

106TH CONGRESS  
1ST SESSION

# H. R. 1822

To establish an emergency loan guarantee program for steel and iron ore companies.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 14, 1999

Mr. REGULA (for himself, Mr. NEY, Mr. CALLAHAN, and Mr. ADERHOLT) introduced the following bill; which was referred to the Committee on Banking and Financial Services, and in addition to the Committee on the Budget, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To establish an emergency loan guarantee program for steel and iron ore companies.

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 “Emergency Steel Loan  
5       Guarantee Program”.

6       **SEC. 2. FINDINGS.**

7       Congress finds that—

1           (1) the United States steel industry has been  
2           severely harmed by a record surge of more than  
3           40,000,000 tons of steel imports into the United  
4           States in 1998, caused by the world financial crisis;

5           (2) this surge in imports resulted in the loss of  
6           more than 10,000 steel worker jobs in 1998, and  
7           was the imminent cause of 3 bankruptcies by me-  
8           dium-sized steel companies, Acme Steel, Laclede  
9           Steel, and Geneva Steel;

10          (3) the crisis also forced almost all United  
11          States steel companies into—

12                 (A) reduced volume, lower prices, and fi-  
13                 nancial losses; and

14                 (B) an inability to obtain credit for contin-  
15                 ued operations and reinvestment in facilities;

16          (4) the crisis also has affected the willingness  
17          of private banks and investment institutions to make  
18          loans to the U.S. steel industry for continued oper-  
19          ation and reinvestment in facilities;

20          (5) these steel bankruptcies, job losses, and fi-  
21          nancial losses are also having serious negative ef-  
22          fects on the tax base of cities, counties, and States,  
23          and on the essential health, education, and munic-  
24          ipal services that these government entities provide  
25          to their citizens; and

1           (6) a strong steel industry is necessary to the  
2       adequate defense preparedness of the United States  
3       in order to have sufficient steel available to build the  
4       ships, tanks, planes, and armaments necessary for  
5       the national defense.

6 **SEC. 3. DEFINITIONS.**

7       For purposes of this Act—

8           (1) the term “Board” means the Loan Guar-  
9       antee Board established under section 5;

10          (2) the term “Program” means the Emergency  
11       Steel Guaranteed Loan Program established under  
12       section 4; and

13          (3) the term “qualified steel company” means  
14       any company that—

15            (A) is incorporated under the laws of any  
16       State;

17            (B) is engaged in the production and man-  
18       ufacture of a product defined by the American  
19       Iron and Steel Institute as a basic steel mill  
20       product, including ingots, slab and billets,  
21       plates, flat-rolled steel, sections and structural  
22       products, bars, rail type products, pipe and  
23       tube, and wire rod; and

1 (C) has experienced layoffs, production  
2 losses, or financial losses since the beginning of  
3 the steel import crisis, after January 1, 1998.

4 **SEC. 4. ESTABLISHMENT OF EMERGENCY STEEL GUARAN-**  
5 **TEED LOAN PROGRAM.**

6 There is established the Emergency Steel Guaranteed  
7 Loan Program, to be administered by the Board, the pur-  
8 pose of which is to provide loan guarantees to qualified  
9 steel companies in accordance with this Act.

10 **SEC. 5. LOAN GUARANTEE BOARD MEMBERSHIP.**

11 There is established a Loan Guarantee Board, which  
12 shall be composed of—

13 (1) the Secretary of Commerce, who shall serve  
14 as Chairman of the Board;

15 (2) the Secretary of Labor; and

16 (3) the Secretary of the Treasury.

17 **SEC. 6. LOAN GUARANTEE PROGRAM.**

18 (a) **AUTHORITY.**—The Program may guarantee loans  
19 provided to qualified steel companies by private banking  
20 and investment institutions in accordance with the proce-  
21 dures, rules, and regulations established by the Board.

22 (b) **TOTAL GUARANTEE LIMIT.**—The aggregate  
23 amount of loans guaranteed and outstanding at any one  
24 time under this Act may not exceed \$1,000,000,000.

1       (c) INDIVIDUAL GUARANTEE LIMIT.—The aggregate  
2 amount of loans guaranteed under this Act with respect  
3 to a single qualified steel company may not exceed  
4 \$250,000,000.

5       (d) MINIMUM GUARANTEE AMOUNT.—No single loan  
6 in an amount that is less than \$25,000,000 may be guar-  
7 anteed under this Act, except that the Board may, in ex-  
8 ceptional circumstances, guarantee smaller loans.

9       (e) TIMELINES.—The Board shall approve or deny  
10 each application for a guarantee under this Act as soon  
11 as possible after receipt of such application.

12       (f) ADDITIONAL COSTS.—For the additional cost of  
13 the loans guaranteed under this section, including the  
14 costs of modifying the loans as defined in section 502 of  
15 the Congressional Budget Act of 1974 (2 U.S.C. 661a),  
16 there is authorized to be appropriated \$140,000,000, to  
17 remain available until expended.

18       (g) REQUIREMENTS FOR LOAN GUARANTEES.—A  
19 loan guarantee may be issued under this Act upon applica-  
20 tion to the Board by a qualified steel company pursuant  
21 to an agreement to provide a loan to that qualified steel  
22 company by a private bank or investment company, if the  
23 Board determines that—

24               (1) credit is not otherwise available to that  
25 company under reasonable terms or conditions suffi-

1       cient to meet its financing needs, as reflected in the  
2       financial and business plans of that company;

3           (2) the prospective earning power of that com-  
4       pany, together with the character and value of the  
5       security pledged, furnish reasonable assurance of re-  
6       payment of the loan to be guaranteed in accordance  
7       with its terms;

8           (3) the loan to be guaranteed bears interest at  
9       a rate determined by the Board to be reasonable,  
10      taking into account the current average yield on out-  
11      standing obligations of the United States with re-  
12      maining periods of maturity comparable to the ma-  
13      turity of such loan; and

14          (4) the company has agreed to an audit by the  
15      General Accounting Office, prior to the issuance of  
16      the loan guarantee and annually while any such  
17      guaranteed loan is outstanding.

18      (h) TERMS AND CONDITIONS OF LOAN GUARAN-  
19      TEES.—

20          (1) LOAN DURATION.—All loans guaranteed  
21      under this Act shall be payable in full not later than  
22      December 31, 2005, and the terms and conditions of  
23      each such loan shall provide that the loan may not  
24      be amended, or any provision thereof waived, with-  
25      out the consent of the Board.

1           (2) LOAN SECURITY.—Any commitment to  
2       issue a loan guarantee under this Act shall contain  
3       such affirmative and negative covenants and other  
4       protective provisions that the Board determines are  
5       appropriate. The Board shall require security for the  
6       loans to be guaranteed under this Act at the time  
7       at which the commitment is made.

8           (3) FEES.—A qualified steel company receiving  
9       a guarantee under this Act shall pay a fee in an  
10      amount equal to 0.5 percent of the outstanding prin-  
11      cipal balance of the guaranteed loan to the Depart-  
12      ment of the Treasury.

13      (i) REPORTS TO CONGRESS.—The Secretary of Com-  
14      merce shall submit to the Congress annually a full report  
15      of the activities of the Board under this Act during fiscal  
16      years 1999 and 2000, and annually thereafter, during  
17      such period as any loan guaranteed under this Act is out-  
18      standing.

19      **SEC. 7. SALARIES AND ADMINISTRATIVE EXPENSES.**

20      For necessary expenses to administer the Program,  
21      there is authorized to be appropriated to the Department  
22      of Commerce \$5,000,000, to remain available until ex-  
23      pended, which may be transferred to the Office of the As-  
24      sistant Secretary for Trade Development of the Inter-  
25      national Trade Administration.

1 **SEC. 8. TERMINATION OF GUARANTEE AUTHORITY.**

2       The authority of the Board to make commitments to  
3 guarantee any loan under this Act shall terminate on De-  
4 cember 31, 2001.

5 **SEC. 9. REGULATORY ACTION.**

6       The Board shall issue such final procedures, rules,  
7 and regulations as may be necessary to carry out this Act  
8 not later than 60 days after the date of enactment of this  
9 Act.

10 **SEC. 10. IRON ORE COMPANIES.**

11       (a) IN GENERAL.—Subject to the requirements of  
12 this section, an iron ore company incorporated under the  
13 law of any State shall be treated as a qualified steel com-  
14 pany for purposes of the Program.

15       (b) TOTAL GUARANTEE LIMIT FOR IRON ORE COM-  
16 PANIES.—Of the aggregate amount of loans authorized to  
17 be guaranteed and outstanding at any one time under sec-  
18 tion 6(b), not to exceed \$30,000,000 of the amount of  
19 loans guaranteed and outstanding at any one time shall  
20 be loans with respect to iron ore companies.

21       (c) MINIMUM IRON ORE COMPANY GUARANTEE  
22 AMOUNT.—Notwithstanding section 6(d), a single loan to  
23 an iron ore company in an amount of not less than  
24 \$6,000,000 may be guaranteed under this section.



1 **SEC. 11. EMERGENCY DESIGNATION.**

2       The entire amount made available to carry out this  
3 Act—

4           (1) is designated by the Congress as an emer-  
5 gency requirement pursuant to section 251(b)(2)(A)  
6 of the Balanced Budget and Emergency Deficit Con-  
7 trol Act of 1985 (2 U.S.C. 901(b)(2)(A)); and

8           (2) shall be available only to the extent that an  
9 official budget request that includes designation of  
10 the entire amount of the request as an emergency  
11 requirement (as defined in the Balanced Budget and  
12 Emergency Deficit Control Act of 1985) is trans-  
13 mitted by the President to the Congress.

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