

Mr. Speaker, as my colleague on the Committee on Rules has just explained, this is an open rule. It sets no limit on the number of amendments that may be offered and it does not limit debate time. It is the kind of rule most of us would like to see more often and as such we support it.

We do not oppose the waivers that the rule provides, including the waiver of the point of order for failure to comply with the rule prohibiting appropriations in an authorization measure. The waiver appears to us to be purely technical in nature.

The legislation this rule makes in order, H.R. 3719, the Small Business Programs Improvement Act, has bipartisan support, although there are concerns about several of its provisions and about the goals of the bill. The ranking member of the Committee on Small Business, the gentleman from New York [Mr. LAFALCE], outlined many of those concerns in his additional views which we commend to our colleagues.

For instance, Mr. LAFALCE expressed concern about the amount of 7(a) loan guarantees that will be made available in fiscal year 1997. That is the primary financial assistance program operated by the SBA, and it is vitally important to the success of many small businesses. Changes that mean more small businesses will be denied access to this federally guaranteed loan program should be made with the greatest care.

Many of us are also concerned about the direction the legislation takes in delegating more authority to the private sector to carry out programs under the SBA. We think it is important to remember that the private sector does not always operate programs more efficiently at a lower cost or better than the Government does. We would simply caution against overreliance on the private sector or privatizing simply for the sake of privatizing.

As a Member whose district was seriously affected by a major disaster, the Northridge earthquake of 1994, I can attest to the importance of the SBA's Disaster Loan Program. In fact, the main frustrations, Mr. Speaker, that our constituents felt in dealing with the SBA were usually caused because the agency simply did not have enough people to help those individuals who were seeking assistance.

Because of our involvement with so many people applying for disaster assistance loans through the SBA, I was especially pleased to note that the Committee on Small Business recognizes the importance of aiding citizens in need and that in the committee's opinion, at least, disaster assistance is one of the few clear-cut areas in which the Government should, in fact, be involved in the lives of our citizens.

Mr. Speaker, we congratulate the chairwoman of the Committee on Small Business, the gentlewoman from Kansas [Mrs. MEYERS], and the ranking member of the committee, the gen-

tleman from New York [Mr. LAFALCE], for the cooperation they have shown in bringing this bipartisan bill to the floor.

I would also like to take this time to give a special word of thanks to the chairwoman, our good friend from Kansas, for her outstanding work as a member of the committee and as its chairwoman during this Congress. Her decision not to run for reelection is a huge loss to this institution. We are in great need of more people like Mrs. MEYERS who legislate in a civil and a fair manner. Her grace and her charm and her intelligence will be missed, but we wish her the best in her well-deserved retirement.

Mr. Speaker, to repeat, this is an open rule. Any concerns about the bill and its direction can be fully addressed under the provisions of that rule. We urge our colleagues to approve the rule so that we can proceed with the consideration of this legislation and the amendments to it.

Mr. Speaker, I have no further requests for time, and I yield back the balance of my time.

Mr. LINDER. Mr. Speaker, in closing, let me urge Members to support this rule. Let me add to the kind comments of the gentleman from California about the gentlewoman from Kansas [Mrs. MEYERS] who is retiring. The elegant gentlewoman has led this committee well for the last 2 years and she will be sorely missed.

Mr. Speaker, I yield back the balance of my time, and I move the previous question on the resolution.

The previous question was ordered.

The resolution was agreed to.

A motion to reconsider was laid on the table.

#### MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States was communicated to the House by Mr. Sherman Williams, one of his secretaries, who also informed the House that on the following dates the President approved and signed bills of the House and Senate of the following titles:

July 1, 1996:

H.R. 3029. An act to designate the United States courthouse in Washington, District of Columbia, as the "E. Barrett Prettyman United States Courthouse."

July 2, 1996:

H.R. 2803. An act to amend the anti-car theft provisions of title 49, United States Code, to increase the utility of motor vehicle title information to the State and Federal law enforcement officials, and for other purposes.

July 3, 1996:

H.R. 3525. An act amend title 18, United States Code, to clarify the Federal jurisdiction over offenses relating to damage to religious property.

July 9, 1996:

H.R. 1880. An act to designate the United States Post Office building at 102 South McLean, Lincoln, Illinois, as the "Edward Madigan Post Office Building";

H.R. 2437. An act to provide for the exchange of certain lands in Gilpin County, Colorado;

H.R. 2704. An act to provide that the United States Post Office building that is to be located at 7436 South Exchange Avenue, Chicago, Illinois, shall be known and designated as the "Charles A. Hayes Post Office Building"; and

H.R. 3364. An act to designate the Federal building and United States courthouse located at 235 North Washington Avenue in Scranton, Pennsylvania, as the "William J. Nealon Federal Building and United States Courthouse".

July 18, 1996:

H.R. 2070. An act to provide for the distribution within the United States of the United States Information Agency film entitled "Fragile Ring of Life"; and

H.R. 2853. An act to authorize the extension of nondiscriminatory treatment (most-favored-nation treatment) to the products of Bulgaria.

July 19, 1996:

H.R. 1508. An act to require the transfer of title to the District of Columbia of certain real property in Anacostia Park to facilitate the construction of National Children's Island, a cultural, educational, and family-oriented park.

July 21, 1996:

H.R. 3121. An act to amend the Foreign Assistance Act of 1961 and the Arms Export Control Act to make improvements to certain defense and security assistance provisions under those Acts, to authorize the transfer of naval vessels to certain foreign countries, and for other purposes.

July 24, 1996:

H.R. 419. An act for the relief of Benchmark Rail Group, Inc.; and

H.R. 701. An act to authorize the Secretary of Agriculture to convey lands to the city of Rolla, Missouri.

July 29, 1996:

H.R. 248. An act to amend the Public Health Service Act to provide for the conduct of expanded studies and the establishment of innovative programs with respect to traumatic brain injury, and for other purposes.

July 30, 1996:

H.R. 2337. An act to amend the Internal Revenue Code Act of 1986 to provide for increased taxpayer protections.

August 3, 1996:

H.R. 497. An act to create the National Gambling Impact and Policy Commission;

H.R. 1627. An act to amend the Federal Insecticide, Fungicide, and Rodenticide Act and the Federal Food, Drug, and Cosmetic Act, and for other purposes; and

H.R. 3161. An act to authorize the extension of nondiscriminatory treatment (most-favored-nation treatment) to the products of Romania.

August 5, 1996:

H.R. 3107. An act to impose sanctions on persons making certain investments directly and significantly contributing to the enhancement of the ability of Iran or Libya to develop its petroleum resources, and on persons exporting certain items that enhance Libya's weapons or aviation capabilities or enhance Libya's ability to develop its petroleum resources, and for other purposes.

The President has approved the following:

July 2, 1996:

S. 1136. An act to control and prevent commercial counterfeiting, and for other purposes; and

S. 1903. An act to designate the bridge, estimated to be completed in the year 2000, that replaces the bridge on Missouri highway 74 spanning from East Cape Girardeau, Illinois, to Cape Girardeau, Missouri, as the "Bill Emerson Bridge", and for other purposes.

July 5, 1996:

S. 1579. An act to streamline and improve the effectiveness of chapter 75 of title 31,

United States Code (commonly referred to as the "Single Audit Act").

July 29, 1996:

S. 966, An act for the relief of Nathan C. Vance, and for other purposes; and  
S. 1899, An act entitled the "Mollie Beattie Wilderness Area Act".

#### SMALL BUSINESS PROGRAMS IMPROVEMENT ACT OF 1996

The SPEAKER pro tempore. Pursuant to House Resolution 516 and rule XXIII, the Chair declares the House in the Committee of the Whole House on the State of the Union for consideration of the bill, H.R. 3719.

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IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 3719) to amend the Small Business Act and Small Business Investment Act of 1958, with Mr. COLLINS of Georgia in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. Pursuant to the rule, the bill is considered as having been read the first time.

Under the rule, the gentlewoman from Kansas [Mrs. MEYERS] and the gentleman from New York [Mr. LAFALCE] each will control 30 minutes.

The Chair recognizes the gentlewoman from Kansas [Mrs. MEYERS].

Mrs. MEYERS of Kansas. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, I rise in strong support of H.R. 3719, the Small Business Programs Improvement Act of 1996, and I urge my colleagues to support this bill which is pro-small business and pro-government efficiency.

The Committee on Small Business reported out H.R. 3719 on July 18, 1996, by a unanimous vote of the Committee after intensive bipartisan work. Mr. LAFALCE, and I spent many hours together working out the details of the provisions. I am pleased to say that we are able to move H.R. 3719 through the Committee in an atmosphere of bipartisan cooperation.

The overall theme of this legislation, is better management of the loan programs. SBA guaranteed loans provide approximately \$10 billion in life-giving capital to small businesses every year. The 7(a) Guaranteed Loan Program, the largest loan program at the SBA, will provide over \$7 billion in financing to small businesses this year. As volume in the loan programs has increased, SBA staffing has decreased. I believe these events can be compatible, but only if the SBA relies on its private sector partners to carry out the day-to-day operations of making, servicing, and liquidating loans.

SBA does not have the manpower or resources to be a retail operation. They cannot efficiently process every loan, or handle the liquidation of each loan that goes into default. This is clear from the new subsidy rates—rates that

have dramatically increased due to low recovery rates on liquidated loans. The time period for liquidating loans is substantially longer than the average in the private sector. It is time for the SBA to move the liquidation function to the private sector, where our bank and nonbank lending partners conduct these types of actions everyday, and harness those efficiencies. SBA must assume the role of monitoring our lending partners, not trying to recreate operations that are done faster and better in the private sector.

The Committee on Small Business realized the SBA's limitations and took decisive action in this bill, H.R. 3719, to turn more functions of SBA lending programs over to the private sector. In the 7(a), 504, and disaster loan programs, pilot projects have been created, giving lenders the freedom to liquidate defaulted loans and to service disaster loans. This should increase our returns, and improve service delivery in our loan programs. SBA simply cannot handle the load currently on its plate, as reflected in the increased subsidy rates.

Other critical provisions in H.R. 3719 are those dealing with the 504 or Certified Development Company Program. As you may know, when the President released his budget for fiscal year 1997, we were hit with dramatically higher estimates of the subsidy rates for the 504 and 7(a) guaranteed loan programs. Last year, the Committee on Small Business moved legislation which reduced the subsidy rate in the 504 program to zero, making it a self-financed program which requires no appropriated funds. While the committee was disappointed and frustrated by the SBA's and OMB's inability to notify us in a timely way about these new estimates, we are, nonetheless, committed to returning the 504 program to a zero subsidy.

A combination of new fees, to be shared by the lenders, the certified development companies, and the borrowers, and several program management improvements in H.R. 3719, including the liquidation pilot project, result in the maintenance of a zero subsidy rate for the 504 program. It is vital that this lending program, which provides long-term financing for expanding small businesses to purchase new physical space or equipment, continue to help small businesses and our economy grow. As my colleagues probably know, the 504 program is the only SBA lending program with a job creation requirement. While no one likes to place additional fees on small business borrowers, that is the only way to keep this important program going, as no funds were requested by the administration, or appropriated for the 504 program for fiscal year 1997.

H.R. 3719 also addresses some management issues in the 7(a) program, and requires an extensive, private sector study of the subsidy rate calculations done by SBA and the OMB. I hope this study will unlock the mysteries of

the OMB subsidy rate assumptions and prevent future year surprises in this calculation. As with the 504 program, the committee has moved more of the day-to-day responsibilities for the loan programs to our most trusted private sector partners, our preferred lenders or PLP's. Under H.R. 3719, the preferred lenders will be provided with the full authority and responsibility to liquidate their own loans. The SBA has delegated many responsibilities to the PLP's, but has retained most of the liquidation functions with the agency. In addition, certified lenders [CLP's] will be able to conduct their own liquidations, with the assistance and oversight of the SBA. The committee believes the private sector may be able to perform this function faster and more efficiently, maximizing returns to the Government.

In addition, the committee has required that the Low Documentation or Low Doc Program, which is an abbreviated form for the borrower seeking a guaranteed loan of \$100,000 or less, be conducted only by PLP's, CLP's, or lenders with significant small business lending experience. This program, which was a pilot initiated by the SBA, has proven to be very popular among borrowers and banks, alike. However, the committee has received a good deal of anecdotal evidence suggesting that many lenders who have little or no small business lending experience, and no experience with SBA loans, are doing large volumes of low doc loans. As the Low Doc Program now comprises about 25 percent of the 7(a) program volume, the committee felt it important to act to preserve the integrity of SBA's own regulations, which stipulate that low doc is for use by our most experienced lenders. The committee also places a limitation on any new pilot programs. The administration may experiment and try out new ideas and concepts to meet small business' needs. However, no pilot may comprise more than 10 percent of the 7(a) program volume. As the committee has seen, the program's subsidy rate is very sensitive to changes in the portfolio composition. Any pilot deemed successful can be statutorily created through the legislative process.

Other provisions in the bill continue to echo the theme of more reliance on the private sector to carry out the functions of SBA programs. We increase slightly the interest rate on disaster loans, from a formula based upon one-half of the Treasury rate for 30 year loans to three-fourths of Treasury. This increase will lower the subsidy rate from 16.5 percent to approximately 12.3 percent, according to CBO. This slight adjustment will continue to provide disaster victims a real low-cost, long-term loan for disaster recovery, while stretching the taxpayer dollars needed to fund this program a lot further. H.R. 3719 also requires the SBA to contract out to private entities the servicing of 10 percent of the loans in our disaster portfolio. This pilot should