraph—

9 “(i) shall retain designation in the  
10 program; and

11 “(ii) shall not be required to submit  
12 an application to participate in the pro-  
13 gram.

14 “(G) REQUIREMENT TO MAKE LOANS TO  
15 UNDERSERVED MARKETS.—Not less than 60  
16 percent of loans made by a covered institution  
17 under the program shall consist of loans made  
18 to small business concerns in underserved mar-  
19 kets.

20 “(H) MAXIMUM LOAN AMOUNT.—

21 “(i) IN GENERAL.—Except as pro-  
22 vided in clause (ii), the maximum loan  
23 amount for a loan guaranteed under the  
24 program is \$250,000.

25 “(ii) EXCEPTION.—

1           “(I) IN GENERAL.—The Admin-  
2           istration may, in the discretion of the  
3           Administration, approve a guarantee  
4           of a loan under the program that is  
5           more than \$250,000 and not more  
6           than \$350,000.

7           “(II) NOTIFICATION.—Not later  
8           than 2 days after approving the guar-  
9           antee of a loan under subclause (I),  
10          the Administration shall provide noti-  
11          fication of the approval to the covered  
12          institution making the loan.

13          “(I) INTEREST RATES.—

14               “(i) IN GENERAL.—Except as pro-  
15               vided in clause (ii), the maximum allowable  
16               interest rate prescribed by the Administra-  
17               tion on any financing made on a deferred  
18               basis pursuant to the program shall not  
19               exceed the maximum allowable interest  
20               rate in effect on September 1, 2018.

21               “(ii) MODIFICATION.—The Adminis-  
22               tration shall not modify the maximum al-  
23               lowable interest rate described in clause (i)  
24               unless the Administration provides the  
25               public with an opportunity to comment for

1 a period of not less than 180 days before  
2 implementing the modified interest rate.

3 “(J) TRAINING AND TECHNICAL ASSIST-  
4 ANCE.—The Administration—

5 “(i) shall in person and online, pro-  
6 vide upfront and ongoing training and  
7 technical assistance for covered institutions  
8 making loans under the program in order  
9 to support prudent lending standards and  
10 improve the interface between the covered  
11 institutions and the Administration;

12 “(ii) shall ensure that the training  
13 and technical assistance described in clause  
14 (i) is provided for free or at a low-cost;  
15 and

16 “(iii) may enter into a contract to  
17 provide the training or technical assistance  
18 described in clause (i) with an organization  
19 with expertise in lending under this sub-  
20 section, mission-oriented lending, and lend-  
21 ing to underserved markets.

22 “(K) DELEGATED AUTHORITY.—A covered  
23 institution is not eligible to receive delegated  
24 authority from the Administration under the

1 program until the covered institution makes not  
2 less than 7 loans under the program.

3 “(L) REGULATIONS.—

4 “(i) IN GENERAL.—Not later than  
5 180 days after the date of enactment of  
6 this paragraph and in accordance with the  
7 notice and comment procedures under sec-  
8 tion 553 of title 5, United States Code, the  
9 Administrator shall promulgate regulations  
10 to carry out the program, which shall—

11 “(I) outline the requirements for  
12 participation by covered institutions in  
13 the program;

14 “(II) define performance metrics  
15 for covered institutions participating  
16 in the program for the first time,  
17 which are required to be met in order  
18 to continue participating in the pro-  
19 gram;

20 “(III) determine the credit score  
21 of a small business concern under  
22 which the Administration is required  
23 to underwrite a loan provided to the  
24 small business concern under the pro-  
25 gram and the loan may not be made

1 using the delegated authority of a cov-  
2 ered institution;

3 “(IV) require each covered insti-  
4 tution that sells loans made under the  
5 program on the secondary market to  
6 establish a loan loss reserve fund,  
7 which—

8 “(aa) with respect to cov-  
9 ered institutions in good stand-  
10 ing, including the covered institu-  
11 tions described in subparagraph  
12 (F), shall be maintained at a  
13 level equal to 3 percent of the  
14 outstanding guaranteed portion  
15 of the loans; and

16 “(bb) with respect to any  
17 other covered institution, shall be  
18 maintained at a level equal to 5  
19 percent of the outstanding guar-  
20 anteed portion of the loans; and

21 “(V) allow the Administrator to  
22 require additional amounts to be de-  
23 posited into a loan loss reserve fund  
24 established by a covered institution  
25 under subclause (IV) based on the

1 risk characteristics or performance of  
2 the covered institution and the loan  
3 portfolio of the covered institution.

4 “(ii) PILOT PROGRAM.—

5 “(I) REVERSION.—Beginning on  
6 the date of enactment of this para-  
7 graph and ending on the day before  
8 the date on which the regulations pro-  
9 mulgated by the Administrator under  
10 clause (i) take effect, the Adminis-  
11 trator may only carry out the Commu-  
12 nity Advantage Pilot Program of the  
13 Administration based on applicable  
14 program guidelines, requirements, and  
15 other policy in effect on September 1,  
16 2018, except that the definition of un-  
17 derserved market shall include—

18 “(aa) a community and an  
19 area described in items (ee) and  
20 (ff), respectively, of subpara-  
21 graph (B)(viii)(I); and

22 “(bb) small business con-  
23 cerns described in clauses (IV)  
24 and (V) of subparagraph  
25 (B)(viii).

1                   “(II) TERMINATION.—Beginning  
2                   on the date on which the regulations  
3                   promulgated by the Administrator  
4                   under clause (i) take effect, the Ad-  
5                   ministrator may not carry out the  
6                   Community Advantage Pilot Program  
7                   of the Administration.

8                   “(M) REPORTING.—

9                   “(i) WEEKLY REPORTS.—

10                   “(I) IN GENERAL.—The Admin-  
11                   istration shall report on the website of  
12                   the Administration, as part of the  
13                   weekly reports on lending approvals  
14                   under this subsection—

15                   “(aa) on and after the date  
16                   of enactment of this paragraph  
17                   until the date on which the regu-  
18                   lations promulgated under sub-  
19                   paragraph (L)(i) take effect, the  
20                   number and dollar amount of  
21                   loans guaranteed under the Com-  
22                   munity Advantage Pilot Program  
23                   of the Administration; and

24                   “(bb) on and after the date  
25                   on which the Administration be-

1 gins to approve loans under the  
2 program, the number and dollar  
3 amount of loans guaranteed  
4 under the program.

5 “(II) SEPARATE ACCOUNTING.—

6 The number and dollar amount of  
7 loans reported in a weekly report  
8 under subclause (I) for loans guaran-  
9 teed under the Community Advantage  
10 Pilot Program of the Administration  
11 and under the program shall include a  
12 breakdown by the categories of race,  
13 ethnicity, and gender of the owners of  
14 the small business concerns.

15 “(ii) ANNUAL REPORTS.—

16 “(I) IN GENERAL.—For each of  
17 the first 5 fiscal years in which the  
18 program is in effect, the Administra-  
19 tion shall submit to the Committee on  
20 Small Business and Entrepreneurship  
21 of the Senate and the Committee on  
22 Small Business of the House of Rep-  
23 resentatives, and make publicly avail-  
24 able on the internet, information  
25 about loans provided under the pro-

1                   gram and under the Community Ad-  
2                   vantage Pilot Program of the Admin-  
3                   istration.

4                   “(II) CONTENTS.—Each report  
5                   submitted and made publicly available  
6                   under subclause (I) shall include—

7                   “(aa) the number and dollar  
8                   amounts of loans provided to  
9                   small business concerns under  
10                  the program and under the Com-  
11                  munity Advantage Pilot Program  
12                  of the Administration, including  
13                  a breakdown by—

14                  “(AA) the gender of the  
15                  owners of the small business  
16                  concern;

17                  “(BB) the race and  
18                  ethnicity of the owners of  
19                  the small business concern,  
20                  disaggregated in a manner  
21                  that captures all the racial  
22                  groups specified in the  
23                  American Community Sur-  
24                  vey conducted by the Bu-  
25                  reau of the Census;

1                   “(CC) whether the  
2                   small business concern is lo-  
3                   cated in an urban or rural  
4                   area; and

5                   “(DD) whether the  
6                   small business concern is a  
7                   startup, an existing busi-  
8                   ness, or a new business, as  
9                   provided in the weekly re-  
10                  ports on lending approvals  
11                  under this subsection;

12                  “(bb) the proportion of loans  
13                  described in item (aa) compared  
14                  to—

15                         “(AA) other 7(a) loans  
16                         of any amount;

17                         “(BB) other 7(a) loans  
18                         of similar amounts;

19                         “(CC) express loans  
20                         provided under paragraph  
21                         (31) of similar amounts; and

22                         “(DD) other 7(a) loans  
23                         of similar amounts provided  
24                         to small business concerns  
25                         in underserved markets;

1           “(cc) a comparison of the  
2           number and dollar amounts of  
3           loans provided to small business  
4           concerns under the program,  
5           under the Community Advantage  
6           Pilot Program of the Administra-  
7           tion, and under each category of  
8           loans described in item (bb), bro-  
9           ken down by—

10                   “(AA) loans of not  
11                   more than \$50,000;

12                   “(BB) loans of more  
13                   than \$50,000 and not more  
14                   than \$150,000;

15                   “(CC) loans of more  
16                   than \$150,000 and not more  
17                   than \$250,000; and

18                   “(DD) loans of more  
19                   than \$250,000 and not more  
20                   than \$350,000;

21                   “(dd) the number and dollar  
22                   amounts of loans provided to  
23                   small business concerns under  
24                   the program and under the Com-  
25                   munity Advantage Pilot Program

1 of the Administration by State,  
2 and the jobs created or retained  
3 within each State;

4 “(ee) with respect to loans  
5 provided to small business con-  
6 cerns under the program and  
7 under the Community Advantage  
8 Pilot Program of the Administra-  
9 tion—

10 “(AA) the performance  
11 of the loans provided by  
12 each type of covered institu-  
13 tion;

14 “(BB) the performance  
15 of the loans broken down by  
16 loan size;

17 “(CC) the predictive  
18 purchase rate of the loans;

19 “(DD) the early default  
20 rate of the loans;

21 “(EE) the 12-month  
22 default rate of the loans;

23 “(FF) the cumulative  
24 default rate for the loans for

1 the 5-year period preceding  
2 the report;  
3 “(GG) the charge-off  
4 rates of the loans;  
5 “(HH) the charge-off  
6 rates as a percent of the un-  
7 paid principal balance as in  
8 table 9 of the annual budget  
9 submitted by the Adminis-  
10 tration; and  
11 “(II) the purchase rates  
12 as a percent of the unpaid  
13 principal balance as in table  
14 8 of the annual budget sub-  
15 mitted by the Administra-  
16 tion;  
17 “(ff) a list of covered insti-  
18 tutions participating in the pro-  
19 gram and the Community Advan-  
20 tage Pilot Program of the Ad-  
21 ministration, including—  
22 “(AA) the name, loca-  
23 tion, and contact informa-  
24 tion, such as the website and

1 telephone number, of each  
2 covered institution; and

3 “(BB) a breakdown by  
4 the number and dollar  
5 amount of the loans ap-  
6 proved for small business  
7 concerns; and

8 “(gg) the benchmarks estab-  
9 lished by the working group  
10 under subparagraph (N)(i).

11 “(III) TIMING.—An annual re-  
12 port required under this clause  
13 shall—

14 “(aa) be submitted and  
15 made publicly available not later  
16 than October 15 of each year;  
17 and

18 “(bb) cover the lending ac-  
19 tivity for the fiscal year that  
20 ended on September 30 of that  
21 same year.

22 “(iii) GAO REPORT.—Not later than  
23 3 years after the date of enactment of this  
24 paragraph, the Comptroller General of the  
25 United States shall submit to the Adminis-

1           trator, the Committee on Small Business  
2           and Entrepreneurship of the Senate, and  
3           the Committee on Small Business of the  
4           House of Representatives a report—

5                     “(I) assessing—

6                             “(aa) the extent to which  
7                             the program fulfills the require-  
8                             ments of this paragraph; and

9                             “(bb) the performance of  
10                            covered institutions participating  
11                            in the program; and

12                           “(II) providing recommendations  
13                            on the administration of the program  
14                            and the findings under items (aa) and  
15                            (bb) of subclause (I).

16                     “(N) WORKING GROUP.—

17                             “(i) IN GENERAL.—Not later than 90  
18                             days after the date of enactment of this  
19                             paragraph, the Administrator shall estab-  
20                             lish a Community Advantage Working  
21                             Group, which shall—

22                             “(I) include—

23                                     “(aa) a geographically di-  
24                                     verse representation of members

1 from among covered institutions  
2 participating in the program; and

3 “(bb) representatives from  
4 the Office of Capital Access of  
5 the Administration, including the  
6 Office of Credit Risk Manage-  
7 ment, the Office of Financial As-  
8 sistance, and the Office of Eco-  
9 nomic Opportunity;

10 “(II) develop recommendations  
11 on how the Administration can effec-  
12 tively manage, support, and promote  
13 the program and the mission of the  
14 program;

15 “(III) establish metrics of suc-  
16 cess and benchmarks that reflect the  
17 mission and population served by cov-  
18 ered institutions under the program,  
19 which the Administration shall use to  
20 evaluate the performance of those cov-  
21 ered institutions; and

22 “(IV) institute regular and sus-  
23 tainable systems of communication be-  
24 tween the Administration and covered

1 institutions participating in the pro-  
2 gram.

3 “(ii) REPORT.—Not later than 180  
4 days after the date of enactment of this  
5 paragraph, the Administrator shall submit  
6 to the Committee on Small Business and  
7 Entrepreneurship of the Senate and the  
8 Committee on Small Business of the  
9 House of Representatives a report that in-  
10 cludes—

11 “(I) the recommendations of the  
12 Community Advantage Working  
13 Group established under clause (i);  
14 and

15 “(II) a recommended plan and  
16 timeline for implementation of those  
17 recommendations.

18 “(O) TERMINATION.—The authority to  
19 carry out the program under this paragraph  
20 shall terminate on September 30, 2025.”

○

.....  
(Original Signature of Member)

116TH CONGRESS  
2D SESSION

**H. R.** \_\_\_\_\_

To amend the Small Business Investment Act of 1958 to improve the loan guaranty program, enhance the ability of small manufacturers to access affordable capital, and for other purposes.

\_\_\_\_\_  
**IN THE HOUSE OF REPRESENTATIVES**

Mrs. CRAIG introduced the following bill; which was referred to the Committee  
on \_\_\_\_\_

\_\_\_\_\_  
**A BILL**

To amend the Small Business Investment Act of 1958 to improve the loan guaranty program, enhance the ability of small manufacturers to access affordable capital, 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,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the "504 Modernization and  
5 Small Manufacturer Enhancement Act of 2020".

1 **SEC. 2. ADDITIONS TO POLICY GOALS FOR THE DEVELOP-**  
2 **MENT COMPANY PROGRAM.**

3 Section 501(d)(3) of the Small Business Investment  
4 Act of 1958 (15 U.S.C. 695(d)(3)) is amended—

5 (1) by redesignating subparagraphs (A) through  
6 (L) as subparagraphs (B) through (M), respectively;

7 (2) by inserting before subparagraph (B) (as so  
8 redesignated) the following:

9 “(A) workforce development through work-  
10 based or work-integrated training, which shall  
11 be satisfied by demonstrating that a small busi-  
12 ness concern that is a subject of the project  
13 has—

14 “(i) a documented in-house training  
15 program, the duration of which is not  
16 shorter than 12 weeks; or

17 “(ii) entered into a contract with an  
18 entity—

19 “(I) to provide trained applicants  
20 for any open position of employment  
21 at the small business concern; and

22 “(II) that ensures that any appli-  
23 cant provided to the small business  
24 concern under subclause (I) has un-  
25 dergone not fewer than 12 weeks of

1 training that is relevant to the open  
2 position described in that subclause,”;

3 (3) by amending subparagraph (D) (as so re-  
4 designated) to read as follows:

5 “(D) expansion of minority-owned, em-  
6 ployee-owned, or women-owned business devel-  
7 opment,”;

8 (4) in subparagraph (L) (as so redesignated),  
9 by striking “producers, or” and inserting “pro-  
10 ducers,”;

11 (5) in subparagraph (M) (as so redesignated),  
12 by striking the period at the end and inserting a  
13 comma;

14 (6) by inserting after subparagraph (M) the fol-  
15 lowing new subparagraphs:

16 “(N) enhanced ability for small business  
17 concerns to reduce costs by using energy effi-  
18 cient products and generating renewable en-  
19 ergy, or

20 “(O) aid revitalizing of any area for which  
21 a disaster has been declared or determined  
22 under subparagraph (A), (B), (C), or (E) of  
23 section 7(b)(2) of the Small Business Act.”;  
24 and

1           (7) in the flush text following subparagraph  
2           (O), as added by paragraph (6), by striking “sub-  
3           paragraphs (J) and (K)” and inserting “subpara-  
4           graphs (K) and (L)”.

5 **SEC. 3. INCREASE IN LOAN AMOUNTS FOR MANUFAC-**  
6 **TURING LOANS.**

7           Section 502 of the Small Business Investment Act  
8 of 1958 (15 U.S.C. 696) is amended—

9           (1) in the matter preceding paragraph (1), by  
10          striking “The Administration” and inserting the fol-  
11          lowing:

12          “(a) IN GENERAL.—The Administration”; and

13          (2) in subsection (a), as so designated—

14                  (A) in paragraph (2)(A)—

15                          (i) in the matter preceding clause (i),  
16                          by striking “section” and inserting “sub-  
17                          section”; and

18                          (ii) in clause (iii), by striking  
19                          “\$5,500,000” and inserting “\$6,500,000”;

20                  (B) in paragraph (3)(A), by striking “this  
21          section” and inserting “this subsection”; and

22                  (C) in paragraph (5), by striking “this sec-  
23          tion” and inserting “this subsection”.

1 **SEC. 4. IMPROVEMENTS TO 504 LOAN CLOSING PROCE-**  
2 **DURE.**

3 Title V of the Small Business Investment Act of 1958  
4 (15 U.S.C. 695 et seq.) is amended—

5 (1) in section 502, as amended by section 3, by  
6 adding at the end the following new subsections:

7 “(b) CLOSING.—

8 “(1) AUTHORITY OF CERTAIN DEVELOPMENT  
9 COMPANIES.—An accredited lender certified com-  
10 pany may take any of the following actions to facili-  
11 tate the closing of a loan made under subsection (a):

12 “(A) Reallocate the cost of the project with  
13 respect to which the loan is made in an amount  
14 that is not more than 10 percent of the overall  
15 cost of the project.

16 “(B) Correct any name that is applicable  
17 to the loan, including the name of any bor-  
18 rower, guarantor, eligible passive company de-  
19 scribed in subparagraph (C)(i), and operating  
20 company described in subparagraph (C)(ii).

21 “(C) Form any of the following to receive  
22 proceeds of the loan:

23 “(i) An eligible passive company that  
24 complies with section 120.111 of title 13,  
25 Code of Federal Regulations, or any suc-  
26 cessor regulation.

1                   “(ii) If an eligible passive company is  
2                   formed under clause (i), an operating com-  
3                   pany with respect to that eligible passive  
4                   company.

5                   “(D) Correct the address of any property  
6                   with respect to which the loan is made.

7                   “(E) Correct the name of any interim  
8                   lender or third party lender.

9                   “(F) Change any third party lender or in-  
10                  terim lender if that lender is a financial institu-  
11                  tion that is regulated by the Federal Govern-  
12                  ment or a State government.

13                  “(G) Make a guarantor a co-borrower or a  
14                  co-borrower a guarantor.

15                  “(H) Add a guarantor that does not  
16                  change ownership with respect to the loan.

17                  “(I) Reduce the amount of standby debt  
18                  before the closing as a result of regularly sched-  
19                  uled payments.

20                  “(J) Reduce the cost of the project with  
21                  respect to which the loan is made.

22                  “(2) FEES.—The Administrator shall—

23                  “(A) issue a rule regarding the amount of  
24                  a closing fee that may be financed in a debent-  
25                  ture that is issued by a certified development

1           company to make 1 or more loans to small busi-  
2           ness concerns, the proceeds of which are used  
3           by that concern for the purposes described in  
4           subsection (a), except that such amount shall be  
5           not less than \$3,500; and

6           “(B) periodically update the rule issued  
7           under subparagraph (A).

8           “(3) NO ADVERSE CHANGE AND FINANCIAL  
9           STATEMENT.—Before the closing with respect to a  
10          loan made under subsection (a), the borrower and  
11          any operating company shall—

12           “(A) make the certification required under  
13           section 120.892 of title 13, Code of Federal  
14           Regulations, or any successor regulation; and

15           “(B) submit to the certified development  
16           company a financial statement that is not more  
17           than 180 days old, which the company shall  
18           certify not later than 120 days before the date  
19           on which the certified development company  
20           issues a debenture with respect to the project to  
21           which the loan relates.

22          “(c) EXPRESS PROGRAM.—An accredited lender cer-  
23          tified company may, with respect to a covered loan, take  
24          any of the following actions with respect to the loan:

1           “(1) Any action described in any of subpara-  
2           graphs (A) through (J) of subsection (b)(1).

3           “(2) If the borrower is not delinquent with re-  
4           spect to the loan payments—

5                   “(A) permit the loan to subordinate to a  
6                   new third party lender loan for the purposes of  
7                   refinancing that third party lender loan, except  
8                   that no refinanced amount with respect to the  
9                   loan may be increased in order to provide cash  
10                  to the borrower;

11                   “(B) permit a new party to assume respon-  
12                   sibility for the loan if the original borrower re-  
13                   mains on the loan as the original guarantor;

14                   “(C) obtain force placed insurance cov-  
15                   erage for the loan if the borrower has allowed  
16                   insurance coverage with respect to the loan to  
17                   lapse; and

18                   “(D) endorse an insurance check with re-  
19                   spect to the property that is financed by the  
20                   loan in an amount that is less than \$100,000.

21           “(3) Certify that the loan is compliant with the  
22           appraisal requirements and environmental policies  
23           and procedures applicable to the loan under Stand-  
24           ard Operating Procedure 50 10 6 of the Administra-

1 tion, effective August 28, 2020, or any successor  
2 Standard Operating Procedure.

3 “(d) DEFINITIONS.—In this section—

4 “(1) the term ‘accredited lender certified com-  
5 pany’ means a certified development company that  
6 meets the requirements under section 507(b), includ-  
7 ing a certified development company that the Ad-  
8 ministration has designated as an accredited lender  
9 under such section 507(b); and

10 “(2) the term ‘covered loan’—

11 “(A) means a loan made under subsection  
12 (a) in an amount that is not more than  
13 \$500,000; and

14 “(B) does not include a loan made to a  
15 borrower that is a franchise that, or is in an in-  
16 dustry that, has a high rate of default, as annu-  
17 ally determined by the Administrator.”; and

18 (2) by adding at the end the following new sec-  
19 tion:

20 **“SEC. 511. CLOSING AND OVERSIGHT.**

21 “(a) SBA DISTRICT COUNSELS.—Beginning on the  
22 date of enactment of this section, with respect to the pro-  
23 gram established under this title, district counsels of the  
24 Administration shall be subject to the same requirements,  
25 and shall have the same authority and responsibilities; as

1 in effect with respect to that program on the day before  
2 the date of enactment of this section, except that—

3 “(1) the Office of Credit Risk Management of  
4 the Administration shall have the responsibility for  
5 all duties relating to conducting file reviews of loans  
6 made under this title; and

7 “(2) district counsels of the Administration  
8 shall not have any responsibility relating to the re-  
9 view of closing packages with respect to a loan made  
10 under this title.

11 “(b) DESIGNATED ATTORNEYS.—For the purposes of  
12 this title, the following provisions and requirements shall  
13 apply with respect to a designated attorney of a certified  
14 development company:

15 “(1) A designated attorney that meets the re-  
16 quirements determined under paragraph (2) shall be  
17 responsible for certifying documents relating to the  
18 closing of a loan described in this title.

19 “(2) The Administrator may determine any  
20 continuing education requirements that the des-  
21 ignated attorney shall be required to satisfy in order  
22 to be permitted to close a loan made under this title.

23 “(3) If, as of the date of enactment of this sec-  
24 tion, a certified development company does not have  
25 a designated attorney, during the 270-day period be-

1 ginning on that date of enactment, the certified de-  
2 velopment company may identify such an attorney,  
3 subject to the approval of the Administrator.”.

4 **SEC. 5. CERTIFIED DEVELOPMENT COMPANY LOANS FOR**  
5 **SMALL MANUFACTURERS.**

6 (a) CONTRIBUTION REQUIREMENT.—Section  
7 502(a)(3)(C) of the Small Business Investment Act of  
8 1958, as designated by section 3, is amended—

9 (1) by redesignating clauses (i), (ii), (iii), and  
10 (iv) as subclauses (I), (II), (III), and (IV), respec-  
11 tively, and adjusting the margins of such subclauses  
12 accordingly;

13 (2) by inserting before subclause (I), as so re-  
14 designated, the following:

15 “(i) for a small business concern that  
16 is not a small manufacturer (as defined in  
17 section 501(e)(7))—”;

18 (3) in subclause (III), as so redesignated, by  
19 striking “clauses (i) and (ii)” and inserting “sub-  
20 clauses (I) and (II)”;

21 (4) in subclause (IV) as so redesignated, by  
22 striking the period and the end and inserting “; or”;  
23 and

24 (5) by adding at the end the following:

1                   “(ii) for a small manufacturer (as de-  
2                   fined in section 501(e)(7))—

3                   “(I) at least 5 percent of the  
4                   total cost of the project financed, if  
5                   the small business concern has been in  
6                   operation for a period of 2 years or  
7                   less;

8                   “(II) at least 5 percent of the  
9                   total cost of the project financed, if  
10                  the project involves a limited or single  
11                  purpose building or structure;

12                  “(III) at least 10 percent of the  
13                  total cost of the project financed if the  
14                  project involves both of the conditions  
15                  set forth in subclauses (I) and (II); or

16                  “(IV) at least 5 percent of the  
17                  total cost of the project financed, in  
18                  all other circumstances, at the discre-  
19                  tion of the development company.”.

20                  (b) CREATION OR RETENTION OF JOBS REQUIRE-  
21                  MENT.—Section 501(e) of the Small Business Investment  
22                  Act of 1958 (15 U.S.C. 695(e)) is amended—

23                  (1) in paragraph (1), by striking “creates or re-  
24                  tains” and all that follows through the period at the  
25                  end and inserting “creates or retains 1 job for every

1       \$75,000 guaranteed by the Administration, except  
2       that the amount is \$150,000 in the case of a project  
3       of a small manufacturer.”;

4       (2) in paragraph (2), by striking “creates or re-  
5       tains” and all that follows through the period at the  
6       end and inserting “creates or retains 1 job for every  
7       \$75,000 guaranteed by the Administration, except  
8       that the amount is \$150,000 in the case of a project  
9       of a small manufacturer.”;

10       (3) by redesignating paragraph (6) as para-  
11       graph (7); and

12       (4) by inserting after paragraph (5) the fol-  
13       lowing:

14       “(6) For a loan for a project directed toward the cre-  
15       ation of job opportunities under subsection (d)(1), the Ad-  
16       ministrator shall publish on the website of the Administra-  
17       tion the number of jobs created or retained under the  
18       project as of the date that is 2 years after the completion  
19       (as determined based on information provided by the de-  
20       velopment company) of the project.”.

21       (c)       COLLATERAL       REQUIREMENTS.—Section  
22       502(a)(3)(E)(i) of the Small Business Investment Act of  
23       1958, as designated by section 3, is amended by adding  
24       at the end the following: “Additional collateral shall not

1 be required in the case of a small manufacturer (as de-  
2 fined in section 501(e)(7)).”

3 (d) DEBT REFINANCING.—Section 502(a)(7)(B) of  
4 the Small Business Investment Act of 1958, as designated  
5 by section 3, is amended in the matter preceding clause  
6 (i) by inserting “(or in the case of a small manufacturer  
7 (as defined in section 501(e)(7)), that does not exceed 100  
8 percent of the project cost of the expansion)” after “cost  
9 of the expansion”.

10 (e) AMOUNT OF GUARANTEED DEBENTURE.—Sec-  
11 tion 503(a) of the Small Business Investment Act of 1958  
12 (15 U.S.C. 697(a)) is amended by adding at the end the  
13 following:

14 “(5) Any debenture issued by a State or local devel-  
15 opment company to a small manufacturer (as defined in  
16 section 501(e)(7)) with respect to which a guarantee is  
17 made under this subsection shall be in an amount equal  
18 to not more than 50 percent of the cost of the project  
19 with respect to which such debenture is issued, without  
20 regard to whether good cause has been shown.”

21 **SEC. 6. ASSISTANCE FOR SMALL MANUFACTURERS.**

22 Title V of the Small Business Investment Act of 1958  
23 (15 U.S.C. 695 et seq.), as amended by section 4(2), is  
24 further amended by adding at the end the following new  
25 section:

1 **“SEC. 512. ASSISTANCE FOR SMALL MANUFACTURERS.**

2       “(a) IN GENERAL.—The Administrator shall ensure  
3 that each district office of the Administration partners  
4 with not less than 1 resource partner to provide training  
5 to small business concerns assigned a North American In-  
6 dustry Classification System code for manufacturing on  
7 obtaining assistance under the program carried out under  
8 this title, including with respect to the application process  
9 under that program and partnering with development  
10 companies under this title.

11       “(b) RESOURCE PARTNER DEFINED.—In this sec-  
12 tion, the term ‘resource partner’ means—

13               “(1) a small business development center (as  
14 defined in section 3 of the Small Business Act);

15               “(2) a women’s business center (described  
16 under section 29 of such Act);

17               “(3) a chapter of the Service Corps of Retired  
18 Executives (established under section 8(b)(1)(B) of  
19 such Act); and

20               “(4) a Veteran Business Outreach Center (de-  
21 scribed under section 32 of such Act).”

.....  
 (Original Signature of Member)

116TH CONGRESS  
 2D SESSION

**H. R.** \_\_\_\_\_

To amend the Small Business Act to enhance the Office of Credit Risk Management, to require the Administrator of the Small Business Administration to issue rules relating to environmental obligations of certified development companies, and for other purposes.

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IN THE HOUSE OF REPRESENTATIVES

Mr. BISHOP of North Carolina introduced the following bill; which was referred to the Committee on \_\_\_\_\_

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**A BILL**

To amend the Small Business Act to enhance the Office of Credit Risk Management, to require the Administrator of the Small Business Administration to issue rules relating to environmental obligations of certified development companies, 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,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the "504 Credit Risk Man-  
 5 agement Improvement Act of 2020".

1 **SEC. 2. ENHANCEMENTS TO THE OFFICE OF CREDIT RISK**  
2 **MANAGEMENT.**

3 Section 47 of the Small Business Act (15 U.S.C.  
4 657t) is amended—

5 (1) by striking subsection (b) and inserting the  
6 following:

7 “(b) DUTIES.—The Office—

8 “(1) shall be responsible for—

9 “(A) supervising—

10 “(i) any lender making loans under  
11 section 7(a) (in this section referred to as  
12 a ‘7(a) lender’);

13 “(ii) any Lending Partner or Inter-  
14 mediary participant of the Administration  
15 in a lending program of the Office of Cap-  
16 ital Access of the Administration;

17 “(iii) any small business lending com-  
18 pany or a non-Federally regulated lender  
19 without regard to the requirements of sec-  
20 tion 23; and

21 “(iv) any certified development com-  
22 pany described under the program estab-  
23 lished under title V of the Small Business  
24 Investment Act of 1958 (referred to in this  
25 section as a ‘certified development com-  
26 pany’), as provided in subsection (k); and

1           “(B) conducting file reviews with respect  
2           to loan closings under the program established  
3           under title V of the Small Business Investment  
4           Act of 1958, as provided in subsection (j); and  
5           “(2) may—

6           “(A) take formal and informal enforcement  
7           actions against a certified development com-  
8           pany, as provided in subsection (l); and

9           “(B) charge a certified development com-  
10          pany a fee, as provided in subsection (m).”; and  
11          (2) by adding at the end the following new sub-

12          sections:

13          “(j) LOAN CLOSING FILE REVIEWS.—With respect  
14          to a loan closing under the program established under title  
15          V of the Small Business Investment Act of 1958, the Of-  
16          fice shall be responsible for the following:

17                 “(1) Conducting a complete file review of a ran-  
18                 dom selection of all loan closings, the number, fre-  
19                 quency, and conduct of which shall be at the discre-  
20                 tion of the Office, to ensure program integrity, in-  
21                 cluding a review of the items listed on the Checklist  
22                 for Complete File Review contained in the appro-  
23                 priate form of the Administration.

24                 “(2) Not later than 60 days after the date on  
25                 which each complete file review conducted under

1 paragraph (1) is completed, preparing a written re-  
2 port documenting the results of that review, which  
3 the Office shall send to—

4 “(A) the applicable certified development  
5 company;

6 “(B) the designated attorney that closed  
7 the loan for the certified development company;  
8 and

9 “(C) the Commercial Loan Service Center.

10 “(3) If a complete file review conducted under  
11 paragraph (1) reveals a deficiency that could result  
12 in a loss to the Administration, requiring the appli-  
13 cable certified development company or the des-  
14 ignated attorney to promptly correct the deficiency.

15 “(k) SUPERVISION OF CERTIFIED DEVELOPMENT  
16 COMPANIES.—With respect to the supervision of certified  
17 development companies—

18 “(1) an employee of the Office shall—

19 “(A) be present for, and supervise, the re-  
20 view of any such company that is conducted by  
21 a contractor of the Office on the premises of  
22 the company; and

23 “(B) supervise the review of any such com-  
24 pany that is conducted by a contractor of the

1 Office that is not conducted on the premises of  
2 the company; and

3 “(2) the Administrator shall—

4 “(A) develop a timeline for the review by  
5 the Office of certified development companies  
6 and the submission of reports regarding those  
7 reviews, under which the Administrator shall—

8 “(i) submit to a certified development  
9 company a written report of any review of  
10 the company not later than 90 days after  
11 the date on which the review is concluded;  
12 or

13 “(ii) if the Administrator expects to  
14 submit the report after the end of the 90-  
15 day period described in clause (i), notify  
16 the company of the expected date of sub-  
17 mission of the report and the reason for  
18 the delay; and

19 “(B) if a response by a certified develop-  
20 ment company is requested in a report sub-  
21 mitted under subparagraph (A)(i), require the  
22 company to submit responses to the Adminis-  
23 trator not later than 45 business days after the  
24 date on which the company receives the report.

1       “(1) ENFORCEMENT AUTHORITY AGAINST CER-  
2 TIFIED DEVELOPMENT COMPANIES.—

3       “(1) INFORMAL ENFORCEMENT AUTHORITY.—

4       The Director may take an informal enforcement ac-  
5 tion against a certified development company if the  
6 Director finds that the company has violated a stat-  
7 utory or regulatory requirement or any requirement  
8 in a Standard Operating Procedures Manual or Pol-  
9 icy Notice relating to a program or function of the  
10 Office of Capital Access.

11       “(2) FORMAL ENFORCEMENT AUTHORITY.—

12       “(A) IN GENERAL.—With the approval of  
13 the Lender Oversight Committee established  
14 under section 48, the Director may take a for-  
15 mal enforcement action against any certified de-  
16 velopment company if the Director finds that  
17 the company has violated—

18               “(i) a statutory or regulatory require-  
19 ment, including a requirement relating to  
20 the necessary funds for making loans when  
21 those funds are not made available to the  
22 company from private sources on reason-  
23 able terms; or

24               “(ii) any requirement described in a  
25 Standard Operating Procedures Manual or

1 Policy Notice relating to a program or  
2 function of the Office of Capital Access.

3 “(B) ENFORCEMENT ACTIONS.—The deci-  
4 sion to take an enforcement action against a  
5 certified development company under subpara-  
6 graph (A) shall be based on the severity or fre-  
7 quency of the violation and may include assess-  
8 ing a civil monetary penalty against the com-  
9 pany in an amount that is not greater than  
10 \$250,000.

11 “(3) FAILURE TO SUBMIT ANNUAL REPORT.—  
12 With respect to a certified development company  
13 that, as of the date that is 30 days after the date  
14 on which the company is required to submit any re-  
15 port, fails to submit that report, the Director may—

16 “(A) suspend the company from partici-  
17 pating in the program established under title V  
18 of the Small Business Investment Act of 1958  
19 for a period that is not longer than 30 days; or

20 “(B) impose a penalty on the company in  
21 an amount to be determined by the Director,  
22 except that the amount of the penalty shall be  
23 not more than \$10,000.

24 “(m) FEE AUTHORITY REGARDING CERTIFIED DE-  
25 VELOPMENT COMPANIES.—

1           “(1) IN GENERAL.—Effective one year after the  
2           date of the enactment of this subsection, the Office  
3           may collect from each certified development com-  
4           pany a fee, the amount of which—

5           “(A) shall be determined on a graduated  
6           scale according to the size of the portfolio of  
7           the certified development company with respect  
8           to the program carried out under title V of the  
9           Small Business Investment Act of 1958; and

10           “(B) shall not exceed the amount that is 1  
11           basis point with respect to the value of the  
12           portfolio described in subparagraph (A).

13           “(2) PAYMENT.—A certified development com-  
14           pany on which a fee is imposed under paragraph (1)  
15           shall pay the fee from the servicing fees collected by  
16           the development company pursuant to regulation.”.

17 **SEC. 3. RULES RELATING TO OBLIGATIONS OF CERTIFIED**  
18                           **DEVELOPMENT COMPANIES UNDER THE NA-**  
19                           **TIONAL ENVIRONMENTAL POLICY ACT.**

20           (a) IN GENERAL.—Not later than 180 days after the  
21           date of the enactment of this Act, the Administrator of  
22           the Small Business Administration shall issue rules to  
23           clarify the procedures necessary for an eligible certified  
24           development company to comply with the applicable re-

1 requirements under National Environmental Policy Act of  
2 1969 (42 U.S.C. 4321 et seq.).

3 (b) RULE OF CONSTRUCTION.—Nothing in this sec-  
4 tion shall be construed to modify the requirements of the  
5 National Environmental Policy Act of 1969 (42 U.S.C.  
6 4321 et seq.).

7 (c) ELIGIBLE CERTIFIED DEVELOPMENT COMPANY  
8 DEFINED.—In this section, the term “eligible certified de-  
9 velopment company” means a certified development com-  
10 pany defined under title V of the Small Business Invest-  
11 ment Act of 1958 (15 U.S.C. 695 et seq.) that receives  
12 assistance pursuant to such title.

.....  
 (Original Signature of Member)

116TH CONGRESS  
 2D SESSION

**H. R.** \_\_\_\_\_

To require the Administrator of the Small Business Administration to issue a rule authorizing the Office of Hearings and Appeals to decide appeals relating to the status of HUBZone business concerns, and for other purposes

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IN THE HOUSE OF REPRESENTATIVES

Mrs. RADEWAGEN introduced the following bill; which was referred to the Committee on \_\_\_\_\_

---

**A BILL**

To require the Administrator of the Small Business Administration to issue a rule authorizing the Office of Hearings and Appeals to decide appeals relating to the status of HUBZone business concerns, 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,*

3 **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the "Parity for HUBZone  
 5 Appeals Act of 2020".

1 **SEC. 2. AUTHORITY FOR THE OFFICE OF HEARINGS AND**  
2 **APPEALS TO DECIDE APPEALS RELATING TO**  
3 **QUALIFIED HUBZONE SMALL BUSINESS CON-**  
4 **CERNS.**

5 Not later than 1 year after the date of the enactment  
6 of this Act, the Administrator of the Small Business Ad-  
7 ministration shall issue a rule authorizing the Office of  
8 Hearings and Appeals of the Administration to decide all  
9 appeals from formal protest determinations in connection  
10 with the status of a concern as qualified HUBZone small  
11 business concern (as such term is defined in section 31(b)  
12 of the Small Business Act (15 U.S.C. 657a(b))).