

Calendar No. 352

110TH CONGRESS
1ST SESSION**S. 1256****[Report No. 110–154]**

To amend the Small Business Act to reauthorize loan programs under that Act, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MAY 1, 2007

Mr. KERRY (for himself, Ms. SNOWE, Mr. LEVIN, Ms. LANDRIEU, Mr. OBAMA, and Mr. TESTER) introduced the following bill; which was read twice and referred to the Committee on Small Business and Entrepreneurship

SEPTEMBER 12, 2007

Reported by Mr. KERRY, with an amendment

[Strike out all after the enacting clause and insert the part printed in italic]

A BILL

To amend the Small Business Act to reauthorize loan programs under that Act, 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 “Small Business Lend-
5 ing Reauthorization and Improvements Act of 2007”.

1 **SEC. 2. TABLE OF CONTENTS.**

2 The table of contents of this Act is as follows:

- Sec. 1. Short title.
- Sec. 2. Table of contents.
- Sec. 3. Definitions.
- Sec. 4. Authorization of appropriations.

TITLE I—MICROLOAN PROGRAMS

- Sec. 101. Conforming technical change in average smaller loan size.
- Sec. 102. Inclusion of persons with disabilities.
- Sec. 103. Microloan program improvements.
- Sec. 104. PRIME reauthorization and transfer to the Small Business Act.

TITLE II—INTERMEDIARY LENDING PILOT PROGRAM

- Sec. 201. Findings.
- Sec. 202. Small business intermediary lending pilot program.

TITLE III—7(a) LOAN PROGRAM

- Sec. 301. Preferred lenders program.
- Sec. 302. Maximum loan amount.
- Sec. 303. Maximum 504 and 7(a) loan eligibility.
- Sec. 304. Loan pooling.
- Sec. 305. Alternative size standard.
- Sec. 306. Alternative variable interest rate.
- Sec. 307. Minority small business development.
- Sec. 308. Lowering of fees.
- Sec. 309. International trade loans.
- Sec. 310. Rural lending outreach program.

TITLE IV—CERTIFIED DEVELOPMENT COMPANIES; 504 LOAN PROGRAM

- Sec. 401. Development company loan programs.
- Sec. 402. Loan liquidations.
- Sec. 403. Additional equity injections.
- Sec. 404. Businesses in low-income areas.
- Sec. 405. Combinations of certain goals.
- Sec. 406. Refinancing under the Local Development Business Loan Program.
- Sec. 407. Technical correction.
- Sec. 408. Definitions for the Small Business Investment Act of 1958.
- Sec. 409. Repeal of sunset on reserve requirements for premier certified lenders.
- Sec. 410. Certified development companies.
- Sec. 411. Conforming amendments.
- Sec. 412. Closing costs.
- Sec. 413. Definition of rural.
- Sec. 414. Regulations and effective date.
- Sec. 415. Limitation on time for final approval of companies.
- Sec. 416. Child Care Lending Pilot Program.

1 **SEC. 3. DEFINITIONS.**

2 In this Act—

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

6 (2) the term “504 Loan Program” means the
7 program to provide financing to small business con-
8 cerns by guarantees of loans under title V of the
9 Small Business Investment Act of 1958 (15 U.S.C.
10 695 et seq.), which are funded by debentures guar-
11 anteed by the Administrator; and

12 (3) the term “small business concern” has the
13 meaning given that term in section 3 of the Small
14 Business Act (15 U.S.C. 632).

15 **SEC. 4. AUTHORIZATION OF APPROPRIATIONS.**

16 Section 20 of the Small Business Act (15 U.S.C. 631
17 note) is amended—

18 (1) by redesignating subsection (j) as sub-
19 section (f); and

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

21 “(g) MICROLOAN.—For each of fiscal years 2007
22 through 2010, the Administration is authorized to make,
23 as provided in section 7(m)—

24 “(1) \$80,000,000 in technical assistance grants;

25 “(2) \$110,000,000 in direct loans; and

1 ~~“(3) \$50,000,000 in deferred participation~~
 2 ~~loans.~~

3 ~~“(h) GENERAL BUSINESS LOANS.—The Administra-~~
 4 ~~tion is authorized to make, as provided in section 7(a)—~~

5 ~~“(1) \$18,000,000,000 in general business loans~~
 6 ~~in fiscal year 2007;~~

7 ~~“(2) \$19,000,000,000 in general business loans~~
 8 ~~in fiscal year 2008;~~

9 ~~“(3) \$20,000,000,000 in general business loans~~
 10 ~~in fiscal year 2009; and~~

11 ~~“(4) \$21,000,000,000 in general business loans~~
 12 ~~in fiscal year 2010.~~

13 ~~“(i) CERTIFIED DEVELOPMENT COMPANY~~
 14 ~~FINANCINGS.—The Administration is authorized to make,~~
 15 ~~as provided in section 7(a)(13) and as provided in section~~
 16 ~~504 of the Small Business Investment Act of 1958 (15~~
 17 ~~U.S.C. 697a)—~~

18 ~~“(1) \$8,000,000,000 in certified development~~
 19 ~~company financings in fiscal year 2007;~~

20 ~~“(2) \$8,500,000,000 in certified development~~
 21 ~~company financings in fiscal year 2008;~~

22 ~~“(3) \$9,000,000,000 in certified development~~
 23 ~~company financings in fiscal year 2009; and~~

24 ~~“(4) \$9,500,000,000 in certified development~~
 25 ~~company financings in fiscal year 2010.~~

1 “(j) DEPARTMENT OF DEFENSE.—For each of fiscal
 2 years 2007 through 2010, the Administration is author-
 3 ized to make \$500,000,000 in loans as provided in section
 4 7(a)(21).

5 “(k) PRIME PROGRAM.—

6 “(1) IN GENERAL.—There are authorized to be
 7 appropriated to the Administrator \$15,000,000 for
 8 each of fiscal years 2007 through 2010 to carry out
 9 section 37, which shall remain available until ex-
 10 pended.

11 “(2) CERTAIN PROGRAMS.—In addition to the
 12 amount authorized under paragraph (1), there are
 13 authorized to be appropriated to the Administrator
 14 \$2,000,000 each of fiscal years 2007 through 2010
 15 to carry out section 37(c)(4), which shall remain
 16 available until expended.

17 “(l) ADDITIONAL AUTHORIZATIONS AND LIMITA-
 18 TIONS.—

19 “(1) IN GENERAL.—There are authorized to be
 20 appropriated to the Administration for each of fiscal
 21 years 2007 through 2010 such sums as may be nec-
 22 essary to carry out the provisions of this Act not
 23 elsewhere provided for, including administrative ex-
 24 penses and necessary loan capital for disaster loans
 25 pursuant to section 7(b), and to carry out the Small

1 Business Investment Act of 1958, including salaries
2 and expenses of the Administration.

3 “(2) LIMITATIONS.—Notwithstanding any other
4 provision of this section, for each of fiscal years
5 2007 through 2010—

6 “(A) no funds are authorized to be used as
7 loan capital for the loan program authorized by
8 section 7(a)(21) in any such fiscal year, except
9 by transfer from another Federal department or
10 agency to the Administration, unless the pro-
11 gram level authorized for general business loans
12 under subsection (h) is fully funded for that fis-
13 cal year; and

14 “(B) the Administration may not approve
15 loans on its own behalf or on behalf of any
16 other Federal department or agency, by con-
17 tract or otherwise, under terms and conditions
18 other than those specifically authorized under
19 this Act or the Small Business Investment Act
20 of 1958, except that it may approve loans under
21 section 7(a)(21) of this Act in gross amounts of
22 not more than \$2,000,000.”.

TITLE I—MICROLOAN PROGRAMS

SEC. 101. CONFORMING TECHNICAL CHANGE IN AVERAGE SMALLER LOAN SIZE.

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

(1) in paragraph (3)(F)(iii), by striking “\$7,500” and inserting “\$10,000”; and

(2) in paragraph (6)(C), by striking “\$7,500” each place that term appears and inserting “\$10,000”.

SEC. 102. INCLUSION OF PERSONS WITH DISABILITIES.

Section 7(m)(1)(A)(i) of the Small Business Act (15 U.S.C. 636(m)(1)(A)(i)) is amended by inserting “persons with disabilities,” before “and minority”.

SEC. 103. MICROLOAN PROGRAM IMPROVEMENTS.

(a) INTERMEDIARY ELIGIBILITY REQUIREMENTS.—

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

(1) in subparagraph (A), by striking “in paragraph (10); and” and inserting “of the term ‘intermediary’ under paragraph (11);” and

(2) in subparagraph (B)—

(A) by striking “(B) has at least” and inserting the following:

1 “(B) has—

2 “(i) at least”; and

3 (B) by striking the period at the end and
4 inserting the following: “; or

5 “(ii) a full-time employee who has not
6 less than 3 years experience making
7 microloans to startup, newly established, or
8 growing small business concerns; and

9 “(C) has at least 1 year experience pro-
10 viding, as an integral part of its microloan pro-
11 gram, intensive marketing, management, and
12 technical assistance to its borrowers.”.

13 (b) LIMITATION ON THIRD PARTY TECHNICAL AS-
14 SISTANCE.—Section 7(m)(4)(E)(ii) of the Small Business
15 Act (15 U.S.C. 636(m)(4)(E)(ii)) is amended—

16 (1) in the clause heading, by striking “TECH-
17 NICAL ASSISTANCE” and inserting “THIRD PARTY
18 TECHNICAL ASSISTANCE”; and

19 (2) by striking “25 percent” and inserting “30
20 percent”.

21 (c) LOAN TERMS.—Section 7(m) of the Small Busi-
22 ness Act (15 U.S.C. 636(m)) is amended—

23 (1) in paragraph (1)(B)(i), by striking “short-
24 term,”; and

1 (2) in paragraph (11)(B), by striking “short-
2 term,”.

3 (d) ~~INCREASED FLEXIBILITY FOR PROVIDING TECH-~~
4 ~~NICAL ASSISTANCE TO POTENTIAL BORROWERS.~~—Section
5 7(m)(4)(E)(i) of the Small Business Act (15 U.S.C.
6 636(m)(4)(E)(i)) is amended by striking “25 percent” and
7 inserting “30 percent”.

8 **SEC. 104. PRIME REAUTHORIZATION AND TRANSFER TO**
9 **THE SMALL BUSINESS ACT.**

10 (a) ~~PROGRAM REAUTHORIZATION.~~—The Small Busi-
11 ness Act (15 U.S.C. 631 et seq.) is amended—

12 (1) by redesignating section 37 as section 39;
13 and

14 (2) by inserting after section 36 the following:

15 **“SEC. 37. PROGRAM FOR INVESTMENT IN MICROENTRE-**
16 **PRENEURS.**

17 “(a) ~~DEFINITIONS.~~—In this section:

18 “(1) ~~CAPACITY BUILDING SERVICES.~~—The term
19 ‘capacity building services’ means services provided
20 to an organization that is, or that is in the process
21 of becoming, a microenterprise development organi-
22 zation or program, for the purpose of enhancing its
23 ability to provide training and services to disadvan-
24 taged entrepreneurs.

1 “(2) ~~COLLABORATIVE.~~—The term ‘collabo-

2 rative’ means 2 or more nonprofit entities that agree

3 to act jointly as a qualified organization under this

4 section.

5 “(3) ~~DISADVANTAGED ENTREPRENEUR.~~—The

6 term ‘disadvantaged entrepreneur’ means a micro-

7 entrepreneur that—

8 “(A) is a low-income person;

9 “(B) is a very low-income person; or

10 “(C) lacks adequate access to capital or

11 other resources essential for business success;

12 or is economically disadvantaged, as determined

13 by the Administrator.

14 “(4) ~~DISADVANTAGED NATIVE AMERICAN EN-~~

15 ~~TREPRENEUR.~~—The term ‘disadvantaged Native

16 American entrepreneur’ means a disadvantaged en-

17 trepreneur who is also a member of an Indian Tribe.

18 “(5) ~~INDIAN TRIBE.~~—The term ‘Indian tribe’

19 has the meaning given that term in section 4(a) of

20 the Indian Self-Determination and Education Assist-

21 ance Act.

22 “(6) ~~INTERMEDIARY.~~—The term ‘intermediary’

23 means a private, nonprofit entity that seeks to serve

24 microenterprise development organizations and pro-

25 grams, as authorized under subsection (d).

1 ~~“(7) LOW-INCOME PERSON.—~~The term ‘low-in-
 2 come person’ means having an income, adjusted for
 3 family size, of not more than—

4 ~~“(A) for metropolitan areas, 80 percent of~~
 5 the area median income; and

6 ~~“(B) for nonmetropolitan areas, the great-~~
 7 er of—

8 ~~“(i) 80 percent of the area median in-~~
 9 come; or

10 ~~“(ii) 80 percent of the statewide non-~~
 11 metropolitan area median income.

12 ~~“(8) MICROENTREPRENEUR.—~~The term ‘micro-
 13 entrepreneur’ means the owner or developer of a
 14 microenterprise.

15 ~~“(9) MICROENTERPRISE.—~~The term ‘micro-
 16 enterprise’ means a sole proprietorship, partnership,
 17 or corporation that—

18 ~~“(A) has fewer than 5 employees; and~~

19 ~~“(B) generally lacks access to conventional~~
 20 loans, equity, or other banking services.

21 ~~“(10) MICROENTERPRISE DEVELOPMENT ORGA-~~
 22 NIZATION OR PROGRAM.—The term ‘microenterprise
 23 development organization or program’ means a non-
 24 profit entity, or a program administered by such an
 25 entity, including community development corpora-

1 tions or other nonprofit development organizations
 2 and social service organizations, that provides serv-
 3 ices to disadvantaged entrepreneurs.

4 “(11) TRAINING AND TECHNICAL ASSIST-
 5 ANCE.—The term ‘training and technical assistance’
 6 means services and support provided to disadvan-
 7 taged entrepreneurs, such as assistance for the pur-
 8 pose of enhancing business planning, marketing,
 9 management, financial management skills, and as-
 10 sistance for the purpose of accessing financial serv-
 11 ices.

12 “(12) VERY LOW-INCOME PERSON.—The term
 13 ‘very low-income person’ means having an income,
 14 adjusted for family size, of not more than 150 per-
 15 cent of the poverty line (as defined in section 673(2)
 16 of the Community Services Block Grant Act (42
 17 U.S.C. 9902(2)), including any revision required by
 18 that section).

19 “(b) ESTABLISHMENT OF PROGRAM.—The Adminis-
 20 trator shall establish a microenterprise technical assist-
 21 ance and capacity building grant program to provide as-
 22 sistance from the Administration in the form of grants
 23 to qualified organizations in accordance with this section.

24 “(c) USES OF ASSISTANCE.—A qualified organization
 25 shall use grants made under this section—

1 “(1) to provide training and technical assist-
2 ance to disadvantaged entrepreneurs;

3 “(2) to provide training and capacity building
4 services to microenterprise development organiza-
5 tions and programs and groups of such organiza-
6 tions to assist such organizations and programs in
7 developing microenterprise training and services;

8 “(3) to aid in researching and developing the
9 best practices in the field of microenterprise and
10 technical assistance programs for disadvantaged en-
11 trepreneurs;

12 “(4) to provide training and technical assist-
13 ance to disadvantaged Native American entre-
14 preneurs and prospective entrepreneurs; and

15 “(5) for such other activities as the Adminis-
16 trator determines are consistent with the purposes of
17 this section.

18 “(d) QUALIFIED ORGANIZATIONS.—For purposes of
19 eligibility for assistance under this section, a qualified or-
20 ganization shall be—

21 “(1) a nonprofit microenterprise development
22 organization or program (or a group or collaborative
23 thereof) that has a demonstrated record of delivering
24 microenterprise services to disadvantaged entre-
25 preneurs;

1 ~~“(2) an intermediary;~~

2 ~~“(3) a microenterprise development organiza-~~
 3 ~~tion or program that is accountable to a local com-~~
 4 ~~munity, working in conjunction with a State or local~~
 5 ~~government or Indian tribe; or~~

6 ~~“(4) an Indian tribe acting on its own, if the~~
 7 ~~Indian tribe certifies that no private organization or~~
 8 ~~program referred to in this subsection exists within~~
 9 ~~its jurisdiction.~~

10 ~~“(e) ALLOCATION OF ASSISTANCE; SUBGRANTS.—~~

11 ~~“(1) ALLOCATION OF ASSISTANCE.—~~

12 ~~“(A) IN GENERAL.—The Administrator~~
 13 ~~shall allocate assistance from the Administra-~~
 14 ~~tion under this section to ensure that—~~

15 ~~“(i) activities described in subsection~~
 16 ~~(e)(1) are funded using not less than 75~~
 17 ~~percent of amounts made available for~~
 18 ~~such assistance; and~~

19 ~~“(ii) activities described in subsection~~
 20 ~~(e)(2) are funded using not less than 15~~
 21 ~~percent of amounts made available for~~
 22 ~~such assistance.~~

23 ~~“(B) LIMIT ON INDIVIDUAL ASSISTANCE.—~~

24 ~~No single person may receive more than 10 per-~~

1 cent of the total funds appropriated under this
2 section in a single fiscal year.

3 ~~“(2) TARGETED ASSISTANCE.—The Adminis-~~
4 ~~trator shall ensure that not less than 50 percent of~~
5 ~~the grants made under this section are used to ben-~~
6 ~~efit very low-income persons, including those resid-~~
7 ~~ing on Indian reservations.~~

8 ~~“(3) SUBGRANTS AUTHORIZED.—~~

9 ~~“(A) IN GENERAL.—A qualified organiza-~~
10 ~~tion receiving assistance under this section may~~
11 ~~provide grants using that assistance to qualified~~
12 ~~small and emerging microenterprise organiza-~~
13 ~~tions and programs, subject to such rules and~~
14 ~~regulations as the Administrator determines to~~
15 ~~be appropriate.~~

16 ~~“(B) LIMIT ON ADMINISTRATIVE EX-~~
17 ~~PENSES.—Not more than 7.5 percent of assist-~~
18 ~~ance received by a qualified organization under~~
19 ~~this section may be used for administrative ex-~~
20 ~~penses in connection with the making of sub-~~
21 ~~grants under subparagraph (A).~~

22 ~~“(4) DIVERSITY.—In making grants under this~~
23 ~~section, the Administrator shall ensure that grant~~
24 ~~recipients include both large and small microcenter-~~

prise organizations, serving urban, rural, and Indian tribal communities serving diverse populations.

~~“(5) PROHIBITION ON PREFERENTIAL CONSIDERATION OF CERTAIN ADMINISTRATION PROGRAM PARTICIPANTS.—~~In making grants under this section, the Administrator shall ensure that any application made by a qualified organization that is a participant in the program established under section 7(m) does not receive preferential consideration over applications from other qualified organizations that are not participants in such program.

~~“(f) MATCHING REQUIREMENTS.—~~

~~“(1) IN GENERAL.—~~Financial assistance under this section shall be matched with funds from sources other than the Federal Government on the basis of not less than 50 percent of each dollar provided by the Administration.

~~“(2) SOURCES OF MATCHING FUNDS.—~~Fees, grants, gifts, funds from loan sources, and in-kind resources of a grant recipient from public or private sources may be used to comply with the matching requirement in paragraph (1).

~~“(3) EXCEPTION.—~~

~~“(A) IN GENERAL.—~~In the case of an applicant for assistance under this section with se-

vere constraints on available sources of matching funds, the Administrator may reduce or eliminate the matching requirements of paragraph (1).

“(B) LIMITATION.—Not more than 10 percent of the total funds made available from the Administration in any fiscal year to carry out this section may be excepted from the matching requirements of paragraph (1), as authorized by subparagraph (A) of this paragraph.

“(g) APPLICATIONS FOR ASSISTANCE.—An application for assistance under this section shall be submitted in such form and in accordance with such procedures as the Administrator shall establish.

“(h) RECORDKEEPING AND REPORTING.—

“(1) IN GENERAL.—Each organization that receives assistance from the Administration under this section shall—

“(A) submit to the Administration not less than once in every 18-month period, financial statements audited by an independent certified public accountant;

“(B) submit an annual report to the Administration on its activities; and

1 ~~“(C) keep such records as may be nec-~~
 2 ~~essary to disclose the manner in which any as-~~
 3 ~~sistance under this section is used.~~

4 ~~“(2) ACCESS.—The Administration shall have~~
 5 ~~access upon request, for the purposes of determining~~
 6 ~~compliance with this section, to any records of any~~
 7 ~~organization that receives assistance from the Ad-~~
 8 ~~ministration under this section.~~

9 ~~“(3) DATA COLLECTION.—Each organization~~
 10 ~~that receives assistance from the Administration~~
 11 ~~under this section shall collect information relating~~
 12 ~~to, as applicable—~~

13 ~~“(A) the number of individuals counseled~~
 14 ~~or trained;~~

15 ~~“(B) the number of hours of counseling~~
 16 ~~provided;~~

17 ~~“(C) the number of startup small business~~
 18 ~~concerns formed;~~

19 ~~“(D) the number of small business con-~~
 20 ~~cerns expanded;~~

21 ~~“(E) the number of low-income individuals~~
 22 ~~counseled or trained; and~~

23 ~~“(F) the number of very low-income indi-~~
 24 ~~viduals counseled or trained.”.~~

1 (b) CONFORMING REPEAL.—Subtitle C of title I of
 2 the Riegle Community Development and Regulatory Im-
 3 provement Act of 1994 (15 U.S.C. 6901 note) is repealed.

4 (c) REFERENCES.—All references in Federal law,
 5 other than subsection (d) of this section, to the “Program
 6 for Investment in Microentrepreneurs Act of 1999” or the
 7 “PRIME Act” shall be deemed to be references to section
 8 37 of the Small Business Act, as added by this section.

9 (d) RULE OF CONSTRUCTION.—Nothing in this sec-
 10 tion or the amendments made by this section shall affect
 11 any grant or assistance provided under the Program for
 12 Investment in Microentrepreneurs Act of 1999, before the
 13 date of enactment of this Act, and any such grant or as-
 14 sistance shall be subject to the Program for Investment
 15 in Microentrepreneurs Act of 1999, as in effect on the day
 16 before the date of enactment of this Act.

17 **TITLE II—INTERMEDIARY** 18 **LENDING PILOT PROGRAM**

19 **SEC. 201. FINDINGS.**

20 Congress finds the following:

21 (1) Small and emerging businesses, particularly
 22 startups and businesses that lack sufficient or con-
 23 ventional collateral, continue to face barriers access-
 24 ing midsize loans in amounts between \$35,000 and
 25 \$200,000, with affordable terms and conditions.

1 (2) Consolidation in the banking industry has
2 resulted in a decrease in the number of small, locally
3 controlled banks with not more than \$100,000,000
4 in assets and has changed the method by which
5 banks make small business credit decisions with—

6 (A) credit scoring techniques replacing re-
7 lationship-based lending, which often works to
8 the disadvantage of small or start-up businesses
9 that do not conform with a bank's standardized
10 credit formulas; and

11 (B) less flexible terms and conditions,
12 which are often necessary for small and emerg-
13 ing businesses.

14 (3) In the environment described in paragraphs
15 (1) and (2), nonprofit intermediary lenders, includ-
16 ing community development corporations, provide fi-
17 nancial resources that supplement the small business
18 lending and investments of a bank by—

19 (A) providing riskier, up front, or subordi-
20 nated capital;

21 (B) offering flexible terms and under-
22 writing procedures; and

23 (C) providing technical assistance to busi-
24 nesses in order to reduce the transaction costs
25 and risk exposure of banks.

1 (4) Several Federal programs, including the
 2 Microloan Program under section 7(m) of the Small
 3 Business Act (~~15 U.S.C. 636(m)~~) and the Inter-
 4 mediary Relending Program of the Department of
 5 Agriculture, have demonstrated the effectiveness of
 6 working through nonprofit intermediaries to address
 7 the needs of small business concerns that are unable
 8 to access capital through conventional sources.

9 (5) More than 1,000 nonprofit intermediary
 10 lenders in the United States are—

11 (A) successfully providing financial and
 12 technical assistance to small and emerging busi-
 13 nesses;

14 (B) working with banks and other lenders
 15 to leverage additional capital for their business
 16 borrowers; and

17 (C) creating employment opportunities for
 18 low-income individuals through their lending
 19 and business development activities.

20 **SEC. 202. SMALL BUSINESS INTERMEDIARY LENDING PILOT**
 21 **PROGRAM.**

22 (a) ~~IN GENERAL.~~—Section 7 of the Small Business
 23 Act (~~15 U.S.C. 636~~) is amended by inserting after sub-
 24 section (k) the following:

1 “(1) SMALL BUSINESS INTERMEDIARY LENDING
2 PROGRAM.—

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

4 “(A) the term ‘intermediary’ means a pri-
5 vate, nonprofit entity that seeks to borrow, or
6 has borrowed, funds from the Administration to
7 provide midsize loans to small business con-
8 cerns under this subsection, including—

9 “(i) a private, nonprofit community
10 development corporation;

11 “(ii) a consortium of private, non-
12 profit organizations or nonprofit commu-
13 nity development corporations;

14 “(iii) a quasi-governmental economic
15 development entity (such as a planning
16 and development district), other than a
17 State, county, or municipal government;
18 and

19 “(iv) an agency of or nonprofit entity
20 established by a Native American Tribal
21 Government; and

22 “(B) the term ‘midsize loan’ means a fixed
23 rate loan of not less than \$35,000 and not
24 more than \$200,000, made by an intermediary

1 to a startup, newly established, or growing
2 small business concern.

3 ~~“(2) ESTABLISHMENT.—~~There is established a
4 3-year pilot program to be know as the ‘Small Busi-
5 ness Intermediary Lending Pilot Program’ (referred
6 to in this subsection as the ‘Program’), under which
7 the Administrator may provide direct loans to eligi-
8 ble intermediaries, for the purpose of making fixed
9 interest rate midsize loans to startup, newly estab-
10 lished, and growing small business concerns.

11 ~~“(3) PURPOSES.—~~The purposes of the Program
12 are—

13 ~~“(A) to assist small business concerns in~~
14 ~~those areas suffering from a lack of credit due~~
15 ~~to poor economic conditions;~~

16 ~~“(B) to create employment opportunities~~
17 ~~for low-income individuals;~~

18 ~~“(C) to establish a midsize loan program~~
19 ~~to be administered by the Administrator to pro-~~
20 ~~vide loans to eligible intermediaries to enable~~
21 ~~such intermediaries to provide midsize loans,~~
22 ~~particularly loans in amounts averaging not~~
23 ~~more than \$150,000, to startup, newly estab-~~
24 ~~lished, or growing small business concerns for~~

1 working capital or the acquisition of materials;
2 supplies, or equipment;

3 ~~“(D) to test the effectiveness of nonprofit~~
4 intermediaries—

5 ~~“(i) as a delivery system for a midsize~~
6 loan program; and

7 ~~“(ii) in addressing the credit needs of~~
8 small business concerns and leveraging
9 other sources of credit; and

10 ~~“(E) to determine the advisability and fea-~~
11 sibility of implementing a midsize loan program
12 nationwide.

13 ~~“(4) ELIGIBILITY FOR PARTICIPATION.—An~~
14 intermediary shall be eligible to receive loans under
15 the Program if the intermediary has not less than
16 1 year of experience making loans to startup, newly
17 established, or growing small business concerns.

18 ~~“(5) LOANS TO INTERMEDIARIES.—~~

19 ~~“(A) APPLICATION.—Each intermediary~~
20 desiring a loan under this subsection shall sub-
21 mit an application to the Administrator that de-
22 scribes—

23 ~~“(i) the type of small business con-~~
24 cerns to be assisted;

1 “(ii) the size and range of loans to be
2 made;

3 “(iii) the geographic area to be served
4 and its economic, poverty, and unemploy-
5 ment characteristics;

6 “(iv) the status of small business con-
7 cerns in the area to be served and an anal-
8 ysis of the availability of credit; and

9 “(v) the qualifications of the applicant
10 to carry out this subsection.

11 “(B) LOAN LIMITS.—Notwithstanding sub-
12 section (a)(3), no loan may be made to an
13 intermediary under this subsection if the total
14 amount outstanding and committed to the
15 intermediary from the business loan and invest-
16 ment fund established by this Act would, as a
17 result of such loan, exceed \$1,000,000 during
18 the participation of the intermediary in the Pro-
19 gram.

20 “(C) LOAN DURATION.—Loans made by
21 the Administrator under this subsection shall be
22 for a maximum term of 20 years.

23 “(D) APPLICABLE INTEREST RATES.—
24 Loans made by the Administrator to an inter-

mediary under the Program shall bear an annual interest rate equal to 1.00 percent.

~~“(E) FEES; COLLATERAL.—The Administrator may not charge any fees or require collateral with respect to any loan made to an intermediary under this subsection.~~

~~“(F) LEVERAGE.—Any loan to a small business concern under this subsection shall not exceed 75 percent of the total cost of the project funded by such loan, with the remaining funds being leveraged from other sources, including—~~

~~“(i) banks or credit unions;~~

~~“(ii) community development financial institutions; and~~

~~“(iii) other sources with funds available to the intermediary lender.~~

~~“(G) DELAYED PAYMENTS.—The Administrator shall not require the repayment of principal or interest on a loan made to an intermediary under the Program during the first 2 years of the loan.~~

~~“(6) PROGRAM FUNDING FOR MIDSIZE LOANS.—~~

1 “(A) NUMBER OF PARTICIPANTS.—Under
 2 the Program, the Administrator may provide
 3 loans, on a competitive basis, to not more than
 4 20 intermediaries.

5 “(B) EQUITABLE DISTRIBUTION OF INTER-
 6 MEDIARIES.—The Administrator shall select
 7 and provide funding under the Program to such
 8 intermediaries as will ensure geographic diver-
 9 sity and representation of urban and rural com-
 10 munities.

11 “(7) REPORT TO CONGRESS.—

12 “(A) ANNUAL REPORT.—Not later than 12
 13 months after the date of enactment of the
 14 Small Business Lending Reauthorization and
 15 Improvements Act of 2007, and annually there-
 16 after, the Administrator shall submit a report
 17 containing an evaluation of the effectiveness of
 18 the Program to—

19 “(i) the Committee on Small Business
 20 and Entrepreneurship of the Senate; and

21 “(ii) the Committee on Small Busi-
 22 ness of the House of Representatives.

23 “(B) CONTENTS.—Each report submitted
 24 under subparagraph (A) shall include, for the

1 12-month period before the date of that re-
2 port—

3 “(i) the numbers and locations of the
4 intermediaries receiving funds to provide
5 midsize loans;

6 “(ii) the amounts of each loan to an
7 intermediary;

8 “(iii) the numbers and amounts of
9 midsize loans made by intermediaries to
10 small business concerns;

11 “(iv) the repayment history of each
12 intermediary;

13 “(v) a description of the loan portfolio
14 of each intermediary, including the extent
15 to which it provides midsize loans to small
16 business concerns in rural and economi-
17 cally depressed areas;

18 “(vi) an estimate of the number of
19 low-income individuals who have been em-
20 ployed as a direct result of the Program;
21 and

22 “(vii) any recommendations for legis-
23 lative changes that would improve the op-
24 eration of the Program.

1 “(8) **TERMINATION.**—The authority to make
2 loans under this subsection shall terminate 3 years
3 after the date of enactment of the Small Business
4 Lending Reauthorization and Improvements Act of
5 2007.”.

6 (b) **RULEMAKING AUTHORITY.**—Not later than 180
7 days after the date of enactment of this Act, the Adminis-
8 trator shall issue regulations to carry out section 7(l) of
9 the Small Business Act, as added by subsection (a).

10 (c) **AUTHORIZATION OF APPROPRIATIONS.**—

11 (1) **IN GENERAL.**—There are authorized to be
12 appropriated to the Administrator such sums as may
13 be necessary for each of fiscal years 2008 through
14 2010 to provide \$20,000,000 in loans under section
15 7(l) of the Small Business Act, as added by sub-
16 section (a).

17 (2) **AVAILABILITY.**—Any amounts appropriated
18 pursuant to paragraph (1) shall remain available
19 until expended.

20 **TITLE III—7(a) LOAN PROGRAM**

21 **SEC. 301. PREFERRED LENDERS PROGRAM.**

22 (a) **IN GENERAL.**—Section 7(a) of the Small Busi-
23 ness Act (15 U.S.C. 636(a)) is amended by adding at the
24 end the following:

25 “(32) **PREFERRED LENDERS PROGRAM.**—

1 “(A) DEFINITIONS.—In this paragraph—

2 “(i) the term ‘national preferred lender’ means a preferred lender authorized to
3 operate in any area served by an office of
4 the Administration under subparagraph
5 (G);
6

7 “(ii) the term ‘preferred lender’
8 means a qualified lender participating in
9 the program;

10 “(iii) the term ‘program’ means the
11 Preferred Lenders Program established
12 under subparagraph (B); and

13 “(iv) the term ‘qualified lender’ means
14 a lender that demonstrates—

15 “(I) knowledge of and proficiency
16 in the requirements of the program
17 under this subsection;

18 “(II) the ability to process, close,
19 service, and liquidate loans;

20 “(III) the ability to develop and
21 analyze complete loan packages; and

22 “(IV) a satisfactory performance
23 history of participation in the pro-
24 gram under this subsection.

1 “(B) ESTABLISHMENT.—There is estab-
 2 lished a Preferred Lenders Program under
 3 which the Administrator may authorize quali-
 4 fied lenders to make and service loans.

5 “(C) APPLICATION.—A qualified lender de-
 6 siring to participate in the program shall sub-
 7 mit an application at such time, in such man-
 8 ner, and accompanied by such information as
 9 the Administrator shall establish.

10 “(D) DELEGATED AUTHORITY.—The Ad-
 11 ministrator shall authorize a preferred lender to
 12 take actions relating to loan servicing on behalf
 13 of the Administrator, including—

14 “(i) determining eligibility and credit-
 15 worthiness and loan monitoring, collection,
 16 and liquidation;

17 “(ii) authority to make and close
 18 loans with a guarantee from the Adminis-
 19 trator without obtaining the prior specific
 20 approval of the Administrator; and

21 “(iii) authority to service and liq-
 22 uidate such loans without obtaining the
 23 prior specific approval of the Administrator
 24 for routine servicing and liquidation activi-
 25 ties.

1 “(E) AREA OF OPERATIONS.—The Admin-
 2 istrator shall designate the area for which a
 3 preferred lender may exercise the authority
 4 under subparagraph (D).

5 “(F) CONFLICT.—A preferred lender shall
 6 not take any action creating an actual or appar-
 7 ent conflict of interest.

8 “(G) NATIONAL OPERATION.—

9 “(i) IN GENERAL.—A preferred lender
 10 may request designation as a national pre-
 11 ferred lender by the Administrator, and,
 12 upon such designation, shall have the au-
 13 thority to operate in any area served by an
 14 office of the Administration.

15 “(ii) ELIGIBILITY.—The Administra-
 16 tion shall designate a preferred lender as a
 17 national preferred lender if the Adminis-
 18 trator determines that preferred lender
 19 has—

20 “(I) satisfactorily operated as a
 21 preferred lender in areas encom-
 22 passing all or part of the territory in
 23 not fewer than 5 district offices of the
 24 Administration for a minimum of 3
 25 years in each territory;

1 “(II) centralized loan approval;
2 servicing; and liquidation functions
3 and processes that are satisfactory to
4 the Administration;

5 “(III) uniform written policies
6 and procedures;

7 “(IV) a currency rate that is not
8 less than the Administration’s na-
9 tional average currency rate for all
10 loans under this subsection;

11 “(V) a currency rate for loans
12 made under this subsection that is not
13 less than the Administration’s na-
14 tional average currency rate for loans
15 made under this subsection;

16 “(VI) a default rate that is not
17 more than the Administration’s na-
18 tional average default rate for loans
19 made under this subsection; and

20 “(VII) received, in the most re-
21 cent audit and review as a preferred
22 lender conducted by the Adminis-
23 trator, a rating that is acceptable or
24 acceptable with corrective actions re-
25 quired.

1 “(H) CORRECTIVE ACTION.—If a national
 2 preferred lender fails to continue to meet the
 3 eligibility criteria under subparagraph (G)(ii),
 4 the Administrator shall notify that national pre-
 5 ferred lender of the deficiency and allow a rea-
 6 sonable period of time for that national pre-
 7 ferred lender to meet such criteria.

8 “(I) SUSPENSION OR REVOCATION.—

9 “(i) IN GENERAL.—The designation of
 10 a lender as a national preferred lender
 11 shall be suspended or revoked at any time
 12 that the Administration determines that
 13 the lender—

14 “(I) is not adhering to the rules
 15 or regulations established by the Ad-
 16 ministrator for the program; or

17 “(II) has failed to continue to
 18 meet the eligibility criteria specified in
 19 paragraph (G) or take corrective ac-
 20 tion under subparagraph (H).

21 “(ii) EFFECT.—A suspension or rev-
 22 ocation under clause (i) shall not affect
 23 any outstanding guarantee of a national
 24 preferred lender.”.

1 (b) CLERICAL AMENDMENT.—Section 7(a)(2)(C) of
 2 the Small Business Act (15 U.S.C. 636(a)(2)(C)) is
 3 amended to read as follows:

4 “(C) INTEREST RATE UNDER PREFERRED
 5 LENDERS PROGRAM.—The maximum interest
 6 rate for a loan guaranteed under the Preferred
 7 Lenders Program under paragraph (32) shall
 8 not exceed the maximum interest rate as deter-
 9 mined by the Administration, applicable to
 10 other loans guaranteed under this subsection.”.

11 (c) CONFORMING AMENDMENT.—Section 7(a)(19) of
 12 the Small Business Act (15 U.S.C. 636(a)(19)) is amend-
 13 ed by striking “the proviso in section 5(b)(7)” and insert-
 14 ing “paragraph (32)”.

15 **SEC. 302. MAXIMUM LOAN AMOUNT.**

16 Section 7(a)(3)(A) of the Small Business Act (15
 17 U.S.C. 636(a)(3)(A)) is amended by striking “\$1,500,000
 18 (or if the gross loan amount would exceed \$2,000,000”
 19 and inserting “\$2,250,000 (or if the gross loan amount
 20 would exceed \$3,000,000”.

21 **SEC. 303. MAXIMUM 504 AND 7(A) LOAN ELIGIBILITY.**

22 (a) COMBINATION FINANCING.—

23 (1) IN GENERAL.—Section 502(2) of the Small
 24 Business Investment Act of 1958 (15 U.S.C.

1 ~~696(2))~~ is amended by adding at the end the fol-
 2 lowing:

3 “(C) COMBINATION FINANCING UNDER
 4 SMALL BUSINESS ACT.—Notwithstanding any
 5 other provision of law, financing under this title
 6 may be provided to a borrower in the maximum
 7 amount provided in this subsection, and a loan
 8 guarantee under section 7(a) of the Small Busi-
 9 ness Act may be provided to the same borrower
 10 in the maximum amount provided in section
 11 7(a)(3)(A) of such Act, to the extent that the
 12 borrower otherwise qualifies for such assist-
 13 ance.”.

14 (2) CONFORMING AMENDMENT.—Section
 15 7(a)(1) of the Small Business Act (~~15 U.S.C.~~
 16 ~~636(a)(1)~~) is amended by adding at the end the fol-
 17 lowing:

18 “(C) COMBINATION FINANCING UNDER
 19 SMALL BUSINESS INVESTMENT ACT OF 1958.—
 20 Financing under this subsection may be pro-
 21 vided to a borrower in the maximum amount as
 22 provided in subsection (b)(2) of section 502 of
 23 the Small Business Investment Act of 1958 (~~15~~
 24 ~~U.S.C. 696).~~”.

1 (b) ~~REPORTING.~~—Not later than 90 days after the
 2 date of enactment of this Act, and annually thereafter,
 3 the Administrator shall submit a report to the Committee
 4 on Small Business and Entrepreneurship of the Senate
 5 and the Committee on Small Business of the House of
 6 Representatives that—

7 (1) includes the number of small business con-
 8 cerns that have financings under both section 7(a)
 9 of the Small Business Act ~~(15 U.S.C. 636(a))~~ and
 10 title V of the Small Business Investment Act of
 11 1958 ~~(15 U.S.C. 695 et seq.)~~ during the year before
 12 the year of that report; and

13 (2) describes the total amount and general per-
 14 formance of the financings described in paragraph
 15 ~~(1).~~

16 **~~SEC. 304. LOAN POOLING.~~**

17 Section 5(g)(1) of the Small Business Act ~~(15 U.S.C.~~
 18 ~~634(g)(1))~~ is amended—

19 (1) by inserting “(A)” before “The Administra-
 20 tion”;

21 (2) by striking the colon and all that follows
 22 and inserting a period; and

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

24 ~~“(B) A trust certificate issued under subparagraph~~
 25 ~~(A) shall be based on, and backed by, a trust or pool ap-~~

1 proved by the Administrator and composed solely of the
 2 guaranteed portion of such loans.

3 ~~“(C) The interest rate on a trust certificate issued~~
 4 ~~under subparagraph (A) shall be either—~~

5 ~~“(i) the lowest interest rate on any individual~~
 6 ~~loan in the pool; or~~

7 ~~“(ii) the weighted average interest rate of all~~
 8 ~~loans in the pool, subject to such limited variations~~
 9 ~~in loan characteristics as the Administrator deter-~~
 10 ~~mines appropriate to enhance marketability of the~~
 11 ~~pool certificates.”.~~

12 **SEC. 305. ALTERNATIVE SIZE STANDARD.**

13 Section 3(a) of the Small Business Act (15 U.S.C.
 14 632(a)) is amended by adding at the end the following:

15 ~~“(5) OPTIONAL SIZE STANDARD.—~~

16 ~~“(A) IN GENERAL.—The Administrator shall~~
 17 ~~establish an optional size standard for business loan~~
 18 ~~applicants under section 7(a) and development com-~~
 19 ~~pany loan applicants under title V of the Small~~
 20 ~~Business Investment Act of 1958, which uses max-~~
 21 ~~imum tangible net worth and average net income as~~
 22 ~~an alternative to the use of industry standards.~~

23 ~~“(B) INTERIM RULE.—Until the date on which~~
 24 ~~the optional size standards established under sub-~~
 25 ~~paragraph (A) are in effect, the alternative size~~

1 standard in section 121.301(b) of title 13, Code of
 2 Federal Regulations, or any successor thereto, may
 3 be used by business loan applicants under section
 4 7(a) and development company loan applicants
 5 under title V of the Small Business Investment Act
 6 of 1958.”.

7 **SEC. 306. ALTERNATIVE VARIABLE INTEREST RATE.**

8 (a) IN GENERAL.—Section 7(a)(4)(A) of the Small
 9 Business Act (15 U.S.C. 636(a)(4)(A)) is amended by
 10 striking “prescribed by the Administration,” and insert-
 11 ing: “prescribed by the Administration, including, on vari-
 12 able rate loans, a nationally recognized prime rate of inter-
 13 est and at least 1 other index as an alternative thereto
 14 at the option of the participating lender,”.

15 (b) APPLICABILITY.—Not later than 180 days after
 16 the date of enactment of this Act, the Administrator of
 17 the Small Business Administration shall select not less
 18 than 1 alternative index under section 7(a)(4)(A) of the
 19 Small Business Act, as amended by subsection (a), and
 20 make such index available for use by participating lenders.

21 **SEC. 307. MINORITY SMALL BUSINESS DEVELOPMENT.**

22 (a) IN GENERAL.—The Small Business Act (15
 23 U.S.C. 631 et seq.) is amended by inserting after section
 24 37, as added by this Act, the following:

1 **~~“SEC. 38. MINORITY SMALL BUSINESS DEVELOPMENT.~~**

2 ~~“(a) OFFICE OF MINORITY SMALL BUSINESS DE-~~
 3 ~~VELOPMENT.—There is established in the Administration~~
 4 ~~an Office of Minority Small Business Development, which~~
 5 ~~shall be administered by the Associate Administrator for~~
 6 ~~Minority Small Business Development (in this section re-~~
 7 ~~ferred to as the ‘Associate Administrator’) appointed~~
 8 ~~under section 4(b)(1).~~

9 ~~“(b) ASSOCIATE ADMINISTRATOR FOR MINORITY~~
 10 ~~SMALL BUSINESS DEVELOPMENT.—The Associate Ad-~~
 11 ~~ministrator—~~

12 ~~“(1) shall be either—~~

13 ~~“(A) an appointee in the Senior Executive~~
 14 ~~Service who is a career appointee; or~~

15 ~~“(B) an employee in the competitive serv-~~
 16 ~~ice;~~

17 ~~“(2) shall be responsible for the formulation,~~
 18 ~~execution, and promotion of policies and programs of~~
 19 ~~the Administration that provide assistance to small~~
 20 ~~business concerns owned and controlled by minori-~~
 21 ~~ties;~~

22 ~~“(3) shall act as an ombudsman for full consid-~~
 23 ~~eration of minorities in all programs of the Adminis-~~
 24 ~~tration (including those under sections 7(j) and~~
 25 ~~8(a));~~

1 “(4) shall work with the Associate Deputy Ad-
2 ministrators for Capital Access to increase the pro-
3 portion of loans and loan dollars, and investments
4 and investment dollars, going to minorities through
5 the finance programs under this Act and the Small
6 Business Investment Act of 1958 (including sub-
7 sections (a), (b), and (m) of section 7 of this Act
8 and the programs under part A and B of title III
9 and title V of the Small Business Investment Act of
10 1958);

11 “(5) shall work with the Associate Deputy Ad-
12 ministrators for Entrepreneurial Development to in-
13 crease the proportion of counseling and training that
14 goes to minorities through the entrepreneurial devel-
15 opment programs of the Administration;

16 “(6) shall work with the Associate Deputy Ad-
17 ministrators for Government Contracting and Minor-
18 ity Enterprise Development to increase the propor-
19 tion of contracts, including through the Small Busi-
20 ness Innovation Research Program and the Small
21 Business Technology Transfer Program, to minori-
22 ties;

23 “(7) shall work with the partners of the Admin-
24 istration, trade associations, and business groups to
25 identify and carry out policies and procedures to

1 more effectively market the resources of the Admin-
 2 istration to minorities;

3 “(8) shall work with the Office of Field Oper-
 4 ations to ensure that district offices and regional of-
 5 fices have adequate staff, funding, and other re-
 6 sources to market the programs of the Administra-
 7 tion to meet the objectives described in paragraphs
 8 (4) through (7); and

9 “(9) shall report to and be responsible directly
 10 to the Administrator.

11 “(e) AUTHORIZATION OF APPROPRIATIONS.—There
 12 are authorized to be appropriated to carry out this sec-
 13 tion—

14 “(1) \$5,000,000 for fiscal year 2007;

15 “(2) \$5,000,000 for fiscal year 2008;

16 “(3) \$5,000,000 for fiscal year 2009; and

17 “(4) \$5,000,000 for fiscal year 2010.”.

18 (b) CONFORMING AMENDMENTS.—Section 4(b)(1) of
 19 the Small Business Act (15 U.S.C. 633(b)(1)) is amended
 20 in sixth sentence, by striking “Minority Small Business
 21 and Capital Ownership Development” and all that follows
 22 through the end of the sentence and inserting “Minority
 23 Small Business Development.”.

1 **SEC. 308. LOWERING OF FEES.**

2 Section 7(a)(23) of the Small Business Act (15
3 U.S.C. 636(a)(23)) is amended by striking subparagraph
4 (C) and inserting the following:

5 “(C) LOWERING OF FEES.—

6 “(i) IN GENERAL.—For loan guaran-
7 tees made or approved in each full fiscal
8 year after the date of enactment of the
9 Small Business Lending Reauthorization
10 and Improvements Act of 2007, if the fees
11 paid by all small business borrowers and
12 by lenders for guarantees under this sub-
13 section, or the sum of such fees plus any
14 funds made available for the purpose of re-
15 ducing fees for loans under this subsection,
16 as applicable, is more than the amount
17 necessary to equal the cost to the Adminis-
18 tration of making such guarantees, the Ad-
19 ministrator shall reduce fees paid by small
20 business borrowers and lenders under
21 clauses (i) through (iv) of paragraph
22 (18)(A) and subparagraph (A) of this
23 paragraph.

24 “(ii) MAXIMUM.—The fees paid by
25 small business borrowers and lenders for
26 guarantees under this subsection may not

1 be increased above the maximum level au-
 2 thorized under the amendments made by
 3 division K of the Consolidated Appropria-
 4 tions Act, 2005 (Public Law 108-447; 118
 5 Stat. 3441).”.

6 **SEC. 309. INTERNATIONAL TRADE LOANS.**

7 (a) **IN GENERAL.**—Section 7(a)(3)(B) of the Small
 8 Business Act (15 U.S.C. 636(a)(3)(B)) is amended by
 9 striking “\$1,750,000; of which not more than
 10 \$1,250,000” and inserting “\$2,750,000 (or if the gross
 11 loan amount would exceed \$3,670,000), of which not more
 12 than \$2,000,000”.

13 (b) **WORKING CAPITAL.**—Section 7(a)(16)(A) of the
 14 Small Business Act (15 U.S.C. 636(a)(16)(A)) is amend-
 15 ed—

16 (1) in the matter preceding clause (i), by strik-
 17 ing “in—” and inserting “—”;

18 (2) in clause (i)—

19 (A) by inserting “in” after “(i)”; and

20 (B) by striking “or” at the end;

21 (3) in clause (ii)—

22 (A) by inserting “in” after “(ii)”; and

23 (B) by striking the period and inserting “;
 24 or”; and

25 (4) by adding at the end the following:

1 “(iii) by providing working capital.”

2 (e) COLLATERAL.—Section 7(a)(16)(B) of the Small
3 Business Act (15 U.S.C. 636(a)(16)(B)) is amended—

4 (1) by striking “Each loan” and inserting the
5 following:

6 “(i) IN GENERAL.—Except as pro-
7 vided in clause (ii), each loan”; and

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

9 “(ii) EXCEPTION.—A loan under this
10 paragraph may be secured by a second lien
11 position on the property or equipment fi-
12 nanced by the loan or on other assets of
13 the small business concern, if the Adminis-
14 trator determines such lien provides ade-
15 quate assurance of the payment of such
16 loan.”

17 (d) REFINANCING.—Section 7(a)(16)(A)(ii) of the
18 Small Business Act (15 U.S.C. 636(a)(16)(A)(ii)), as
19 amended by this section, is amended by inserting “, in-
20 cluding any debt that qualifies for refinancing under any
21 other provision of this subsection” before the semicolon.

22 **SEC. 310. RURAL LENDING OUTREACH PROGRAM.**

23 Section 7(a) of the Small Business Act (15 U.S.C.
24 636(a)), as amended by this Act, is amended—

25 (1) by striking paragraph (25)(C); and

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

2 ~~“(33) RURAL LENDING OUTREACH PROGRAM.—~~

3 ~~“(A) IN GENERAL.—The Administrator~~
 4 ~~shall carry out a rural lending outreach pro-~~
 5 ~~gram to provide not more than an 85 percent~~
 6 ~~guaranty for loans of not more than \$250,000.~~
 7 ~~The program shall be carried out only through~~
 8 ~~lenders located in rural areas (as the term~~
 9 ~~‘rural’ is defined in section 501(f) of the Small~~
 10 ~~Business Investment Act of 1958 (15 U.S.C.~~
 11 ~~695(f)).~~

12 ~~“(B) LOAN TERMS.—For a loan made~~
 13 ~~through the program under this paragraph—~~

14 ~~“(i) the Administrator shall approve~~
 15 ~~or disapprove the loan within 36 hours of~~
 16 ~~the time the Administrator receives the ap-~~
 17 ~~plication;~~

18 ~~“(ii) the program shall use abbre-~~
 19 ~~viated application and documentation re-~~
 20 ~~quirements; and~~

21 ~~“(iii) minimum credit standards, as~~
 22 ~~the Administrator considers necessary to~~
 23 ~~limit the rate of default on loans made~~
 24 ~~under the program, shall apply.”.~~

1 **TITLE IV—CERTIFIED DEVELOP-**
 2 **MENT COMPANIES; 504 LOAN**
 3 **PROGRAM**

4 **SEC. 401. DEVELOPMENT COMPANY LOAN PROGRAMS.**

5 (a) ~~TITLE OF PROGRAM.~~—Title V of the Small Busi-
 6 ness Investment Act of 1958 (15 U.S.C. 695 et seq.) is
 7 amended by adding at the end the following:

8 **~~“SEC. 511. PROGRAM TITLE.~~**

9 ~~“(a) IN GENERAL.—Except as provided in subsection~~
 10 ~~(b), the programs authorized by this title shall be known~~
 11 ~~collectively as the ‘Local Development Business Loan Pro-~~
 12 ~~gram’. The Administrator may refer to such program as~~
 13 ~~the ‘504 Loan Program’, until such usage is no longer~~
 14 ~~necessary.~~

15 ~~“(b) EXISTING NAME.—Participants in the Local~~
 16 ~~Development Business Loan Program may continue to~~
 17 ~~refer to such program as ‘the 504 Loan Program’.”.~~

18 (b) ~~EXISTING MATERIALS.—The Administrator may~~
 19 ~~use informational materials created, or that were in the~~
 20 ~~process of being created, before the date of enactment of~~
 21 ~~this Act that do not refer to a program under title V of~~
 22 ~~the Small Business Investment Act of 1958 (15 U.S.C.~~
 23 ~~695 et seq.) as the “Local Development Business Loan~~
 24 ~~Program”.~~

1 (c) **NEW MATERIALS.**—Any informational materials
 2 created by the Administrator on or after the date of enact-
 3 ment of this Act shall refer to any program under title
 4 V of the Small Business Investment Act of 1958 (15
 5 U.S.C. 695 et seq.) as the “Local Development Business
 6 Loan Program”, except that informational materials may
 7 refer to such program as the “504 Loan Program”, until
 8 such usage is no longer necessary.

9 **SEC. 402. LOAN LIQUIDATIONS.**

10 Section 510 of the Small Business Investment Act
 11 of 1958 (15 U.S.C. 697g) is amended—

12 (1) by redesignating subsection (e) as sub-
 13 section (g); and

14 (2) by inserting after subsection (d) the fol-
 15 lowing:

16 “(e) **PARTICIPATION.**—

17 “(1) **IN GENERAL.**—Any qualified State or local
 18 development company which elects not to apply for
 19 authority to foreclose and liquidate defaulted loans
 20 under this section, or which the Administrator deter-
 21 mines to be ineligible for such authority, shall con-
 22 tract with a qualified third-party to perform fore-
 23 closure and liquidation of defaulted loans in its port-
 24 folio. The contract shall be contingent upon approval
 25 by the Administrator with respect to the qualifica-

tions of the contractor and the terms and conditions of liquidation activities.

~~“(2) COMMENCEMENT.—This subsection does not require any development company to liquidate defaulted loans until the Administrator has adopted and implemented a program to compensate and reimburse development companies, as provided under subsection (f).~~

~~“(f) COMPENSATION AND REIMBURSEMENT.—~~

~~“(1) REIMBURSEMENT OF EXPENSES.—The Administrator shall reimburse each qualified State or local development company for all expenses paid by such company as part of the foreclosure and liquidation activities, if the expenses—~~

~~“(A) were—~~

~~“(i) approved in advance by the Administrator, either specifically or generally; or~~

~~“(ii) incurred by the development company on an emergency basis without prior approval from the Administrator, if the Administrator determines that the expenses were reasonable and appropriate; and~~

1 “(B) are submitted by the development
 2 company to the Administrator not later than 3
 3 years after the date of the purchase of the de-
 4 benture by the Administrator.

5 “(2) COMPENSATION FOR RESULTS.—

6 “(A) DEVELOPMENT.—The Administrator
 7 shall develop a schedule to compensate and pro-
 8 vide an incentive to qualified State or local de-
 9 velopment companies that foreclose and liq-
 10 uidate defaulted loans.

11 “(B) CRITERIA.—The schedule required
 12 under this paragraph shall—

13 “(i) be based on a percentage of the
 14 net amount recovered, but shall not exceed
 15 a maximum amount; and

16 “(ii) not apply to any foreclosure
 17 which is conducted under a contract be-
 18 tween a development company and a quali-
 19 fied third party to perform the foreclosure
 20 and liquidation.”.

21 **SEC. 403. ADDITIONAL EQUITY INJECTIONS.**

22 Section 502(3)(B)(ii) of the Small Business Invest-
 23 ment Act of 1958 (15 U.S.C. 696(3)(B)(ii)) is amended
 24 to read as follows:

1 “(ii) FUNDING FROM INSTITU-
2 TIONS.—If a small business concern—

3 “(I) provides the minimum con-
4 tribution required under subpara-
5 graph (C), not less than 50 percent of
6 the total cost of any project financed
7 under clause (i), (ii), or (iii) of sub-
8 paragraph (C) shall come from the in-
9 stitutions described in subclauses (I),
10 (HI), and (III) of clause (i); and

11 “(II) provides more than the
12 minimum contribution required under
13 subparagraph (C), any excess con-
14 tribution may be used to reduce the
15 amount required from the institutions
16 described in subclauses (I), (II), and
17 (HI) of clause (i), except that the
18 amount from such institutions may
19 not be reduced to an amount that is
20 less than the amount of the loan made
21 by the Administrator.”.

22 **SEC. 404. BUSINESSES IN LOW-INCOME AREAS.**

23 (a) GOALS.—Section 501(d)(3)(A) of the Small Busi-
24 ness Investment Act of 1958 (15 U.S.C. 695(d)(3)(A)) is
25 amended by inserting after “business district revitaliza-

tion,” the following: “or expansion of businesses in low-income communities which would be eligible for a new markets tax credit under section 45D(a) of the Internal Revenue Code of 1986; or implementing regulations issued thereunder.”.

(b) LOAN AMOUNT.—Section 502 of the Small Business Investment Act of 1958 (15 U.S.C. 696) is amended by adding at the end the following:

“(7) LOW-INCOME GEOGRAPHIC AREAS.—Notwithstanding any other provision of law, a loan under this section for use in a low-income geographic area (as that term is defined in section 351) may be for not more than \$4,000,000.”.

SEC. 405. COMBINATIONS OF CERTAIN GOALS.

Section 501(e) of the Small Business Investment Act of 1958 (15 U.S.C. 695(e)) is amended by adding at the end the following:

“(7) A small business concern that is unconditionally owned by more than 1 individual, or a corporation, the stock of which is owned by more than 1 individual, shall be deemed to have achieved a public policy goal required under subsection (d)(3) if a combined ownership share of not less than 51 percent is held by individuals who are in 1 of, or a combination of, the groups described in subparagraph (C) or (E) of subsection (d)(3).”.

1 **SEC. 406. REFINANCING UNDER THE LOCAL DEVELOPMENT**
 2 **BUSINESS LOAN PROGRAM.**

3 Section 502 of the Small Business Investment Act
 4 of 1958 (15 U.S.C. 696) is amended by adding at the end
 5 the following:

6 “(7) **PERMISSIBLE DEBT REFINANCING.**—

7 “(A) **IN GENERAL.**—Any financing ap-
 8 proved under this title may include a limited
 9 amount of debt refinancing.

10 “(B) **EXPANSIONS.**—If the project involves
 11 expansion of a small business concern which
 12 has existing indebtedness collateralized by fixed
 13 assets, any amount of existing indebtedness
 14 that does not exceed $\frac{1}{2}$ of the project cost of
 15 the expansion may be refinanced and added to
 16 the expansion cost, if—

17 “(i) the proceeds of the indebtedness
 18 were used to acquire land, including a
 19 building situated thereon, to construct a
 20 building thereon, or to purchase equip-
 21 ment;

22 “(ii) the borrower has been current on
 23 all payments due on the existing debt for
 24 not less than 1 year preceding the date of
 25 refinancing; and

1 “(iii) the financing under section 504
 2 will provide better terms or rate of interest
 3 than exists on the debt at the time of refi-
 4 nancing.”.

5 **SEC. 407. TECHNICAL CORRECTION.**

6 Section 501(e)(2) of the Small Business Investment
 7 Act of 1958 (15 U.S.C. 695(e)(2)) is amended by striking
 8 “outstanding”.

9 **SEC. 408. DEFINITIONS FOR THE SMALL BUSINESS INVEST-**
 10 **MENT ACT OF 1958.**

11 Section 103 of the Small Business Investment Act
 12 of 1958 (15 U.S.C. 662) is amended—

13 (1) by striking paragraph (6) and inserting the
 14 following:

15 “(6) the term ‘development company’ means an
 16 entity incorporated under State law with the author-
 17 ity to promote and assist the growth and develop-
 18 ment of small business concerns in the areas in
 19 which it is authorized to operate by the Adminis-
 20 trator;”;

21 (2) in paragraph (16), by striking “and” at the
 22 end;

23 (3) in paragraph (17), by striking the period at
 24 the end and inserting “; and”; and

25 (4) by adding at the end the following:

1 “(18) the term ‘certified development company’
 2 means a development company that the Adminis-
 3 trator has certified meets the criteria of section
 4 506.”.

5 **SEC. 409. REPEAL OF SUNSET ON RESERVE REQUIRE-**
 6 **MENTS FOR PREMIER CERTIFIED LENDERS.**

7 Section 508(c)(6)(B) of the Small Business Invest-
 8 ment Act of 1958 (15 U.S.C. 697e(c)(6)(B)) is amend-
 9 ed—

10 (1) in the subparagraph heading, by striking
 11 “TEMPORARY REDUCTION” and inserting “REDUC-
 12 TION”; and

13 (2) by striking “Notwithstanding subparagraph
 14 (A), during the 2-year period beginning on the date
 15 that is 90 days after the date of enactment of this
 16 subparagraph, the” and inserting “The”.

17 **SEC. 410. CERTIFIED DEVELOPMENT COMPANIES.**

18 Section 506 of the Small Business Investment Act
 19 of 1958 (15 U.S.C. 697e) is amended—

20 (1) in the section heading, by striking “**RE-**
 21 **STRICTIONS ON DEVELOPMENT COMPANY AS-**
 22 **SISTANCE**” and inserting “**CERTIFIED DEVELOP-**
 23 **MENT COMPANIES**”; and

24 (2) by inserting before “Notwithstanding any
 25 other provision of law” the following:

1 “(a) **AUTHORITY TO ISSUE DEBENTURES.**—A devel-
 2 opment company may issue debentures under this title if
 3 the Administrator certifies that the company meets the
 4 following criteria:

5 “(1) **SIZE.**—

6 “(A) **IN GENERAL.**—Except as provided in
 7 subparagraph (B), the development company
 8 shall be a small business concern with fewer
 9 than 500 employees, and shall not be under the
 10 control of any entity that does not meet the size
 11 standards established by the Administrator for
 12 a small business concern.

13 “(B) **EXCEPTION.**—Any development com-
 14 pany that was certified by the Administrator
 15 before December 31, 2005, may continue to
 16 issue debentures under this title.

17 “(2) **PRIMARY PURPOSE.**—The primary purpose
 18 of the development company shall be to benefit the
 19 community by fostering economic development to
 20 create and preserve jobs and stimulate private in-
 21 vestment.

22 “(3) **PRIMARY FUNCTION.**—A primary function
 23 of the development company shall be to accomplish
 24 its purpose by providing long-term financing to
 25 small business concerns under the Local Develop-

1 ment Business Loan Program. The development
 2 company shall also provide or support other commu-
 3 nity and local economic development activities to as-
 4 sist the community.

5 ~~“(4) NONPROFIT STATUS.—~~

6 ~~“(A) IN GENERAL.—~~Except as provided in
 7 subparagraph (B), the development company
 8 shall be a nonprofit corporation.

9 ~~“(B) EXCEPTION.—~~A development com-
 10 pany certified by the Administrator before Jan-
 11 uary 1, 1987, may continue to issue debentures
 12 under this title and retain its status as a for-
 13 profit enterprise.

14 ~~“(5) GOOD STANDING.—~~The development com-
 15 pany—

16 ~~“(A) shall be in good standing in the State~~
 17 in which such company is incorporated and in
 18 any other State in which it conducts business;
 19 and

20 ~~“(B) shall be in compliance with all laws,~~
 21 including taxation requirements, in the State in
 22 which such company is incorporated and in any
 23 other State in which it conducts business.

24 ~~“(6) MEMBERSHIP OF DEVELOPMENT COM-~~
 25 pany.—There shall be—

1 “(A) not fewer than 25 members of the de-
 2 velopment company (or owners or stockholders;
 3 if the corporation is a for-profit entity); none of
 4 whom may own or control more than 10 percent
 5 of the voting membership of the company; and

6 “(B) at least 1 member of the development
 7 company (none of whom is in a position to con-
 8 trol the development company) from each of the
 9 following:

10 “(i) Government organizations that
 11 are responsible for economic development.

12 “(ii) Financial institutions that pro-
 13 vide commercial long-term fixed asset fi-
 14 nancing.

15 “(iii) Community organizations that
 16 are dedicated to economic development.

17 “(iv) Businesses.

18 ~~“(7) BOARD OF DIRECTORS.—~~

19 ~~“(A) IN GENERAL.—~~The development com-
 20 pany shall have a board of directors.

21 ~~“(B) MEMBERS OF BOARD.—~~Each member
 22 of the board of directors shall be—

23 “(i) a member of the development
 24 company; and

1 “(ii) elected by a majority of the
2 members of the development company.

3 “(C) REPRESENTATION OF ORGANIZA-
4 TIONS AND INSTITUTIONS.—

5 “(i) IN GENERAL.—There shall be at
6 least 1 member of the board of directors
7 from not fewer than 3 of the 4 organiza-
8 tions and institutions described in para-
9 graph (6)(B), none of whom is in a posi-
10 tion to control the development company.

11 “(ii) MAXIMUM PERCENTAGE.—Not
12 more than 50 percent of the members of
13 the board of directors shall be from any 1
14 of the organizations and institutions de-
15 scribed in paragraph (6)(B).

16 “(D) MEETINGS.—The board of directors
17 of the development company shall meet on a
18 regular basis to make policy decisions for such
19 company.

20 “(8) PROFESSIONAL MANAGEMENT AND
21 STAFF.—

22 “(A) IN GENERAL.—The development com-
23 pany shall have full-time professional manage-
24 ment, including a chief executive officer to man-
25 age daily operations and a full-time professional

1 staff qualified to market the Local Development
 2 Business Loan Program and handle all aspects
 3 of loan approval and servicing, including liq-
 4 uidation, if appropriate.

5 “(B) INDEPENDENT MANAGEMENT AND
 6 OPERATION.—Except as provided in paragraph
 7 (9), the development company shall be inde-
 8 pendently managed and operated to pursue the
 9 economic development purpose of the company
 10 and shall employ directly the chief executive of-
 11 ficer.

12 “(9) MANAGEMENT AND OPERATION EXCEP-
 13 TIONS.—

14 “(A) AFFILIATION.—A development com-
 15 pany may be an affiliate of another local non-
 16 profit service corporation (other than a develop-
 17 ment company), a purpose of which is to sup-
 18 port economic development in the area in which
 19 the development company operates.

20 “(B) STAFFING.—A development company
 21 may satisfy the requirement for full-time pro-
 22 fessional staff under paragraph (8)(A) by con-
 23 tracting for the required staffing with—

24 “(i) a local nonprofit service corpora-
 25 tion;

1 “(ii) a nonprofit affiliate of a local
2 nonprofit service corporation;

3 “(iii) an entity wholly or partially op-
4 erated by a governmental agency; or

5 “(iv) another entity approved by the
6 Administrator.

7 “(C) DIRECTORS.—A development com-
8 pany and a local nonprofit service corporation
9 with which it is affiliated may have in common
10 some, but not all, members of their respective
11 board of directors.

12 “(D) RURAL AREAS.—A development com-
13 pany in a rural area may satisfy the require-
14 ments of a full-time professional staff and pro-
15 fessional management ability under paragraph
16 (8)(A) by contracting for such services with an-
17 other certified development company that—

18 “(i) has such staff and management
19 ability; and

20 “(ii) is located in the same State as
21 the development company or in a State
22 that is contiguous to the State in which
23 the development company is located.

24 “(E) PREVIOUSLY CERTIFIED.—A develop-
25 ment company that, on or before December 31,

1 2005, was certified by the Administrator and
2 had contracted with a for-profit company to
3 provide staffing and management services, may
4 continue to do so.

5 “(b) USE OF EXCESS FUNDS.—Any funds generated
6 by a certified development company from making loans
7 under section 503 or 504 that remain unexpended after
8 payment of staff, operating, and overhead expenses shall
9 be retained by the certified development company as a re-
10 serve for—

11 “(1) future operations;

12 “(2) expanding the area in which the certified
13 development company operates through the methods
14 authorized by this Act; or

15 “(3) investment in other community and local
16 economic development activity or community devel-
17 opment in the State from which such funds were
18 generated.

19 “(c) ETHICAL REQUIREMENTS.—

20 “(1) IN GENERAL.—A certified development
21 company and the officers, employees, and other staff
22 of the company shall at all times act ethically and
23 avoid activities which constitute a conflict of interest
24 or appear to constitute a conflict of interest.

1 ~~“(2) PROHIBITED CONFLICT IN PROJECT~~
 2 ~~LOANS.—~~

3 ~~“(A) IN GENERAL.—No certified develop-~~
 4 ~~ment company may—~~

5 ~~“(i) recommend or approve a guar-~~
 6 ~~antee of a debenture by the Administrator~~
 7 ~~under the Local Business Development~~
 8 ~~Loan Program that is collateralized by a~~
 9 ~~second lien position on the property being~~
 10 ~~constructed or acquired; and~~

11 ~~“(ii) provide, or be affiliated with a~~
 12 ~~corporation or other entity which provides,~~
 13 ~~financing collateralized by a first lien on~~
 14 ~~the same property.~~

15 ~~“(B) EXCEPTION.—During the 2-year pe-~~
 16 ~~riod beginning on the date of enactment of the~~
 17 ~~Small Business Lending Reauthorization and~~
 18 ~~Improvements Act of 2007, a certified develop-~~
 19 ~~ment company that was participating as a first~~
 20 ~~mortgage lender for the Local Business Devel-~~
 21 ~~opment Loan Program in either of fiscal years~~
 22 ~~2004 or 2005 may continue to do so.~~

23 ~~“(3) OTHER ECONOMIC DEVELOPMENT ACTIVI-~~
 24 ~~TIES.—It shall not be a conflict of interest for a cer-~~
 25 ~~tified development company to operate multiple pro-~~

grams to assist small business concerns as part of
 carrying out its economic development purpose.

~~“(d) MULTISTATE OPERATIONS.—~~

~~“(1) AUTHORIZATION.—~~Notwithstanding any
 other provision of law, the Administrator shall per-
 mit a certified development company to make loans
 in any State that is contiguous to the State of incor-
 poration of that certified development company, only
 if such company—

~~“(A) is—~~

~~“(i) an accredited lender under section
 507; or~~

~~“(ii) a premier certified lender under
 section 508;~~

~~“(B) has a membership that contains;
 from each of the States in which it operates;
 not fewer than 25 members who reside in that
 State;~~

~~“(C) has a board of directors that contains
 not fewer than 2 members from each State in
 which the company makes loans;~~

~~“(D) maintains not fewer than 1 loan com-
 mittee, which shall have not fewer than 1 mem-
 ber from each State in which the company
 makes loans; and~~

1 “(E) submits to the Administrator, in writ-
2 ing—

3 “(i) a notice of the intention of the
4 company to make loans in multiple States;

5 “(ii) the names of the States in which
6 the company intends to make loans; and

7 “(iii) a detailed statement of how the
8 company will comply with this paragraph,
9 including a list of the members described
10 in subparagraph (B).

11 “(2) REVIEW.—The Administrator shall verify
12 whether a certified development company satisfies
13 the requirements of paragraph (1) on an expedited
14 basis and, not later than 30 days after the date on
15 which the Administrator receives the statement de-
16 scribed in paragraph (1)(E)(iii), the Administrator
17 shall determine whether such company satisfies such
18 criteria and provide notice to such company.

19 “(3) LOAN COMMITTEE PARTICIPATION.—For
20 any loan made by a company described in paragraph
21 (1), not fewer than 1 member of the loan committee
22 from the State in which the loan is to be made shall
23 participate in the review of such loan.

24 “(4) AGGREGATE ACCOUNTING.—A company
25 described in paragraph (1) may maintain an aggre-

1 gate accounting of all revenue and expenses of the
 2 company for purposes of this title.

3 ~~“(5) SERVICE TO CERTIFIED DEVELOPMENT~~
 4 ~~COMPANIES.—~~

5 ~~“(A) IN GENERAL.—~~Except as provided in
 6 subparagraph (B), an associate of a certified
 7 development company may not be an officer, di-
 8 rector, or manager of more than 1 certified de-
 9 velopment company.

10 ~~“(B) EXCEPTION.—~~

11 ~~“(i) IN GENERAL.—~~Notwithstanding
 12 any other provision of law, a person who is
 13 serving on the board of directors of a cer-
 14 tified development company may serve on
 15 the board of directors, but not as an offi-
 16 cer, of not more than 1 additional certified
 17 development company, if—

18 ~~“(I) such companies are not lo-~~
 19 ~~cated in the same State;~~

20 ~~“(II) each board of directors de-~~
 21 ~~termines that the service by such per-~~
 22 ~~son on such board does not constitute~~
 23 ~~a conflict of interest; and~~

24 ~~“(III) there is not a contractual~~
 25 ~~relationship between—~~

1 “(aa) the person and such
 2 additional certified development
 3 company, except for the contract
 4 of such person to serve as a
 5 member of the board of directors
 6 of such company, if any; or

7 “(bb) the certified develop-
 8 ment companies of which such
 9 person is a member of the board
 10 of directors.

11 “(ii) MAXIMUM NUMBER OF MEM-
 12 BERS.—A certified development company
 13 may not have more than 1 member of the
 14 board of directors of such company in com-
 15 mon with any other board of directors of
 16 a certified development company.

17 “(C) DEFINITION.—As used in this para-
 18 graph, the term ‘associate of a certified develop-
 19 ment company’ has the meaning given the term
 20 ‘Associate of a CDC’ in section 120.10 of title
 21 13, Code of Federal Regulations (or any cor-
 22 responding similar regulation or ruling).

23 “(6) LOCAL JOB CREATION REQUIREMENTS.—

24 “(A) IN GENERAL.—Subject to subpara-
 25 graph (B), any certified development company

1 making loans in multiple States shall satisfy
 2 any applicable job creation or retention require-
 3 ments separately for each such State. Such a
 4 company shall not count jobs created or re-
 5 tained in 1 State towards any applicable job
 6 creation or retention requirement in another
 7 State.

8 “(B) APPLICABILITY.—This paragraph
 9 shall apply to a certified development company
 10 relating to a State beginning 2 years after the
 11 date that certified development company began
 12 making loans in that State.

13 “(7) CONTIGUOUS STATES.—For purposes of
 14 this subsection, the States of Alaska and Hawaii
 15 shall be deemed to be contiguous to any State abut-
 16 ting the Pacific Ocean.

17 “(8) LOCAL ECONOMIC AREA REQUIREMENT
 18 AND EXEMPTION.—

19 “(A) DEFINITION.—In this paragraph, the
 20 term ‘local economic area’ means an area, as
 21 determined by the Administrator, that—

22 “(i) is in a State other than the State
 23 in which a development company is incor-
 24 porated;

1 “(ii) shares a border with the area of
2 operations of the development company;
3 and

4 “(iii) is a part of a local trade area
5 (including a city that is bisected by a State
6 line and a metropolitan statistical area
7 that is bisected by a State line) that is
8 contiguous to the area of operations of the
9 development company.

10 “(B) EXEMPTION.—An applicant operating
11 in a local economic area shall not be considered
12 to be operating in a multistate area, and shall
13 not be required to comply with the require-
14 ments for multistate operation.

15 “(e) RESTRICTIONS ON DEVELOPMENT COMPANY
16 ASSISTANCE.—”.

17 **SEC. 411. CONFORMING AMENDMENTS.**

18 Section 503 of the Small Business Investment Act
19 of 1958 (15 U.S.C. 697) is amended—

20 (1) in subsection (a)(1), by striking “qualified
21 State or local development company” and inserting
22 “certified development company”; and

23 (2) by striking subsection (e) and inserting the
24 following:

1 “(e) **SECTION 7(a) LOANS.**—Notwithstanding any
 2 other provision of law, a certified development company
 3 is authorized to prepare applications for deferred partici-
 4 pation loans under section 7(a) of the Small Business Act,
 5 to service such loans, and to charge a reasonable fee for
 6 servicing such loans.”.

7 **SEC. 412. CLOSING COSTS.**

8 Section 503(b) of the Small Business Investment Act
 9 of 1958 (~~15 U.S.C. 697(b)~~) is amended by striking para-
 10 graph (4) and inserting the following:

11 “(4) the aggregate amount of such debenture
 12 does not exceed the amount of the loans to be made
 13 from the proceeds of such debenture plus, at the
 14 election of the borrower, other amounts attributable
 15 to the administrative and closing costs of such loans,
 16 except for the attorney fees of the borrower;”.

17 **SEC. 413. DEFINITION OF RURAL.**

18 Section 501 of the Small Business Investment Act
 19 of 1958 (~~15 U.S.C. 695~~) is amended by adding at the end
 20 the following:

21 “(f) As used in this title, the term ‘rural’ includes
 22 any area that is not—

23 “(1) a city or town that has a population great-
 24 er than 50,000 inhabitants; or

1 “(2) the urbanized area contiguous and adja-
2 cent to a city or town described in paragraph (1).”.

3 **SEC. 414. REGULATIONS AND EFFECTIVE DATE.**

4 (a) **IN GENERAL.**—Except as provided in subsection
5 (b), the Administrator shall—

6 (1) publish proposed rules to implement this
7 title and the amendments made by this title, not
8 later than 120 days after the date of enactment of
9 this Act; and

10 (2) publish such rules in final form not later
11 than 120 days after the date of publication under
12 paragraph (1).

13 (b) **MULTISTATE OPERATIONS.**—As soon as is prac-
14 ticable after the date of enactment of this Act, the Admin-
15 istrator shall promulgate regulations to implement section
16 506(d) of the Small Business Investment Act of 1958, as
17 added by this title. Such regulations shall become effective
18 not later than 120 days after the date of enactment of
19 this Act.

20 (c) **EFFECTIVE DATE.**—

21 (1) **IN GENERAL.**—Except as otherwise specifi-
22 cally provided this title, this title and the amend-
23 ments made by this title shall become effective 240
24 days after the date of enactment of this Act, regard-

1 less of whether the Administrator has promulgated
 2 the regulations required under subsection (a).

3 ~~(2) MULTISTATE OPERATIONS.—~~Section 506(d)
 4 of the Small Business Investment Act of 1958, as
 5 added by this title, shall become effective 120 days
 6 after the date of enactment of this Act, regardless
 7 of whether the Administrator has promulgated the
 8 regulations required under subsection (b).

9 **SEC. 415. LIMITATION ON TIME FOR FINAL APPROVAL OF**
 10 **COMPANIES.**

11 Section 354(d) of the Small Business Investment Act
 12 of 1958 (~~15 U.S.C. 689e(d)~~) is amended by striking “a
 13 period of time, not to exceed 2 years,” and inserting “2
 14 years”.

15 **SEC. 416. CHILD CARE LENDING PILOT PROGRAM.**

16 (a) ~~CHILD CARE LENDING PILOT PROGRAM.—~~Sec-
 17 tion 502 of the Small Business Investment Act of 1958
 18 (~~15 U.S.C. 696~~), as amended by this Act, is amended—

19 (1) in the matter preceding paragraph (1)—

20 (A) by striking “The Administration” and
 21 inserting the following:

22 “(a) **AUTHORIZATION.—**The Administration”;

23 (B) by striking “and such loans” and in-
 24 serting “. Such loans”;

1 (C) by striking “: *Provided, however,* That
 2 the foregoing powers shall be subject to the fol-
 3 lowing restrictions and limitations:” and insert-
 4 ing a period; and

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

6 “(b) RESTRICTIONS AND LIMITATIONS.—The author-
 7 ity under subsection (a) shall be subject to the following
 8 restrictions and limitations:”; and

9 (2) in subsection (b)(1), as so redesignated—

10 (A) by inserting after “USE OF PRO-
 11 CEEDS.—” the following:

12 “(A) IN GENERAL.—”; and

13 (B) by adding at the end the following:

14 “(B) LOANS TO SMALL, NONPROFIT CHILD
 15 CARE BUSINESSES.—

16 “(i) IN GENERAL.—Notwithstanding
 17 subsection (a), the proceeds of any loan de-
 18 scribed in subsection (a) may be used by
 19 the certified development company to as-
 20 sist a small, nonprofit child care business;
 21 if—

22 “(I) the loan is used for a sound
 23 business purpose that has been ap-
 24 proved by the Administrator;

1 “(H) each such business meets
2 all of the same eligibility requirements
3 applicable to for-profit businesses
4 under this title, except for status as a
5 for-profit business;

6 “(III) 1 or more individuals has
7 personally guaranteed the loan;

8 “(IV) each such business has
9 clear and singular title to the collat-
10 eral for the loan; and

11 “(V) each such business has suf-
12 ficient cash flow from its operations to
13 meet its obligations on the loan and
14 its normal and reasonable operating
15 expenses.

16 “(ii) LIMITATION ON VOLUME.—Not
17 more than 7 percent of the total number of
18 loans guaranteed in any fiscal year under
19 this title may be awarded under this sub-
20 paragraph.

21 “(iii) DEFINED TERM.—For purposes
22 of this subparagraph, the term ‘small, non-
23 profit child care business’ means an estab-
24 lishment that—

1 “(I) is organized in accordance
2 with section 501(c)(3) of the Internal
3 Revenue Code of 1986;

4 “(II) is primarily engaged in pro-
5 viding child care for infants, toddlers,
6 pre-school, or pre-kindergarten chil-
7 dren (or any combination thereof),
8 and may provide care for older chil-
9 dren when they are not in school, and
10 may offer pre-kindergarten edu-
11 cational programs;

12 “(III) including its affiliates, has
13 tangible net worth that does not ex-
14 ceed \$7,000,000, and has average net
15 income (excluding any carryover
16 losses) for the 2 completed fiscal years
17 preceding the date of the application
18 for assistance under this subpara-
19 graph that does not exceed
20 \$2,500,000; and

21 “(IV) is licensed as a child care
22 provider by the State, insular area, or
23 the District of Columbia, in which it
24 is located.

1 “(iv) SUNSET PROVISION.—This sub-
 2 paragraph shall cease to have effect on
 3 September 30, 2010, and shall apply to all
 4 loans authorized under this subparagraph
 5 that are applied for, approved, or dis-
 6 bursed during the period beginning on the
 7 date of enactment of this subparagraph
 8 and ending on September 30, 2010.”.

9 (b) REPORTS.—

10 (1) SMALL BUSINESS ADMINISTRATION.—

11 (A) IN GENERAL.—Not later than 6
 12 months after the date of enactment of this Act,
 13 and every 6 months thereafter until September
 14 30, 2010, the Administrator shall submit a re-
 15 port on the implementation of the program
 16 under section 502(b)(1)(B) of the Small Busi-
 17 ness Investment Act of 1958, as added by this
 18 Act, to—

19 (i) the Committee on Small Business
 20 and Entrepreneurship of the Senate; and

21 (ii) the Committee on Small Business
 22 of the House of Representatives.

23 (B) CONTENTS.—Each report under sub-
 24 paragraph (A) shall contain—

1 (i) the date on which the program is
2 implemented;

3 (ii) the date on which the rules are
4 issued under subsection (c); and

5 (iii) the number and dollar amount of
6 loans under the program applied for, ap-
7 proved, and disbursed during the 6-month
8 period ending on the date of that report—

9 (I) with respect to nonprofit child
10 care businesses; and

11 (II) with respect to for-profit
12 child care businesses.

13 ~~(2) GOVERNMENT ACCOUNTABILITY OFFICE.—~~

14 ~~(A) IN GENERAL.—~~Not later than March
15 31, 2010, the Comptroller General of the
16 United States shall submit a report on the child
17 care small business loans authorized by section
18 502(b)(1)(B) of the Small Business Investment
19 Act of 1958, as added by this Act, to—

20 (i) the Committee on Small Business
21 and Entrepreneurship of the Senate; and

22 (ii) the Committee on Small Business
23 of the House of Representatives.

24 ~~(B) CONTENTS.—~~The report under sub-
25 paragraph (A) shall contain information gath-

1 ered during the first 2 years of the loan pro-
2 gram, including—

3 (i) an evaluation of the timeliness of
4 the implementation of the loan program;

5 (ii) a description of the effectiveness
6 and ease with which certified development
7 companies, lenders, and small business
8 concerns have participated in the loan pro-
9 gram;

10 (iii) a description and assessment of
11 how the loan program was marketed;

12 (iv) by location (State, insular area,
13 and the District of Columbia) and in total;
14 the number of child care small businesses;
15 categorized by status as a for-profit or
16 nonprofit business; that—

17 (I) applied for a loan under the
18 program (and whether it was a new or
19 expanding child care provider);

20 (II) were approved for a loan
21 under the program; and

22 (III) received a loan disburse-
23 ment under the program (and whether
24 they are a new or expanding child
25 care provider); and

(v) with respect to businesses described under clause (iv)(III)—

(I) the number of such businesses in each State, insular area, and the District of Columbia, as of the year of enactment of this Act;

(II) the total amount loaned to such businesses under the program;

(III) the total number of loans to such businesses under the program;

(IV) the average loan amount and term;

(V) the currency rate, delinquencies, defaults, and losses of the loans;

(VI) the number and percent of children served who receive subsidized assistance; and

(VII) the number and percent of children served who are low income.

~~(C) ACCESS TO INFORMATION.—~~

~~(i) IN GENERAL.—~~The Administration shall collect and maintain such information as may be necessary to carry out this paragraph from certified development centers

and child care providers, and such centers and providers shall comply with a request for information from the Administration for that purpose.

(ii) PROVISION OF INFORMATION TO GOVERNMENT ACCOUNTABILITY OFFICE.—

The Administration shall provide information collected under this subparagraph to the Comptroller General of the United States for purposes of the report required by this paragraph.

(c) RULEMAKING AUTHORITY.—Not later than 120

days after the date of enactment of this Act, the Administrator shall issue final rules to carry out the loan program authorized by section 502(b)(1)(B) of the Small Business Investment Act of 1958, as added by this Act.

SECTION 1. SHORT TITLE.

This Act may be cited as the “Small Business Lending Reauthorization and Improvements Act of 2007”.

SEC. 2. TABLE OF CONTENTS.

The table of contents of this Act is as follows:

Sec. 1. Short title.

Sec. 2. Table of contents.

Sec. 3. Definitions.

Sec. 4. Authorization of appropriations.

TITLE I—MICROLOAN PROGRAMS

Sec. 101. Conforming technical change in average smaller loan size.

Sec. 102. Inclusion of persons with disabilities.

Sec. 103. Microloan Program improvements.

Sec. 104. PRIME reauthorization and transfer to the Small Business Act.

Sec. 105. Report to Congress on the Microloan Program.

TITLE II—INTERMEDIARY LENDING PILOT PROGRAM

Sec. 201. Findings.

Sec. 202. Small business intermediary lending pilot program.

TITLE III—7(a) LOAN PROGRAM

Sec. 301. Preferred Lenders Program.

Sec. 302. Maximum loan amount.

Sec. 303. Maximum 504 and 7(a) loan eligibility.

Sec. 304. Loan pooling.

Sec. 305. Alternative size standard.

Sec. 306. Alternative variable interest rate.

Sec. 307. Minority small business development.

Sec. 308. Lowering of fees.

Sec. 309. International trade loans.

Sec. 310. Rural lending outreach program.

TITLE IV—CERTIFIED DEVELOPMENT COMPANIES; 504 LOAN PROGRAM

Sec. 401. Development company loan programs.

Sec. 402. Loan liquidations.

Sec. 403. Additional equity injections.

Sec. 404. Uniform leasing policy.

Sec. 405. Businesses in low-income communities.

Sec. 406. Combinations of certain goals.

Sec. 407. Refinancing under the Local Development Business Loan Program.

Sec. 408. Technical correction.

Sec. 409. Definitions for the Small Business Investment Act of 1958.

Sec. 410. Repeal of sunset on reserve requirements for premier certified lenders.

Sec. 411. Certified development companies.

Sec. 412. Conforming amendments.

Sec. 413. Closing costs.

Sec. 414. Definition of rural.

Sec. 415. Regulations and effective date.

Sec. 416. Limitation on time for final approval of companies.

Sec. 417. Child Care Lending Pilot Program.

Sec. 418. Debenture repayment.

Sec. 419. Real estate appraisals.

1 SEC. 3. DEFINITIONS.

2 *In this Act—*

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

1 (2) the term “504 Loan Program” means the
 2 program to provide financing to small business con-
 3 cerns by guarantees of loans under title V of the
 4 Small Business Investment Act of 1958 (15 U.S.C.
 5 695 et seq.), which are funded by debentures guaran-
 6 teed by the Administrator; and

7 (3) the term “small business concern” has the
 8 meaning given that term in section 3 of the Small
 9 Business Act (15 U.S.C. 632).

10 **SEC. 4. AUTHORIZATION OF APPROPRIATIONS.**

11 Section 20 of the Small Business Act (15 U.S.C. 631
 12 note) is amended—

13 (1) by redesignating subsection (j) as subsection
 14 (f); and

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

16 “(g) MICROLOAN.—For each of fiscal years 2007
 17 through 2010, the Administration is authorized to make,
 18 as provided in section 7(m)—

19 “(1) \$80,000,000 in technical assistance grants;

20 “(2) \$110,000,000 in direct loans; and

21 “(3) \$50,000,000 in deferred participation loans.

22 “(h) GENERAL BUSINESS LOANS.—The Administra-
 23 tion is authorized to make, as provided in section 7(a)—

24 “(1) \$18,000,000,000 in general business loans
 25 in fiscal year 2007;

1 “(2) \$19,000,000,000 in general business loans
2 in fiscal year 2008;

3 “(3) \$20,000,000,000 in general business loans
4 in fiscal year 2009; and

5 “(4) \$21,000,000,000 in general business loans
6 in fiscal year 2010.

7 “(i) *CERTIFIED DEVELOPMENT COMPANY*
8 *FINANCINGS.—The Administration is authorized to make,*
9 *as provided in section 7(a)(13) and as provided in section*
10 *504 of the Small Business Investment Act of 1958 (15*
11 *U.S.C. 697a)—*

12 “(1) \$8,000,000,000 in certified development
13 company financings in fiscal year 2007;

14 “(2) \$8,500,000,000 in certified development
15 company financings in fiscal year 2008;

16 “(3) \$9,000,000,000 in certified development
17 company financings in fiscal year 2009; and

18 “(4) \$9,500,000,000 in certified development
19 company financings in fiscal year 2010.

20 “(j) *DEPARTMENT OF DEFENSE.—For each of fiscal*
21 *years 2007 through 2010, the Administration is authorized*
22 *to make \$500,000,000 in loans as provided in section*
23 *7(a)(21).*

24 “(k) *PRIME PROGRAM.—*

1 “(1) *IN GENERAL.*—*There are authorized to be*
 2 *appropriated to the Administrator \$15,000,000 for*
 3 *each of fiscal years 2007 through 2010 to carry out*
 4 *section 37, which shall remain available until ex-*
 5 *pended.*

6 “(2) *CERTAIN PROGRAMS.*—*In addition to the*
 7 *amount authorized under paragraph (1), there are*
 8 *authorized to be appropriated to the Administrator*
 9 *\$2,000,000 each of fiscal years 2007 through 2010 to*
 10 *carry out section 37(c)(4), which shall remain avail-*
 11 *able until expended.*

12 “(l) *ADDITIONAL AUTHORIZATIONS AND LIMITA-*
 13 *TIONS.*—

14 “(1) *IN GENERAL.*—*There are authorized to be*
 15 *appropriated to the Administration for each of fiscal*
 16 *years 2007 through 2010 such sums as may be nec-*
 17 *essary to carry out the provisions of this Act not else-*
 18 *where provided for, including administrative expenses*
 19 *and necessary loan capital for disaster loans pursu-*
 20 *ant to section 7(b), and to carry out the Small Busi-*
 21 *ness Investment Act of 1958, including salaries and*
 22 *expenses of the Administration.*

23 “(2) *LIMITATIONS.*—*Notwithstanding any other*
 24 *provision of this section, for each of fiscal years 2007*
 25 *through 2010—*

“(A) no funds are authorized to be used as loan capital for the loan program authorized by section 7(a)(21) in any such fiscal year, except by transfer from another Federal department or agency to the Administration, unless the program level authorized for general business loans under subsection (h) is fully funded for that fiscal year; and

“(B) the Administration may not approve loans on its own behalf or on behalf of any other Federal department or agency, by contract or otherwise, under terms and conditions other than those specifically authorized under this Act or the Small Business Investment Act of 1958, except that it may approve loans under section 7(a)(21) of this Act in gross amounts of not more than \$2,000,000.”.

TITLE I—MICROLOAN PROGRAMS

SEC. 101. CONFORMING TECHNICAL CHANGE IN AVERAGE SMALLER LOAN SIZE.

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

(1) in paragraph (3)(F)(iii), by striking “\$7,500” and inserting “\$10,000”; and

1 (2) in paragraph (6)(C), by striking “\$7,500”
 2 each place that term appears and inserting
 3 “\$10,000”.

4 **SEC. 102. INCLUSION OF PERSONS WITH DISABILITIES.**

5 Section 7(m)(1)(A)(i) of the Small Business Act (15
 6 U.S.C. 636(m)(1)(A)(i)) is amended by inserting “persons
 7 with disabilities,” before “and minority”.

8 **SEC. 103. MICROLOAN PROGRAM IMPROVEMENTS.**

9 (a) *INTERMEDIARY ELIGIBILITY REQUIREMENTS.*—
 10 Section 7(m)(2) of the Small Business Act (15 U.S.C.
 11 636(m)(2)) is amended—

12 (1) in subparagraph (A), by striking “in para-
 13 graph (10); and” and inserting “of the term ‘inter-
 14 mediary’ under paragraph (11);”; and

15 (2) in subparagraph (B)—

16 (A) by striking “(B) has at least” and in-
 17 serting the following:

18 “(B) has—

19 “(i) at least”; and

20 (B) by striking the period at the end and
 21 inserting the following: “; or

22 “(ii) a full-time employee who has not
 23 less than 3 years experience making
 24 microloans to startup, newly established, or
 25 growing small business concerns; and

1 “(C) has at least 1 year experience pro-
 2 viding, as an integral part of its microloan pro-
 3 gram, intensive marketing, management, and
 4 technical assistance to its borrowers.”.

5 (b) *LIMITATION ON THIRD PARTY TECHNICAL ASSIST-*
 6 *ANCE.*—Section 7(m)(4)(E)(ii) of the Small Business Act
 7 (15 U.S.C. 636(m)(4)(E)(ii)) is amended—

8 (1) in the clause heading, by striking “TECH-
 9 NICAL ASSISTANCE” and inserting “THIRD PARTY
 10 TECHNICAL ASSISTANCE”; and

11 (2) by striking “25 percent” and inserting “30
 12 percent”.

13 (c) *INCREASED FLEXIBILITY FOR PROVIDING TECH-*
 14 *NICAL ASSISTANCE TO POTENTIAL BORROWERS.*—Section
 15 7(m)(4)(E)(i) of the Small Business Act (15 U.S.C.
 16 636(m)(4)(E)(i)) is amended by striking “25 percent” and
 17 inserting “30 percent”.

18 **SEC. 104. PRIME REAUTHORIZATION AND TRANSFER TO**
 19 **THE SMALL BUSINESS ACT.**

20 (a) *PROGRAM REAUTHORIZATION.*—The Small Busi-
 21 ness Act (15 U.S.C. 631 et seq.) is amended—

22 (1) by redesignating section 37 as section 39;
 23 and

24 (2) by inserting after section 36 the following:

1 **“SEC. 37. PROGRAM FOR INVESTMENT IN MICROENTRE-**
 2 **PRENEURS.**

3 “(a) *DEFINITIONS.—In this section:*

4 “(1) *CAPACITY BUILDING SERVICES.—The term*
 5 *‘capacity building services’ means services provided to*
 6 *an organization that is, or that is in the process of*
 7 *becoming, a microenterprise development organization*
 8 *or program, for the purpose of enhancing its ability*
 9 *to provide training and services to disadvantaged en-*
 10 *trepreneurs.*

11 “(2) *COLLABORATIVE.—The term ‘collaborative’*
 12 *means 2 or more nonprofit entities that agree to act*
 13 *jointly as a qualified organization under this section.*

14 “(3) *DISADVANTAGED ENTREPRENEUR.—The*
 15 *term ‘disadvantaged entrepreneur’ means a micro-*
 16 *entrepreneur that—*

17 “(A) *is a low-income person;*

18 “(B) *is a very low-income person; or*

19 “(C) *lacks adequate access to capital or*
 20 *other resources essential for business success, or*
 21 *is economically disadvantaged, as determined by*
 22 *the Administrator.*

23 “(4) *DISADVANTAGED NATIVE AMERICAN ENTRE-*
 24 *PRENEUR.—The term ‘disadvantaged Native Amer-*
 25 *ican entrepreneur’ means a disadvantaged entre-*
 26 *preneur who is also a member of an Indian Tribe.*

1 “(5) *INDIAN TRIBE*.—The term ‘Indian tribe’ has
 2 the meaning given that term in section 4(a) of the In-
 3 dian Self-Determination and Education Assistance
 4 Act.

5 “(6) *INTERMEDIARY*.—The term ‘intermediary’
 6 means a private, nonprofit entity that seeks to serve
 7 microenterprise development organizations and pro-
 8 grams, as authorized under subsection (d).

9 “(7) *LOW-INCOME PERSON*.—The term ‘low-in-
 10 come person’ means having an income, adjusted for
 11 family size, of not more than—

12 “(A) for metropolitan areas, 80 percent of
 13 the area median income; and

14 “(B) for nonmetropolitan areas, the greater
 15 of—

16 “(i) 80 percent of the area median in-
 17 come; or

18 “(ii) 80 percent of the statewide non-
 19 metropolitan area median income.

20 “(8) *MICROENTREPRENEUR*.—The term ‘micro-
 21 entrepreneur’ means the owner or developer of a
 22 microenterprise.

23 “(9) *MICROENTERPRISE*.—The term ‘microenter-
 24 prise’ means a sole proprietorship, partnership, or
 25 corporation that—

1 “(A) has fewer than 5 employees; and

2 “(B) generally lacks access to conventional
3 loans, equity, or other banking services.

4 “(10) MICROENTERPRISE DEVELOPMENT ORGANI-
5 ZATION OR PROGRAM.—The term ‘microenterprise de-
6 velopment organization or program’ means a non-
7 profit entity, or a program administered by such an
8 entity, including community development corpora-
9 tions or other nonprofit development organizations
10 and social service organizations, that provides services
11 to disadvantaged entrepreneurs.

12 “(11) TRAINING AND TECHNICAL ASSISTANCE.—
13 The term ‘training and technical assistance’ means
14 services and support provided to disadvantaged entre-
15 preneurs, such as assistance for the purpose of en-
16 hancing business planning, marketing, management,
17 financial management skills, and assistance for the
18 purpose of accessing financial services.

19 “(12) VERY LOW-INCOME PERSON.—The term
20 ‘very low-income person’ means having an income,
21 adjusted for family size, of not more than 150 percent
22 of the poverty line (as defined in section 673(2) of the
23 Community Services Block Grant Act (42 U.S.C.
24 9902(2)), including any revision required by that sec-
25 tion).

1 “(b) *ESTABLISHMENT OF PROGRAM.*—*The Adminis-*
 2 *trator shall establish a microenterprise technical assistance*
 3 *and capacity building grant program to provide assistance*
 4 *from the Administration in the form of grants to qualified*
 5 *organizations in accordance with this section.*

6 “(c) *USES OF ASSISTANCE.*—*A qualified organization*
 7 *shall use grants made under this section—*

8 “(1) *to provide training and technical assistance*
 9 *to disadvantaged entrepreneurs;*

10 “(2) *to provide training and capacity building*
 11 *services to microenterprise development organizations*
 12 *and programs and groups of such organizations to as-*
 13 *sist such organizations and programs in developing*
 14 *microenterprise training and services;*

15 “(3) *to aid in researching and developing the*
 16 *best practices in the field of microenterprise and tech-*
 17 *nical assistance programs for disadvantaged entre-*
 18 *preneurs;*

19 “(4) *to provide training and technical assistance*
 20 *to disadvantaged Native American entrepreneurs and*
 21 *prospective entrepreneurs; and*

22 “(5) *for such other activities as the Adminis-*
 23 *trator determines are consistent with the purposes of*
 24 *this section.*

1 “(d) *QUALIFIED ORGANIZATIONS.*—*For purposes of*
 2 *eligibility for assistance under this section, a qualified orga-*
 3 *nization shall be—*

4 “(1) *a nonprofit microenterprise development or-*
 5 *ganization or program (or a group or collaborative*
 6 *thereof) that has a demonstrated record of delivering*
 7 *microenterprise services to disadvantaged entre-*
 8 *preneurs;*

9 “(2) *an intermediary;*

10 “(3) *a microenterprise development organization*
 11 *or program that is accountable to a local community,*
 12 *working in conjunction with a State or local govern-*
 13 *ment or Indian tribe; or*

14 “(4) *an Indian tribe acting on its own, if the In-*
 15 *dian tribe certifies that no private organization or*
 16 *program referred to in this subsection exists within*
 17 *its jurisdiction.*

18 “(e) *ALLOCATION OF ASSISTANCE; SUBGRANTS.*—

19 “(1) *ALLOCATION OF ASSISTANCE.*—

20 “(A) *IN GENERAL.*—*The Administrator*
 21 *shall allocate assistance from the Administration*
 22 *under this section to ensure that—*

23 “(i) *activities described in subsection*
 24 *(c)(1) are funded using not less than 75*

1 *percent of amounts made available for such*
 2 *assistance; and*

3 “(ii) *activities described in subsection*
 4 *(c)(2) are funded using not less than 15*
 5 *percent of amounts made available for such*
 6 *assistance.*

7 “(B) *LIMIT ON INDIVIDUAL ASSISTANCE.—*
 8 *No single person may receive more than 10 per-*
 9 *cent of the total funds appropriated under this*
 10 *section in a single fiscal year.*

11 “(2) *TARGETED ASSISTANCE.—The Adminis-*
 12 *trator shall ensure that not less than 50 percent of the*
 13 *grants made under this section are used to benefit*
 14 *very low-income persons, including those residing on*
 15 *Indian reservations.*

16 “(3) *SUBGRANTS AUTHORIZED.—*

17 “(A) *IN GENERAL.—A qualified organiza-*
 18 *tion receiving assistance under this section may*
 19 *provide grants using that assistance to qualified*
 20 *small and emerging microenterprise organiza-*
 21 *tions and programs, subject to such rules and*
 22 *regulations as the Administrator determines to*
 23 *be appropriate.*

24 “(B) *LIMIT ON ADMINISTRATIVE EX-*
 25 *PENSES.—Not more than 7.5 percent of assist-*

1 *ance received by a qualified organization under*
 2 *this section may be used for administrative ex-*
 3 *penses in connection with the making of sub-*
 4 *grants under subparagraph (A).*

5 *“(4) DIVERSITY.—In making grants under this*
 6 *section, the Administrator shall ensure that grant re-*
 7 *cipients include both large and small microenterprise*
 8 *organizations, serving urban, rural, and Indian trib-*
 9 *al communities serving diverse populations.*

10 *“(5) PROHIBITION ON PREFERENTIAL CONSIDER-*
 11 *ATION OF CERTAIN ADMINISTRATION PROGRAM PAR-*
 12 *TICIPANTS.—In making grants under this section, the*
 13 *Administrator shall ensure that any application*
 14 *made by a qualified organization that is a partici-*
 15 *pant in the program established under section 7(m)*
 16 *does not receive preferential consideration over appli-*
 17 *cations from other qualified organizations that are*
 18 *not participants in such program.*

19 *“(f) MATCHING REQUIREMENTS.—*

20 *“(1) IN GENERAL.—Financial assistance under*
 21 *this section shall be matched with funds from sources*
 22 *other than the Federal Government on the basis of not*
 23 *less than 50 percent of each dollar provided by the*
 24 *Administration.*

1 “(2) *SOURCES OF MATCHING FUNDS.—Fees,*
 2 *grants, gifts, funds from loan sources, and in-kind re-*
 3 *sources of a grant recipient from public or private*
 4 *sources may be used to comply with the matching re-*
 5 *quirement in paragraph (1).*

6 “(3) *EXCEPTION.—*

7 “(A) *IN GENERAL.—In the case of an appli-*
 8 *cant for assistance under this section with severe*
 9 *constraints on available sources of matching*
 10 *funds, the Administrator may reduce or elimi-*
 11 *nate the matching requirements of paragraph*
 12 *(1).*

13 “(B) *LIMITATION.—Not more than 10 per-*
 14 *cent of the total funds made available from the*
 15 *Administration in any fiscal year to carry out*
 16 *this section may be excepted from the matching*
 17 *requirements of paragraph (1), as authorized by*
 18 *subparagraph (A) of this paragraph.*

19 “(g) *APPLICATIONS FOR ASSISTANCE.—An applica-*
 20 *tion for assistance under this section shall be submitted in*
 21 *such form and in accordance with such procedures as the*
 22 *Administrator shall establish.*

23 “(h) *RECORDKEEPING AND REPORTING.—*

1 “(1) *IN GENERAL.*—Each organization that re-
2 ceives assistance from the Administration under this
3 section shall—

4 “(A) submit to the Administration not less
5 than once in every 18-month period, financial
6 statements audited by an independent certified
7 public accountant;

8 “(B) submit an annual report to the Ad-
9 ministration on its activities; and

10 “(C) keep such records as may be necessary
11 to disclose the manner in which any assistance
12 under this section is used.

13 “(2) *ACCESS.*—The Administration shall have
14 access upon request, for the purposes of determining
15 compliance with this section, to any records of any
16 organization that receives assistance from the Admin-
17 istration under this section.

18 “(3) *DATA COLLECTION.*—Each organization
19 that receives assistance from the Administration
20 under this section shall collect information relating
21 to, as applicable—

22 “(A) the number of individuals counseled or
23 trained;

24 “(B) the number of hours of counseling pro-
25 vided;

1 “(C) the number of startup small business
2 concerns formed;

3 “(D) the number of small business concerns
4 expanded;

5 “(E) the number of low-income individuals
6 counseled or trained; and

7 “(F) the number of very low-income indi-
8 viduals counseled or trained.”.

9 (b) *CONFORMING REPEAL*.—Subtitle C of title I of the
10 *Riegle Community Development and Regulatory Improve-*
11 *ment Act of 1994 (15 U.S.C. 6901 note) is repealed.*

12 (c) *REFERENCES*.—All references in Federal law, other
13 than subsection (d) of this section, to the “Program for In-
14 vestment in Microentrepreneurs Act of 1999” or the
15 “PRIME Act” shall be deemed to be references to section
16 37 of the Small Business Act, as added by this section.

17 (d) *RULE OF CONSTRUCTION*.—Nothing in this section
18 or the amendments made by this section shall affect any
19 grant or assistance provided under the Program for Invest-
20 ment in Microentrepreneurs Act of 1999, before the date of
21 enactment of this Act, and any such grant or assistance
22 shall be subject to the Program for Investment in Micro-
23 entrepreneurs Act of 1999, as in effect on the day before
24 the date of enactment of this Act.

1 **SEC. 105. REPORT TO CONGRESS ON THE MICROLOAN PRO-**
 2 **GRAM.**

3 *Section 7(m)(10) of the Small Business Act (15 U.S.C.*
 4 *638(m)(10)) is amended to read as follows:*

5 *“(10) REPORT TO CONGRESS ON THE MICROLOAN*
 6 *PROGRAM.—*

7 *“(A) IN GENERAL.—Not later than 6*
 8 *months after the date of enactment of the Small*
 9 *Business Lending Reauthorization and Improve-*
 10 *ments Act of 2007, the Comptroller General of*
 11 *the United States shall submit to the Committee*
 12 *on Small Business and Entrepreneurship of the*
 13 *Senate and the Committee on Small Business of*
 14 *the House of Representatives, a report which in-*
 15 *cludes—*

16 *“(i) an analysis of the effectiveness of*
 17 *the Microloan Program and the microloan*
 18 *technical assistance program;*

19 *“(ii) a description of the loan portfolio*
 20 *of each intermediary, including the extent*
 21 *to which it provides microloans to small*
 22 *business concerns in rural areas;*

23 *“(iii) the numbers and amounts of*
 24 *microloans made by the intermediaries to*
 25 *small business concern borrowers;*

1 “(iv) an accurate measure of the cost of
2 the microloan and microloan technical as-
3 sistance programs; and

4 “(v) any recommendations for legisla-
5 tive changes that would improve the pro-
6 gram operations.

7 “(B) *CONSIDERATIONS AND CONSULTA-*
8 *TIONS.—In developing the report required by*
9 *subparagraph (A), the Comptroller General shall*
10 *consult with the microloan intermediaries, the*
11 *Committee on Small Business and Entrepreneur-*
12 *ship of the Senate and the Committee on Small*
13 *Business of the House of Representatives, and*
14 *other appropriate industry members, and shall*
15 *allow for industry comment.”.*

16 ***TITLE II—INTERMEDIARY***
17 ***LENDING PILOT PROGRAM***

18 ***SEC. 201. FINDINGS.***

19 *Congress finds the following:*

20 (1) *Small and emerging businesses, particularly*
21 *startups and businesses that lack sufficient or conven-*
22 *tional collateral, continue to face barriers accessing*
23 *midsized loans in amounts between \$35,000 and*
24 *\$200,000, with affordable terms and conditions.*

1 (2) *Consolidation in the banking industry has*
2 *resulted in a decrease in the number of small, locally*
3 *controlled banks with not more than \$100,000,000 in*
4 *assets and has changed the method by which banks*
5 *make small business credit decisions with—*

6 (A) *credit scoring techniques replacing rela-*
7 *tionship-based lending, which often works to the*
8 *disadvantage of small or start-up businesses that*
9 *do not conform with a bank's standardized credit*
10 *formulas; and*

11 (B) *less flexible terms and conditions, which*
12 *are often necessary for small and emerging busi-*
13 *nesses.*

14 (3) *In the environment described in paragraphs*
15 (1) and (2), *nonprofit intermediary lenders, includ-*
16 *ing community development corporations, provide fi-*
17 *nancial resources that supplement the small business*
18 *lending and investments of a bank by—*

19 (A) *providing riskier, up front, or subordi-*
20 *nated capital;*

21 (B) *offering flexible terms and underwriting*
22 *procedures; and*

23 (C) *providing technical assistance to busi-*
24 *nesses in order to reduce the transaction costs*
25 *and risk exposure of banks.*

1 (4) *Several Federal programs, including the*
 2 *Microloan Program under section 7(m) of the Small*
 3 *Business Act (15 U.S.C. 636(m)) and the Inter-*
 4 *mediary Relending Program of the Department of Ag-*
 5 *riculture, have demonstrated the effectiveness of work-*
 6 *ing through nonprofit intermediaries to address the*
 7 *needs of small business concerns that are unable to ac-*
 8 *cess capital through conventional sources.*

9 (5) *More than 1,000 nonprofit intermediary*
 10 *lenders in the United States are—*

11 (A) *successfully providing financial and*
 12 *technical assistance to small and emerging busi-*
 13 *nesses;*

14 (B) *working with banks and other lenders to*
 15 *leverage additional capital for their business bor-*
 16 *rowers; and*

17 (C) *creating employment opportunities for*
 18 *low-income individuals through their lending*
 19 *and business development activities.*

20 **SEC. 202. SMALL BUSINESS INTERMEDIARY LENDING PILOT**
 21 **PROGRAM.**

22 (a) *IN GENERAL.*—*Section 7 of the Small Business Act*
 23 *(15 U.S.C. 636) is amended by inserting after subsection*
 24 *(k) the following:*

1 “(l) *SMALL BUSINESS INTERMEDIARY LENDING PRO-*
2 *GRAM.*—

3 “(1) *DEFINITIONS.*—*In this subsection—*

4 “(A) *the term ‘intermediary’ means a pri-*
5 *vate, nonprofit entity that seeks to borrow, or*
6 *has borrowed, funds from the Administration to*
7 *provide midsize loans to small business concerns*
8 *under this subsection, including—*

9 “(i) *a private, nonprofit community*
10 *development corporation;*

11 “(ii) *a consortium of private, nonprofit*
12 *organizations or nonprofit community de-*
13 *velopment corporations;*

14 “(iii) *a quasi-governmental economic*
15 *development entity (such as a planning and*
16 *development district), other than a State,*
17 *county, or municipal government; and*

18 “(iv) *an agency of or nonprofit entity*
19 *established by a Native American Tribal*
20 *Government; and*

21 “(B) *the term ‘midsize loan’ means a fixed*
22 *rate loan of not less than \$35,000 and not more*
23 *than \$200,000, made by an intermediary to a*
24 *startup, newly established, or growing small*
25 *business concern.*

1 “(2) *ESTABLISHMENT.*—*There is established a 3-*
2 *year pilot program to be know as the ‘Small Business*
3 *Intermediary Lending Pilot Program’ (referred to in*
4 *this subsection as the ‘Program’), under which the*
5 *Administrator may provide direct loans to eligible*
6 *intermediaries, for the purpose of making fixed inter-*
7 *est rate midsize loans to startup, newly established,*
8 *and growing small business concerns.*

9 “(3) *PURPOSES.*—*The purposes of the Program*
10 *are—*

11 “(A) *to assist small business concerns in*
12 *those areas suffering from a lack of credit due to*
13 *poor economic conditions;*

14 “(B) *to create employment opportunities for*
15 *low-income individuals;*

16 “(C) *to establish a midsize loan program to*
17 *be administered by the Administrator to provide*
18 *loans to eligible intermediaries to enable such*
19 *intermediaries to provide midsize loans, particu-*
20 *larly loans in amounts averaging not more than*
21 *\$150,000, to startup, newly established, or grow-*
22 *ing small business concerns for working capital*
23 *or the acquisition of materials, supplies, or*
24 *equipment;*

1 “(D) to test the effectiveness of nonprofit
2 intermediaries—

3 “(i) as a delivery system for a midsize
4 loan program; and

5 “(ii) in addressing the credit needs of
6 small business concerns and leveraging
7 other sources of credit; and

8 “(E) to determine the advisability and fea-
9 sibility of implementing a midsize loan program
10 nationwide.

11 “(4) *ELIGIBILITY FOR PARTICIPATION.*—An
12 intermediary shall be eligible to receive loans under
13 the Program if the intermediary has not less than 1
14 year of experience making loans to startup, newly es-
15 tablished, or growing small business concerns.

16 “(5) *LOANS TO INTERMEDIARIES.*—

17 “(A) *APPLICATION.*—Each intermediary de-
18 siring a loan under this subsection shall submit
19 an application to the Administrator that de-
20 scribes—

21 “(i) the type of small business concerns
22 to be assisted;

23 “(ii) the size and range of loans to be
24 made;

1 “(iii) the geographic area to be served
2 and its economic, poverty, and unemploy-
3 ment characteristics;

4 “(iv) the status of small business con-
5 cerns in the area to be served and an anal-
6 ysis of the availability of credit; and

7 “(v) the qualifications of the applicant
8 to carry out this subsection.

9 “(B) LOAN LIMITS.—Notwithstanding sub-
10 section (a)(3), no loan may be made to an inter-
11 mediary under this subsection if the total
12 amount outstanding and committed to the inter-
13 mediary from the business loan and investment
14 fund established by this Act would, as a result of
15 such loan, exceed \$1,000,000 during the partici-
16 pation of the intermediary in the Program.

17 “(C) LOAN DURATION.—Loans made by the
18 Administrator under this subsection shall be for
19 a maximum term of 20 years.

20 “(D) APPLICABLE INTEREST RATES.—
21 Loans made by the Administrator to an inter-
22 mediary under the Program shall bear an an-
23 nual interest rate equal to 1.00 percent.

24 “(E) FEES; COLLATERAL.—The Adminis-
25 trator may not charge any fees or require collat-

1 *eral with respect to any loan made to an inter-*
 2 *mediary under this subsection.*

3 *“(F) LEVERAGE.—Any loan to a small*
 4 *business concern under this subsection shall not*
 5 *exceed 75 percent of the total cost of the project*
 6 *funded by such loan, with the remaining funds*
 7 *being leveraged from other sources, including—*

8 *“(i) banks or credit unions;*

9 *“(ii) community development financial*
 10 *institutions; and*

11 *“(iii) other sources with funds avail-*
 12 *able to the intermediary lender.*

13 *“(G) DELAYED PAYMENTS.—The Adminis-*
 14 *trator shall not require the repayment of prin-*
 15 *cipal or interest on a loan made to an inter-*
 16 *mediary under the Program during the first 2*
 17 *years of the loan.*

18 *“(6) PROGRAM FUNDING FOR MIDSIZE LOANS.—*

19 *“(A) NUMBER OF PARTICIPANTS.—Under*
 20 *the Program, the Administrator may provide*
 21 *loans, on a competitive basis, to not more than*
 22 *20 intermediaries.*

23 *“(B) EQUITABLE DISTRIBUTION OF INTER-*
 24 *MEDIARIES.—The Administrator shall select and*
 25 *provide funding under the Program to such*

1 *intermediaries as will ensure geographic diver-*
 2 *sity and representation of urban and rural com-*
 3 *munities.*

4 “(7) *REPORT TO CONGRESS.*—

5 “(A) *ANNUAL REPORT.*—Not later than 12
 6 months after the date of enactment of the Small
 7 Business Lending Reauthorization and Improve-
 8 ments Act of 2007, and annually thereafter, the
 9 Administrator shall submit a report containing
 10 an evaluation of the effectiveness of the Program
 11 to—

12 “(i) *the Committee on Small Business*
 13 *and Entrepreneurship of the Senate; and*

14 “(ii) *the Committee on Small Business*
 15 *of the House of Representatives.*

16 “(B) *CONTENTS.*—Each report submitted
 17 under subparagraph (A) shall include, for the
 18 12-month period before the date of that report—

19 “(i) *the numbers and locations of the*
 20 *intermediaries receiving funds to provide*
 21 *midsize loans;*

22 “(ii) *the amounts of each loan to an*
 23 *intermediary;*

1 “(iii) the numbers and amounts of
2 midsize loans made by intermediaries to
3 small business concerns;

4 “(iv) the repayment history of each
5 intermediary;

6 “(v) a description of the loan portfolio
7 of each intermediary, including the extent
8 to which it provides midsize loans to small
9 business concerns in rural and economically
10 depressed areas;

11 “(vi) an estimate of the number of low-
12 income individuals who have been employed
13 as a direct result of the Program; and

14 “(vii) any recommendations for legis-
15 lative changes that would improve the oper-
16 ation of the Program.

17 “(8) *TERMINATION.*—The authority to make
18 loans under this subsection shall terminate 3 years
19 after the date of enactment of the Small Business
20 Lending Reauthorization and Improvements Act of
21 2007.”.

22 (b) *RULEMAKING AUTHORITY.*—Not later than 180
23 days after the date of enactment of this Act, the Adminis-
24 trator shall issue regulations to carry out section 7(l) of
25 the Small Business Act, as added by subsection (a).

1 (c) *AUTHORIZATION OF APPROPRIATIONS.*—

2 (1) *IN GENERAL.*—*There are authorized to be ap-*
 3 *propriated to the Administrator such sums as may be*
 4 *necessary for each of fiscal years 2008 through 2010*
 5 *to provide \$20,000,000 in loans under section 7(l) of*
 6 *the Small Business Act, as added by subsection (a).*

7 (2) *AVAILABILITY.*—*Any amounts appropriated*
 8 *pursuant to paragraph (1) shall remain available*
 9 *until expended.*

10 ***TITLE III—7(a) LOAN PROGRAM***

11 ***SEC. 301. PREFERRED LENDERS PROGRAM.***

12 (a) *IN GENERAL.*—*Section 7(a) of the Small Business*
 13 *Act (15 U.S.C. 636(a)) is amended by adding at the end*
 14 *the following:*

15 “(32) *PREFERRED LENDERS PROGRAM.*—

16 “(A) *DEFINITIONS.*—*In this paragraph—*

17 “(i) *the term ‘national preferred lend-*
 18 *er’ means a preferred lender authorized to*
 19 *operate in any area served by an office of*
 20 *the Administration under subparagraph*
 21 *(G);*

22 “(ii) *the term ‘preferred lender’ means*
 23 *a qualified lender participating in the pro-*
 24 *gram;*

1 “(iii) the term ‘program’ means the
2 Preferred Lenders Program established
3 under subparagraph (B); and

4 “(iv) the term ‘qualified lender’ means
5 a lender that demonstrates—

6 “(I) knowledge of and proficiency
7 in the requirements of the program
8 under this subsection;

9 “(II) the ability to process, close,
10 service, and liquidate loans;

11 “(III) the ability to develop and
12 analyze complete loan packages; and

13 “(IV) a satisfactory performance
14 history of participation in the pro-
15 gram under this subsection.

16 “(B) *ESTABLISHMENT.*—There is estab-
17 lished a Preferred Lenders Program under which
18 the Administrator may authorize qualified lend-
19 ers to make and service loans.

20 “(C) *APPLICATION.*—A qualified lender de-
21 siring to participate in the program shall submit
22 an application at such time, in such manner,
23 and accompanied by such information as the Ad-
24 ministrator shall establish.

1 “(D) *DELEGATED AUTHORITY.*—*The Ad-*
 2 *ministrator shall authorize a preferred lender to*
 3 *take actions relating to loan servicing on behalf*
 4 *of the Administrator, including—*

5 “(i) *determining eligibility and credit-*
 6 *worthiness and loan monitoring, collection,*
 7 *and liquidation;*

8 “(ii) *authority to make and close loans*
 9 *with a guarantee from the Administrator*
 10 *without obtaining the prior specific ap-*
 11 *proval of the Administrator; and*

12 “(iii) *authority to service and liq-*
 13 *uidate such loans without obtaining the*
 14 *prior specific approval of the Administrator*
 15 *for routine servicing and liquidation activi-*
 16 *ties.*

17 “(E) *AREA OF OPERATIONS.*—*The Adminis-*
 18 *trator shall designate the area for which a pre-*
 19 *ferred lender may exercise the authority under*
 20 *subparagraph (D).*

21 “(F) *CONFLICT.*—*A preferred lender shall*
 22 *not take any action creating an actual or appar-*
 23 *ent conflict of interest.*

24 “(G) *NATIONAL OPERATION.*—

1 “(i) *IN GENERAL.*—A preferred lender
 2 may request designation as a national pre-
 3 ferred lender by the Administrator, and,
 4 upon such designation, shall have the au-
 5 thority to operate in any area served by an
 6 office of the Administration.

7 “(ii) *ELIGIBILITY.*—The Administra-
 8 tion shall designate a preferred lender as a
 9 national preferred lender if the Adminis-
 10 trator determines that preferred lender
 11 has—

12 “(I) satisfactorily operated as a
 13 preferred lender in areas encompassing
 14 all or part of the territory in not fewer
 15 than 5 district offices of the Adminis-
 16 tration for a minimum of 3 years in
 17 each territory;

18 “(II) centralized loan approval,
 19 servicing, and liquidation functions
 20 and processes that are satisfactory to
 21 the Administration;

22 “(III) uniform written policies
 23 and procedures;

24 “(IV) a currency rate that is not
 25 less than the Administration’s national

1 *average currency rate for all loans*
2 *under this subsection;*

3 “(V) *a currency rate for loans*
4 *made under this subsection that is not*
5 *less than the Administration’s national*
6 *average currency rate for loans made*
7 *under this subsection;*

8 “(VI) *a default rate that is not*
9 *more than the Administration’s na-*
10 *tional average default rate for loans*
11 *made under this subsection; and*

12 “(VII) *received, in the most recent*
13 *audit and review as a preferred lender*
14 *conducted by the Administrator, a rat-*
15 *ing that is acceptable or acceptable*
16 *with corrective actions required.*

17 “(H) *CORRECTIVE ACTION.—If a national*
18 *preferred lender fails to continue to meet the eli-*
19 *gibility criteria under subparagraph (G)(ii), the*
20 *Administrator shall notify that national pre-*
21 *ferred lender of the deficiency and allow a rea-*
22 *sonable period of time for that national preferred*
23 *lender to meet such criteria.*

24 “(I) *SUSPENSION OR REVOCATION.—*

1 “(i) *IN GENERAL.*—*The designation of*
 2 *a lender as a national preferred lender shall*
 3 *be suspended or revoked at any time that*
 4 *the Administration determines that the*
 5 *lender—*

6 “(I) *is not adhering to the rules*
 7 *or regulations established by the Ad-*
 8 *ministrator for the program; or*

9 “(II) *has failed to continue to*
 10 *meet the eligibility criteria specified in*
 11 *paragraph (G) or take corrective action*
 12 *under subparagraph (H).*

13 “(ii) *EFFECT.*—*A suspension or rev-*
 14 *ocation under clause (i) shall not affect any*
 15 *outstanding guarantee of a national pre-*
 16 *ferred lender.”.*

17 (b) *CLERICAL AMENDMENT.*—*Section 7(a)(2)(C) of the*
 18 *Small Business Act (15 U.S.C. 636(a)(2)(C)) is amended*
 19 *to read as follows:*

20 “(C) *INTEREST RATE UNDER PREFERRED*
 21 *LENDERS PROGRAM.*—*The maximum interest*
 22 *rate for a loan guaranteed under the Preferred*
 23 *Lenders Program under paragraph (32) shall*
 24 *not exceed the maximum interest rate as deter-*

1 mined by the Administration, applicable to other
2 loans guaranteed under this subsection.”.

3 (c) **CONFORMING AMENDMENT.**—Section 7(a)(19) of
4 the *Small Business Act* (15 U.S.C. 636(a)(19)) is amended
5 by striking “the proviso in section 5(b)(7)” and inserting
6 “paragraph (32)”.

7 **SEC. 302. MAXIMUM LOAN AMOUNT.**

8 Section 7(a)(3)(A) of the *Small Business Act* (15
9 U.S.C. 636(a)(3)(A)) is amended by striking “\$1,500,000
10 (or if the gross loan amount would exceed \$2,000,000” and
11 inserting “\$2,250,000 (or if the gross loan amount would
12 exceed \$3,000,000”.

13 **SEC. 303. MAXIMUM 504 AND 7(A) LOAN ELIGIBILITY.**

14 (a) **COMBINATION FINANCING.**—

15 (1) **IN GENERAL.**—Section 502(2) of the *Small*
16 *Business Investment Act of 1958* (15 U.S.C. 696(2))
17 is amended by adding at the end the following:

18 “(C) **COMBINATION FINANCING UNDER**
19 **SMALL BUSINESS ACT.**—Notwithstanding any
20 other provision of law, financing under this title
21 may be provided to a borrower in the maximum
22 amount provided in this subsection, and a loan
23 guarantee under section 7(a) of the *Small Busi-*
24 *ness Act* may be provided to the same borrower
25 in the maximum amount provided in section

1 7(a)(3)(A) of such Act, to the extent that the bor-
 2 rower otherwise qualifies for such assistance.”.

3 (2) CONFORMING AMENDMENT.—Section 7(a)(1)
 4 of the Small Business Act (15 U.S.C. 636(a)(1) is
 5 amended by adding at the end the following:

6 “(C) COMBINATION FINANCING UNDER
 7 SMALL BUSINESS INVESTMENT ACT OF 1958.—Fi-
 8 nancing under this subsection may be provided
 9 to a borrower in the maximum amount as pro-
 10 vided in subsection (b)(2) of section 502 of the
 11 Small Business Investment Act of 1958 (15
 12 U.S.C. 696).”.

13 (b) REPORTING.—Not later than 90 days after the date
 14 of enactment of this Act, and annually thereafter, the Ad-
 15 ministrators shall submit a report to the Committee on
 16 Small Business and Entrepreneurship of the Senate and
 17 the Committee on Small Business of the House of Represent-
 18 atives that—

19 (1) includes the number of small business con-
 20 cerns that have financings under both section 7(a) of
 21 the Small Business Act (15 U.S.C. 636(a)) and title
 22 V of the Small Business Investment Act of 1958 (15
 23 U.S.C. 695 et seq.) during the year before the year of
 24 that report; and

1 (2) describes the total amount and general per-
 2 formance of the financings described in paragraph
 3 (1).

4 **SEC. 304. LOAN POOLING.**

5 Section 5(g)(1) of the Small Business Act (15 U.S.C.
 6 634(g)(1)) is amended—

7 (1) by inserting “(A)” before “The Administra-
 8 tion”;

9 (2) by striking the colon and all that follows and
 10 inserting a period; and

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

12 “(B) A trust certificate issued under subparagraph (A)
 13 shall be based on, and backed by, a trust or pool approved
 14 by the Administrator and composed solely of the guaranteed
 15 portion of such loans.

16 “(C) The interest rate on a trust certificate issued
 17 under subparagraph (A) shall be either—

18 “(i) the lowest interest rate on any individual
 19 loan in the pool; or

20 “(ii) the weighted average interest rate of all
 21 loans in the pool, subject to such limited variations
 22 in loan characteristics as the Administrator deter-
 23 mines appropriate to enhance marketability of the
 24 pool certificates.”.

1 **SEC. 305. ALTERNATIVE SIZE STANDARD.**

2 Section 3(a) of the Small Business Act (15 U.S.C.
3 632(a)) is amended by adding at the end the following:

4 “(5) *OPTIONAL SIZE STANDARD.*—

5 “(A) *IN GENERAL.*—The Administrator shall es-
6 tablish an optional size standard for business loan
7 applicants under section 7(a) and development com-
8 pany loan applicants under title V of the Small Busi-
9 ness Investment Act of 1958, which uses maximum
10 tangible net worth and average net income as an al-
11 ternative to the use of industry standards.

12 “(B) *INTERIM RULE.*—Until the date on which
13 the optional size standards established under subpara-
14 graph (A) are in effect, the alternative size standard
15 in section 121.301(b) of title 13, Code of Federal Reg-
16 ulations, or any successor thereto, may be used by
17 business loan applicants under section 7(a) and devel-
18 opment company loan applicants under title V of the
19 Small Business Investment Act of 1958.”.

20 **SEC. 306. ALTERNATIVE VARIABLE INTEREST RATE.**

21 (a) *IN GENERAL.*—Section 7(a)(4)(A) of the Small
22 Business Act (15 U.S.C. 636(a)(4)(A)) is amended by strik-
23 ing “prescribed by the Administration,” and inserting:
24 “prescribed by the Administration, including, on variable
25 rate loans, a nationally recognized prime rate of interest

1 *and at least 1 other index as an alternative thereto at the*
 2 *option of the participating lender,”.*

3 *(b) APPLICABILITY.—Not later than 180 days after the*
 4 *date of enactment of this Act, the Administrator of the*
 5 *Small Business Administration shall select not less than 1*
 6 *alternative index under section 7(a)(4)(A) of the Small*
 7 *Business Act, as amended by subsection (a), and make such*
 8 *index available for use by participating lenders.*

9 **SEC. 307. MINORITY SMALL BUSINESS DEVELOPMENT.**

10 *(a) IN GENERAL.—The Small Business Act (15 U.S.C.*
 11 *631 et seq.) is amended by inserting after section 37, as*
 12 *added by this Act, the following:*

13 **“SEC. 38. MINORITY SMALL BUSINESS DEVELOPMENT.**

14 *“(a) OFFICE OF MINORITY SMALL BUSINESS DEVEL-*
 15 *OPMENT.—There is established in the Administration an*
 16 *Office of Minority Small Business Development, which shall*
 17 *be administered by the Associate Administrator for Minor-*
 18 *ity Small Business Development (in this section referred*
 19 *to as the ‘Associate Administrator’) appointed under section*
 20 *4(b)(1).*

21 *“(b) ASSOCIATE ADMINISTRATOR FOR MINORITY*
 22 *SMALL BUSINESS DEVELOPMENT.—The Associate Adminis-*
 23 *trator—*

24 *“(1) shall be either—*

1 “(A) an appointee in the Senior Executive
2 Service who is a career appointee; or

3 “(B) an employee in the competitive service;

4 “(2) shall be responsible for the formulation, exe-
5 cution, and promotion of policies and programs of the
6 Administration that provide assistance to small busi-
7 ness concerns owned and controlled by minorities;

8 “(3) shall act as an ombudsman for full consid-
9 eration of minorities in all programs of the Adminis-
10 tration (including those under sections 7(j) and 8(a));

11 “(4) shall work with the Associate Deputy Ad-
12 ministrators for Capital Access to increase the propor-
13 tion of loans and loan dollars, and investments and
14 investment dollars, going to minorities through the fi-
15 nance programs under this Act and the Small Busi-
16 ness Investment Act of 1958 (including subsections
17 (a), (b), and (m) of section 7 of this Act and the pro-
18 grams under part A and B of title III and title V of
19 the Small Business Investment Act of 1958);

20 “(5) shall work with the Associate Deputy Ad-
21 ministrators for Entrepreneurial Development to in-
22 crease the proportion of counseling and training that
23 goes to minorities through the entrepreneurial devel-
24 opment programs of the Administration;

1 “(6) shall work with the Associate Deputy Ad-
 2 ministrators for Government Contracting and Minor-
 3 ity Enterprise Development to increase the proportion
 4 of contracts, including through the Small Business
 5 Innovation Research Program and the Small Busi-
 6 ness Technology Transfer Program, to minorities;

7 “(7) shall work with the partners of the Admin-
 8 istration, trade associations, and business groups to
 9 identify and carry out policies and procedures to
 10 more effectively market the resources of the Adminis-
 11 tration to minorities;

12 “(8) shall work with the Office of Field Oper-
 13 ations to ensure that district offices and regional of-
 14 fices have adequate staff, funding, and other resources
 15 to market the programs of the Administration to meet
 16 the objectives described in paragraphs (4) through (7);
 17 and

18 “(9) shall report to and be responsible directly to
 19 the Administrator.

20 “(c) AUTHORIZATION OF APPROPRIATIONS.—There are
 21 authorized to be appropriated to carry out this section—

22 “(1) \$5,000,000 for fiscal year 2007;

23 “(2) \$5,000,000 for fiscal year 2008;

24 “(3) \$5,000,000 for fiscal year 2009; and

25 “(4) \$5,000,000 for fiscal year 2010.”.

1 (b) *CONFORMING AMENDMENTS.*—Section 4(b)(1) of
 2 the *Small Business Act* (15 U.S.C. 633(b)(1)) is amended
 3 in sixth sentence, by striking “*Minority Small Business*
 4 *and Capital Ownership Development*” and all that follows
 5 through the end of the sentence and inserting “*Minority*
 6 *Small Business Development.*”.

7 **SEC. 308. LOWERING OF FEES.**

8 Section 7(a)(23) of the *Small Business Act* (15 U.S.C.
 9 636(a)(23)) is amended by striking subparagraph (C) and
 10 inserting the following:

11 “(C) *LOWERING OF FEES.*—

12 “(i) *IN GENERAL.*—Subject to clause
 13 (ii), for loan guarantees made or approved
 14 in each full fiscal year after the date of en-
 15 actment of the *Small Business Lending Re-*
 16 *authorization and Improvements Act* of
 17 2007, if the fees paid by all small business
 18 borrowers and by lenders for guarantees
 19 under this subsection, or the sum of such
 20 fees plus any funds made available for the
 21 purpose of reducing fees for loans under this
 22 subsection, as applicable, is more than the
 23 amount necessary to equal the cost to the
 24 Administration of making such guarantees,
 25 the Administrator shall reduce fees paid by

1 *small business borrowers and lenders under*
2 *clauses (i) through (iv) of paragraph*
3 *(18)(A) and subparagraph (A) of this para-*
4 *graph.*

5 “(ii) *MAXIMUM REDUCTION.*—*A reduc-*
6 *tion in fees under clause (i) in any fiscal*
7 *year may not exceed the average amount by*
8 *which fees paid by all small business bor-*
9 *rowers and by lenders for guarantees under*
10 *this subsection exceeded the amount nec-*
11 *essary to equal the cost to the Administra-*
12 *tion of making such guarantees during the*
13 *3 most recent fiscal years for which such in-*
14 *formation is available before that fiscal*
15 *year.*

16 “(iii) *MAXIMUM FEES.*—*The fees paid*
17 *by small business borrowers and lenders for*
18 *guarantees under this subsection may not be*
19 *increased above the maximum level author-*
20 *ized under the amendments made by divi-*
21 *sion K of the Consolidated Appropriations*
22 *Act, 2005 (Public Law 108–447; 118 Stat.*
23 *3441).”.*

1 **SEC. 309. INTERNATIONAL TRADE LOANS.**

2 (a) *IN GENERAL.*—Section 7(a)(3)(B) of the Small
3 Business Act (15 U.S.C. 636(a)(3)(B)) is amended by strik-
4 ing “\$1,750,000, of which not more than \$1,250,000” and
5 inserting “\$2,750,000 (or if the gross loan amount would
6 exceed \$3,670,000), of which not more than \$2,000,000”.

7 (b) *WORKING CAPITAL.*—Section 7(a)(16)(A) of the
8 Small Business Act (15 U.S.C. 636(a)(16)(A)) is amend-
9 ed—

10 (1) in the matter preceding clause (i), by strik-
11 ing “in—” and inserting “—”;

12 (2) in clause (i)—

13 (A) by inserting “in” after “(i)”; and

14 (B) by striking “or” at the end;

15 (3) in clause (ii)—

16 (A) by inserting “in” after “(ii)”; and

17 (B) by striking the period and inserting “;
18 or”; and

19 (4) by adding at the end the following:

20 “(iii) by providing working capital.”.

21 (c) *COLLATERAL.*—Section 7(a)(16)(B) of the Small
22 Business Act (15 U.S.C. 636(a)(16)(B)) is amended—

23 (1) by striking “Each loan” and inserting the
24 following:

25 “(i) *IN GENERAL.*—Except as provided
26 in clause (ii), each loan”; and

1 (2) *by adding at the end the following:*

2 “(ii) *EXCEPTION.—A loan under this*
 3 *paragraph may be secured by a second lien*
 4 *position on the property or equipment fi-*
 5 *nanced by the loan or on other assets of the*
 6 *small business concern, if the Administrator*
 7 *determines such lien provides adequate as-*
 8 *urance of the payment of such loan.”.*

9 (d) *REFINANCING.—Section 7(a)(16)(A)(ii) of the*
 10 *Small Business Act (15 U.S.C. 636(a)(16)(A)(ii)), as*
 11 *amended by this section, is amended by inserting “, includ-*
 12 *ing any debt that qualifies for refinancing under any other*
 13 *provision of this subsection” before the semicolon.*

14 **SEC. 310. RURAL LENDING OUTREACH PROGRAM.**

15 *Section 7(a) of the Small Business Act (15 U.S.C.*
 16 *636(a)), as amended by this Act, is amended—*

17 (1) *by striking paragraph (25)(C); and*

18 (2) *by adding at the end the following:*

19 “(33) *RURAL LENDING OUTREACH PROGRAM.—*

20 “(A) *IN GENERAL.—The Administrator*
 21 *shall carry out a rural lending outreach program*
 22 *to provide not more than an 85 percent guar-*
 23 *anty for loans of not more than \$250,000. The*
 24 *program shall be carried out only through lend-*
 25 *ers located in rural areas (as the term ‘rural’ is*

1 *defined in section 501(f) of the Small Business*
 2 *Investment Act of 1958 (15 U.S.C. 695(f)).*

3 “(B) *LOAN TERMS.—For a loan made*
 4 *through the program under this paragraph—*

5 *“(i) the Administrator shall approve or*
 6 *disapprove the loan within 36 hours of the*
 7 *time the Administrator receives the applica-*
 8 *tion;*

9 *“(ii) the program shall use abbreviated*
 10 *application and documentation require-*
 11 *ments; and*

12 *“(iii) minimum credit standards, as*
 13 *the Administrator considers necessary to*
 14 *limit the rate of default on loans made*
 15 *under the program, shall apply.”.*

16 ***TITLE IV—CERTIFIED DEVELOP-***
 17 ***MENT COMPANIES; 504 LOAN***
 18 ***PROGRAM***

19 ***SEC. 401. DEVELOPMENT COMPANY LOAN PROGRAMS.***

20 *(a) TITLE OF PROGRAM.—Title V of the Small Busi-*
 21 *ness Investment Act of 1958 (15 U.S.C. 695 et seq.) is*
 22 *amended by adding at the end the following:*

23 ***“SEC. 511. PROGRAM TITLE.***

24 *“(a) IN GENERAL.—Except as provided in subsection*
 25 *(b), the programs authorized by this title shall be known*

1 collectively as the ‘Local Development Business Loan Pro-
 2 gram’. The Administrator may refer to such program as
 3 the ‘504 Loan Program’, until such usage is no longer nec-
 4 essary.

5 “(b) *EXISTING NAME*.—Participants in the Local De-
 6 velopment Business Loan Program may continue to refer
 7 to such program as ‘the 504 Loan Program’.”.

8 (b) *EXISTING MATERIALS*.—The Administrator may
 9 use informational materials created, or that were in the
 10 process of being created, before the date of enactment of this
 11 Act that do not refer to a program under title V of the Small
 12 Business Investment Act of 1958 (15 U.S.C. 695 et seq.)
 13 as the “Local Development Business Loan Program”.

14 (c) *NEW MATERIALS*.—Any informational materials
 15 created by the Administrator on or after the date of enact-
 16 ment of this Act shall refer to any program under title V
 17 of the Small Business Investment Act of 1958 (15 U.S.C.
 18 695 et seq.) as the “Local Development Business Loan Pro-
 19 gram”, except that informational materials may refer to
 20 such program as the “504 Loan Program”, until such usage
 21 is no longer necessary.

22 **SEC. 402. LOAN LIQUIDATIONS.**

23 Section 510 of the Small Business Investment Act of
 24 1958 (15 U.S.C. 697g) is amended—

1 (1) *by redesignating subsection (e) as subsection*
 2 *(g); and*

3 (2) *by inserting after subsection (d) the fol-*
 4 *lowing:*

5 “(e) *PARTICIPATION.*—

6 “(1) *IN GENERAL.*—*Any qualified State or local*
 7 *development company which elects not to apply for*
 8 *authority to foreclose and liquidate defaulted loans*
 9 *under this section, or which the Administrator deter-*
 10 *mines to be ineligible for such authority, shall con-*
 11 *tract with a qualified third-party to perform fore-*
 12 *closure and liquidation of defaulted loans in its port-*
 13 *folio. The contract shall be contingent upon approval*
 14 *by the Administrator with respect to the qualifica-*
 15 *tions of the contractor and the terms and conditions*
 16 *of liquidation activities.*

17 “(2) *COMMENCEMENT.*—*This subsection does not*
 18 *require any development company to liquidate de-*
 19 *faulted loans until the Administrator has adopted*
 20 *and implemented a program to compensate and reim-*
 21 *burse development companies, as provided under sub-*
 22 *section (f).*

23 “(f) *COMPENSATION AND REIMBURSEMENT.*—

24 “(1) *REIMBURSEMENT OF EXPENSES.*—*The Ad-*
 25 *ministrator shall reimburse each qualified State or*

1 *local development company for all expenses paid by*
 2 *such company as part of the foreclosure and liquida-*
 3 *tion activities, if the expenses—*

4 *“(A) were—*

5 *“(i) approved in advance by the Ad-*
 6 *ministrator, either specifically or generally;*
 7 *or*

8 *“(ii) incurred by the development com-*
 9 *pany on an emergency basis without prior*
 10 *approval from the Administrator, if the Ad-*
 11 *ministrator determines that the expenses*
 12 *were reasonable and appropriate; and*

13 *“(B) are submitted by the development com-*
 14 *pany to the Administrator not later than 3 years*
 15 *after the date of the purchase of the debenture by*
 16 *the Administrator.*

17 *“(2) COMPENSATION FOR RESULTS.—*

18 *“(A) DEVELOPMENT.—The Administrator*
 19 *shall develop a schedule to compensate and pro-*
 20 *vide an incentive to qualified State or local de-*
 21 *velopment companies that foreclose and liquidate*
 22 *defaulted loans.*

23 *“(B) CRITERIA.—The schedule required*
 24 *under this paragraph shall—*

1 “(i) be based on a percentage of the net
2 amount recovered, but shall not exceed a
3 maximum amount; and

4 “(ii) not apply to any foreclosure
5 which is conducted under a contract be-
6 tween a development company and a quali-
7 fied third party to perform the foreclosure
8 and liquidation.”.

9 **SEC. 403. ADDITIONAL EQUITY INJECTIONS.**

10 Section 502(3)(B)(ii) of the Small Business Invest-
11 ment Act of 1958 (15 U.S.C. 696(3)(B)(ii)) is amended to
12 read as follows:

13 “(i) *FUNDING FROM INSTITUTIONS.*—
14 If a small business concern—

15 “(I) provides the minimum con-
16 tribution required under subparagraph
17 (C), not less than 50 percent of the
18 total cost of any project financed under
19 clause (i), (ii), or (iii) of subparagraph
20 (C) shall come from the institutions de-
21 scribed in subclauses (I), (II), and
22 (III) of clause (i); and

23 “(II) provides more than the min-
24 imum contribution required under sub-
25 paragraph (C), any excess contribution

1 *may be used to reduce the amount re-*
 2 *quired from the institutions described*
 3 *in subclauses (I), (II), and (III) of*
 4 *clause (i), except that the amount from*
 5 *such institutions may not be reduced to*
 6 *an amount that is less than the*
 7 *amount of the loan made by the Ad-*
 8 *ministrator.”.*

9 **SEC. 404. UNIFORM LEASING POLICY.**

10 *(a) IN GENERAL.—Section 502 of the Small Business*
 11 *Investment Act of 1958 (15 U.S.C. 696) is amended—*

12 *(1) by striking paragraphs (4) and (5) and in-*
 13 *serting the following:*

14 *“(4) LIMITATION ON LEASING.—If the use of a*
 15 *loan under this section includes the acquisition of a*
 16 *facility or the construction of a new facility, the small*
 17 *business concern assisted—*

18 *“(A) shall permanently occupy and use not*
 19 *less than a total of 50 percent of the space in the*
 20 *facility; and*

21 *“(B) may, on a temporary or permanent*
 22 *basis, lease to others not more than 50 percent*
 23 *of the space in the facility.”; and*

24 *(2) by redesignating paragraph (6) as para-*
 25 *graph (5).*

1 (b) *POLICY FOR 7(a) LOANS.*—Section 7(a)(28) of the
 2 *Small Business Act (15 U.S.C. 636(a)(28))* is amended to
 3 read as follows:

4 “(28) *LIMITATION ON LEASING.*—If the use of a
 5 loan under this subsection includes the acquisition of
 6 a facility or the construction of a new facility, the
 7 small business concern assisted—

8 “(A) shall permanently occupy and use not
 9 less than a total of 50 percent of the space in the
 10 facility; and

11 “(B) may, on a temporary or permanent
 12 basis, lease to others not more than 50 percent
 13 of the space in the facility.”.

14 **SEC. 405. BUSINESSES IN LOW-INCOME COMMUNITIES.**

15 (a) *GOALS.*—Section 501(d)(3)(A) of the *Small Busi-*
 16 *ness Investment Act of 1958 (15 U.S.C. 695(d)(3)(A))* is
 17 amended by inserting after “business district revitaliza-
 18 tion,” the following: “or expansion of businesses in low-in-
 19 come communities which would be eligible for a new mar-
 20 kets tax credit under section 45D(a) of the *Internal Revenue*
 21 *Code of 1986*, or implementing regulations issued under
 22 that section,”.

23 (b) *ADDITIONAL INCENTIVES.*—Section 502 of the
 24 *Small Business Investment Act of 1958 (15 U.S.C. 696)*,

1 *as amended by this Act, is amended by adding at the end*
 2 *the following:*

3 “(6) *LOW-INCOME COMMUNITIES.*—

4 “(A) *LOAN AMOUNT.*—*Notwithstanding*
 5 *paragraph (2)(A)(ii), a loan under this section*
 6 *for use in a low-income community (as that*
 7 *term is used in section 501(d)(3)(A)) may be for*
 8 *not more than \$4,000,000.*

9 “(B) *SIZE STANDARDS.*—*For purposes of*
 10 *determining eligibility for a loan under this sec-*
 11 *tion for use in a low-income community (as that*
 12 *term is used in section 501(d)(3)(A)), the size*
 13 *standards established under section 3 of the*
 14 *Small Business Act (15 U.S.C. 632) shall be in-*
 15 *creased by 25 percent.*

16 “(C) *PERSONAL LIQUIDITY.*—

17 “(i) *IN GENERAL.*—*For any loan*
 18 *under this section for use in a low-income*
 19 *community (as that term is used in section*
 20 *501(d)(3)(A)), the amount of personal re-*
 21 *sources of an owner that are excluded from*
 22 *the amount required to be provided to re-*
 23 *duce the portion of the project funded by the*
 24 *Administration shall be not less than 25*

1 percent more than that required for other
2 loans under this section.

3 “(ii) *DEFINITION.*—In this subpara-
4 graph, the term ‘owner’ means any person
5 that owns not less than 20 percent of the eq-
6 uity of the small business concern applying
7 for the applicable loan.”.

8 **SEC. 406. COMBINATIONS OF CERTAIN GOALS.**

9 Section 501(e) of the Small Business Investment Act
10 of 1958 (15 U.S.C. 695(e)) is amended by adding at the
11 end the following:

12 “(7) A small business concern that is unconditionally
13 owned by more than 1 individual, or a corporation, the
14 stock of which is owned by more than 1 individual, shall
15 be deemed to have achieved a public policy goal required
16 under subsection (d)(3) if a combined ownership share of
17 not less than 51 percent is held by individuals who are in
18 1 of, or a combination of, the groups described in subpara-
19 graph (C) or (E) of subsection (d)(3).”.

20 **SEC. 407. REFINANCING UNDER THE LOCAL DEVELOPMENT**
21 **BUSINESS LOAN PROGRAM.**

22 Section 502 of the Small Business Investment Act of
23 1958 (15 U.S.C. 696), as amended by this Act, is amended
24 by adding at the end the following:

25 “(7) *PERMISSIBLE DEBT REFINANCING.*—

1 “(A) *IN GENERAL.*—Any financing ap-
2 proved under this title may include a limited
3 amount of debt refinancing.

4 “(B) *EXPANSIONS.*—If the project involves
5 expansion of a small business concern which has
6 existing indebtedness collateralized by fixed as-
7 sets, any amount of existing indebtedness that
8 does not exceed $\frac{1}{2}$ of the project cost of the ex-
9 pansion may be refinanced and added to the ex-
10 pansion cost, if—

11 “(i) the proceeds of the indebtedness
12 were used to acquire land, including a
13 building situated thereon, to construct a
14 building thereon, or to purchase equipment;

15 “(ii) the borrower has been current on
16 all payments due on the existing debt for
17 not less than 1 year preceding the date of
18 refinancing; and

19 “(iii) the financing under section 504
20 will provide better terms or rate of interest
21 than exists on the debt at the time of refi-
22 nancing.”.

1 **SEC. 408. TECHNICAL CORRECTION.**

2 *Section 501(e)(2) of the Small Business Investment*
 3 *Act of 1958 (15 U.S.C. 695(e)(2)) is amended by striking*
 4 *“outstanding”.*

5 **SEC. 409. DEFINITIONS FOR THE SMALL BUSINESS INVEST-**
 6 **MENT ACT OF 1958.**

7 *Section 103 of the Small Business Investment Act of*
 8 *1958 (15 U.S.C. 662) is amended—*

9 *(1) by striking paragraph (6) and inserting the*
 10 *following:*

11 *“(6) the term ‘development company’ means an*
 12 *entity incorporated under State law with the author-*
 13 *ity to promote and assist the growth and development*
 14 *of small business concerns in the areas in which it is*
 15 *authorized to operate by the Administrator;”;*

16 *(2) in paragraph (16), by striking “and” at the*
 17 *end;*

18 *(3) in paragraph (17), by striking the period at*
 19 *the end and inserting “; and”; and*

20 *(4) by adding at the end the following:*

21 *“(18) the term ‘certified development company’*
 22 *means a development company that the Adminis-*
 23 *trator has certified meets the criteria of section 506.”.*

1 **SEC. 410. REPEAL OF SUNSET ON RESERVE REQUIREMENTS**
 2 **FOR PREMIER CERTIFIED LENDERS.**

3 *Section 508(c)(6)(B) of the Small Business Investment*
 4 *Act of 1958 (15 U.S.C. 697e(c)(6)(B)) is amended—*

5 *(1) in the subparagraph heading, by striking*
 6 *“TEMPORARY REDUCTION” and inserting “REDUC-*
 7 *TION”; and*

8 *(2) by striking “Notwithstanding subparagraph*
 9 *(A), during the 2-year period beginning on the date*
 10 *that is 90 days after the date of enactment of this*
 11 *subparagraph, the” and inserting “The”.*

12 **SEC. 411. CERTIFIED DEVELOPMENT COMPANIES.**

13 *Section 506 of the Small Business Investment Act of*
 14 *1958 (15 U.S.C. 697c) is amended—*

15 *(1) in the section heading, by striking “RE-*
 16 *STRICTIONS ON DEVELOPMENT COMPANY AS-*
 17 *SISTANCE” and inserting “CERTIFIED DEVELOP-*
 18 *MENT COMPANIES”; and*

19 *(2) by inserting before “Notwithstanding any*
 20 *other provision of law” the following:*

21 *“(a) AUTHORITY TO ISSUE DEBENTURES.—A develop-*
 22 *ment company may issue debentures under this title if the*
 23 *Administrator certifies that the company meets the fol-*
 24 *lowing criteria:*

25 *“(1) SIZE.—*

1 “(A) *IN GENERAL.*—*Except as provided in*
2 *subparagraph (B), the development company*
3 *shall be a small business concern with fewer than*
4 *500 employees, and shall not be under the control*
5 *of any entity that does not meet the size stand-*
6 *ards established by the Administrator for a small*
7 *business concern.*

8 “(B) *EXCEPTION.*—*Any development com-*
9 *pany that was certified by the Administrator be-*
10 *fore December 31, 2005, may continue to issue*
11 *debentures under this title.*

12 “(2) *PRIMARY PURPOSE.*—*The primary purpose*
13 *of the development company shall be to benefit the*
14 *community by fostering economic development to cre-*
15 *ate and preserve jobs and stimulate private invest-*
16 *ment.*

17 “(3) *PRIMARY FUNCTION.*—*A primary function*
18 *of the development company shall be to accomplish its*
19 *purpose by providing long-term financing to small*
20 *business concerns under the Local Development Busi-*
21 *ness Loan Program. The development company shall*
22 *also provide or support other community and local*
23 *economic development activities to assist the commu-*
24 *nity.*

25 “(4) *NONPROFIT STATUS.*—

1 “(A) *IN GENERAL.*—*Except as provided in*
 2 *subparagraph (B), the development company*
 3 *shall be a nonprofit corporation.*

4 “(B) *EXCEPTION.*—*A development company*
 5 *certified by the Administrator before January 1,*
 6 *1987, may continue to issue debentures under*
 7 *this title and retain its status as a for-profit en-*
 8 *terprise.*

9 “(5) *GOOD STANDING.*—*The development com-*
 10 *pany—*

11 “(A) *shall be in good standing in the State*
 12 *in which such company is incorporated and in*
 13 *any other State in which it conducts business;*
 14 *and*

15 “(B) *shall be in compliance with all laws,*
 16 *including taxation requirements, in the State in*
 17 *which such company is incorporated and in any*
 18 *other State in which it conducts business.*

19 “(6) *MEMBERSHIP OF DEVELOPMENT COM-*
 20 *PANY.*—*There shall be—*

21 “(A) *not fewer than 25 members of the de-*
 22 *velopment company (or owners or stockholders, if*
 23 *the corporation is a for-profit entity), none of*
 24 *whom may own or control more than 10 percent*
 25 *of the voting membership of the company; and*

1 “(B) *at least 1 member of the development*
 2 *company (none of whom is in a position to con-*
 3 *trol the development company) from each of the*
 4 *following:*

5 “(i) *Government organizations that are*
 6 *responsible for economic development.*

7 “(ii) *Financial institutions that pro-*
 8 *vide commercial long-term fixed asset fi-*
 9 *nancing.*

10 “(iii) *Community organizations that*
 11 *are dedicated to economic development.*

12 “(iv) *Businesses.*

13 “(7) *BOARD OF DIRECTORS.—*

14 “(A) *IN GENERAL.—The development com-*
 15 *pany shall have a board of directors.*

16 “(B) *MEMBERS OF BOARD.—Each member*
 17 *of the board of directors shall be—*

18 “(i) *a member of the development com-*
 19 *pany; and*

20 “(ii) *elected by a majority of the mem-*
 21 *bers of the development company.*

22 “(C) *REPRESENTATION OF ORGANIZATIONS*
 23 *AND INSTITUTIONS.—*

24 “(i) *IN GENERAL.—There shall be at*
 25 *least 1 member of the board of directors*

1 *from not fewer than 3 of the 4 organizations*
2 *and institutions described in paragraph*
3 *(6)(B), none of whom is in a position to*
4 *control the development company.*

5 “(ii) *MAXIMUM PERCENTAGE.*—*Not*
6 *more than 50 percent of the members of the*
7 *board of directors shall be from any 1 of the*
8 *organizations and institutions described in*
9 *paragraph (6)(B).*

10 “(D) *MEETINGS.*—*The board of directors of*
11 *the development company shall meet on a reg-*
12 *ular basis to make policy decisions for such com-*
13 *pany.*

14 “(8) *PROFESSIONAL MANAGEMENT AND STAFF.*—

15 “(A) *IN GENERAL.*—*The development com-*
16 *pany shall have full-time professional manage-*
17 *ment, including a chief executive officer to man-*
18 *age daily operations and a full-time professional*
19 *staff qualified to market the Local Development*
20 *Business Loan Program and handle all aspects*
21 *of loan approval and servicing, including liq-*
22 *uidation, if appropriate.*

23 “(B) *INDEPENDENT MANAGEMENT AND OP-*
24 *ERATION.*—*Except as provided in paragraph (9),*
25 *the development company shall be independently*

1 *managed and operated to pursue the economic*
 2 *development purpose of the company and shall*
 3 *employ directly the chief executive officer.*

4 “(9) *MANAGEMENT AND OPERATION EXCEP-*
 5 *TIONS.—*

6 “(A) *AFFILIATION.—A development com-*
 7 *pany may be an affiliate of another local non-*
 8 *profit service corporation (other than a develop-*
 9 *ment company), a purpose of which is to support*
 10 *economic development in the area in which the*
 11 *development company operates.*

12 “(B) *STAFFING.—A development company*
 13 *may satisfy the requirement for full-time profes-*
 14 *sional staff under paragraph (8)(A) by con-*
 15 *tracting for the required staffing with—*

16 “(i) *a local nonprofit service corpora-*
 17 *tion;*

18 “(ii) *a nonprofit affiliate of a local*
 19 *nonprofit service corporation;*

20 “(iii) *an entity wholly or partially op-*
 21 *erated by a governmental agency; or*

22 “(iv) *another entity approved by the*
 23 *Administrator.*

24 “(C) *DIRECTORS.—A development company*
 25 *and a local nonprofit service corporation with*

1 *which it is affiliated may have in common some,*
 2 *but not all, members of their respective board of*
 3 *directors.*

4 “(D) *RURAL AREAS.*—A development com-
 5 *pany in a rural area may satisfy the require-*
 6 *ments of a full-time professional staff and profes-*
 7 *sional management ability under paragraph*
 8 *(8)(A) by contracting for such services with an-*
 9 *other certified development company that—*

10 “(i) *has such staff and management*
 11 *ability; and*

12 “(ii) *is located in the same State as the*
 13 *development company or in a State that is*
 14 *contiguous to the State in which the devel-*
 15 *opment company is located.*

16 “(E) *PREVIOUSLY CERTIFIED.*—A develop-
 17 *ment company that, on or before December 31,*
 18 *2005, was certified by the Administrator and*
 19 *had contracted with a for-profit company to pro-*
 20 *vide staffing and management services, may con-*
 21 *tinue to do so.*

22 “(b) *USE OF EXCESS FUNDS.*—

23 “(1) *IN GENERAL.*—Any funds generated by a
 24 *certified development company from making loans*
 25 *under section 503 or 504 that remain unexpended*

1 *after payment of staff, operating, and overhead ex-*
2 *penses shall be used by the certified development com-*
3 *pany for—*

4 *“(A) operating reserves;*

5 *“(B) expanding the area in which the cer-*
6 *tified development company operates through the*
7 *methods authorized by this Act; or*

8 *“(C) investment in other community and*
9 *local economic development activity or commu-*
10 *nity development primarily in the State from*
11 *which such funds were generated.*

12 *“(2) REPORTING.—Not later than July 1, 2008,*
13 *and every year thereafter, the Administrator shall*
14 *compile and submit to Congress a report regarding*
15 *the economic and community development activities*
16 *of each certified development company during the fis-*
17 *cal year before the year of that report, other than*
18 *loans made under this title.*

19 *“(c) ETHICAL REQUIREMENTS.—*

20 *“(1) IN GENERAL.—A certified development com-*
21 *pany and the officers, employees, and other staff of*
22 *the company shall at all times act ethically and avoid*
23 *activities which constitute a conflict of interest or ap-*
24 *pear to constitute a conflict of interest.*

1 “(2) *PROHIBITED CONFLICT IN PROJECT*
2 *LOANS.*—

3 “(A) *IN GENERAL.*—No certified develop-
4 *ment company may—*

5 “(i) *recommend or approve a guar-*
6 *antee of a debenture by the Administrator*
7 *under the Local Business Development Loan*
8 *Program that is collateralized by a second*
9 *lien position on the property being con-*
10 *structed or acquired; and*

11 “(ii) *provide, or be affiliated with a*
12 *corporation or other entity which provides,*
13 *financing collateralized by a first lien on*
14 *the same property.*

15 “(B) *EXCEPTION.*—During the 2-year pe-
16 *riod beginning on the date of enactment of the*
17 *Small Business Lending Reauthorization and*
18 *Improvements Act of 2007, a certified develop-*
19 *ment company that was participating as a first*
20 *mortgage lender for the Local Business Develop-*
21 *ment Loan Program in either of fiscal years*
22 *2004 or 2005 may continue to do so.*

23 “(3) *OTHER ECONOMIC DEVELOPMENT ACTIVI-*
24 *TIES.*—It shall not be a conflict of interest for a cer-
25 *tified development company to operate multiple pro-*

grams to assist small business concerns as part of carrying out its economic development purpose.

“(d) *MULTISTATE OPERATIONS.*—

“(1) *AUTHORIZATION.*—Notwithstanding any other provision of law, the Administrator shall permit a certified development company to make loans in any State that is contiguous to the State of incorporation of that certified development company, only if such company—

“(A) is—

“(i) an accredited lender under section 507; or

“(ii) a premier certified lender under section 508;

“(B) has a membership that contains, from each of the States in which it operates, not fewer than 25 members who reside in that State;

“(C) has a board of directors that contains not fewer than 2 members from each State in which the company makes loans;

“(D) maintains not fewer than 1 loan committee, which shall have not fewer than 1 member from each State in which the company makes loans; and

1 “(E) submits to the Administrator, in writ-
2 ing—

3 “(i) a notice of the intention of the
4 company to make loans in multiple States;

5 “(ii) the names of the States in which
6 the company intends to make loans; and

7 “(iii) a detailed statement of how the
8 company will comply with this paragraph,
9 including a list of the members described in
10 subparagraph (B).

11 “(2) REVIEW.—The Administrator shall verify
12 whether a certified development company satisfies the
13 requirements of paragraph (1) on an expedited basis
14 and, not later than 30 days after the date on which
15 the Administrator receives the statement described in
16 paragraph (1)(E)(iii), the Administrator shall deter-
17 mine whether such company satisfies such criteria
18 and provide notice to such company.

19 “(3) LOAN COMMITTEE PARTICIPATION.—For
20 any loan made by a company described in paragraph
21 (1), not fewer than 1 member of the loan committee
22 from the State in which the loan is to be made shall
23 participate in the review of such loan.

24 “(4) AGGREGATE ACCOUNTING.—A company de-
25 scribed in paragraph (1) may maintain an aggregate

1 *accounting of all revenue and expenses of the com-*
 2 *pany for purposes of this title.*

3 “(5) *SERVICE TO CERTIFIED DEVELOPMENT COM-*
 4 *PANIES.—*

5 “(A) *IN GENERAL.—Except as provided in*
 6 *subparagraph (B), an associate of a certified de-*
 7 *velopment company may not be an officer, direc-*
 8 *tor, or manager of more than 1 certified develop-*
 9 *ment company.*

10 “(B) *EXCEPTION.—*

11 “(i) *IN GENERAL.—Notwithstanding*
 12 *any other provision of law, a person who is*
 13 *serving on the board of directors of a cer-*
 14 *tified development company may serve on*
 15 *the board of directors, but not as an officer,*
 16 *of not more than 1 additional certified de-*
 17 *velopment company, if—*

18 “(I) *such companies are not lo-*
 19 *cated in the same State;*

20 “(II) *each board of directors de-*
 21 *termines that the service by such per-*
 22 *son on such board does not constitute*
 23 *a conflict of interest; and*

24 “(III) *there is not a contractual*
 25 *relationship between—*

1 “(aa) *the person and such*
 2 *additional certified development*
 3 *company, except for the contract*
 4 *of such person to serve as a mem-*
 5 *ber of the board of directors of*
 6 *such company, if any; or*

7 “(bb) *the certified develop-*
 8 *ment companies of which such*
 9 *person is a member of the board*
 10 *of directors.*

11 “(ii) *MAXIMUM NUMBER OF MEM-*
 12 *BERS.—A certified development company*
 13 *may not have more than 1 member of the*
 14 *board of directors of such company in com-*
 15 *mon with any other board of directors of a*
 16 *certified development company.*

17 “(C) *DEFINITION.—As used in this para-*
 18 *graph, the term ‘associate of a certified develop-*
 19 *ment company’ has the meaning given the term*
 20 *‘Associate of a CDC’ in section 120.10 of title 13,*
 21 *Code of Federal Regulations (or any cor-*
 22 *responding similar regulation or ruling).*

23 “(6) *LOCAL JOB CREATION REQUIREMENTS.—*

24 “(A) *IN GENERAL.—Subject to subpara-*
 25 *graph (B), any certified development company*

1 *making loans in multiple States shall satisfy*
 2 *any applicable job creation or retention require-*
 3 *ments separately for each such State. Such a*
 4 *company shall not count jobs created or retained*
 5 *in 1 State towards any applicable job creation*
 6 *or retention requirement in another State.*

7 “(B) *APPLICABILITY.*—*This paragraph*
 8 *shall apply to a certified development company*
 9 *relating to a State beginning 2 years after the*
 10 *date that certified development company began*
 11 *making loans in that State.*

12 “(7) *CONTIGUOUS STATES.*—*For purposes of this*
 13 *subsection, the States of Alaska and Hawaii shall be*
 14 *deemed to be contiguous to any State abutting the Pa-*
 15 *cific Ocean.*

16 “(8) *LOCAL ECONOMIC AREA REQUIREMENT AND*
 17 *EXEMPTION.*—

18 “(A) *DEFINITION.*—*In this paragraph, the*
 19 *term ‘local economic area’ means an area, as de-*
 20 *termined by the Administrator, that—*

21 “(i) *is in a State other than the State*
 22 *in which a development company is incor-*
 23 *porated;*

24 “(ii) *shares a border with the area of*
 25 *operations of the development company; and*

1 “(iii) is a part of a local trade area
 2 (including a city that is bisected by a State
 3 line and a metropolitan statistical area that
 4 is bisected by a State line) that is contig-
 5 uous to the area of operations of the devel-
 6 opment company.

7 “(B) *EXEMPTION.*—An applicant operating
 8 in a local economic area shall not be considered
 9 to be operating in a multistate area, and shall
 10 not be required to comply with the requirements
 11 for multistate operation.

12 “(e) *RESTRICTIONS ON DEVELOPMENT COMPANY AS-*
 13 *SISTANCE.*—”.

14 **SEC. 412. CONFORMING AMENDMENTS.**

15 Section 503 of the Small Business Investment Act of
 16 1958 (15 U.S.C. 697) is amended—

17 (1) in subsection (a)(1), by striking “qualified
 18 State or local development company” and inserting
 19 “certified development company”; and

20 (2) by striking subsection (e) and inserting the
 21 following:

22 “(e) *SECTION 7(a) LOANS.*—Notwithstanding any
 23 other provision of law, a certified development company is
 24 authorized to prepare applications for deferred participa-
 25 tion loans under section 7(a) of the Small Business Act,

1 *to service such loans, and to charge a reasonable fee for serv-*
 2 *icing such loans.”.*

3 **SEC. 413. CLOSING COSTS.**

4 *Section 503(b) of the Small Business Investment Act*
 5 *of 1958 (15 U.S.C. 697(b)) is amended by striking para-*
 6 *graph (4) and inserting the following:*

7 *“(4) the aggregate amount of such debenture does*
 8 *not exceed the amount of the loans to be made from*
 9 *the proceeds of such debenture plus, at the election of*
 10 *the borrower, other amounts attributable to the ad-*
 11 *ministrative and closing costs of such loans, except for*
 12 *the attorney fees of the borrower;”.*

13 **SEC. 414. DEFINITION OF RURAL.**

14 *Section 501 of the Small Business Investment Act of*
 15 *1958 (15 U.S.C. 695) is amended by adding at the end the*
 16 *following:*

17 *“(f) As used in this title, the term ‘rural’ includes any*
 18 *area that is not—*

19 *“(1) a city or town that has a population greater*
 20 *than 50,000 inhabitants; or*

21 *“(2) the urbanized area contiguous and adjacent*
 22 *to a city or town described in paragraph (1).”.*

23 **SEC. 415. REGULATIONS AND EFFECTIVE DATE.**

24 *(a) IN GENERAL.—Except as provided in subsection*
 25 *(b), the Administrator shall—*

1 (1) *publish proposed rules to implement this title*
 2 *and the amendments made by this title, not later*
 3 *than 120 days after the date of enactment of this Act;*
 4 *and*

5 (2) *publish such rules in final form not later*
 6 *than 120 days after the date of publication under*
 7 *paragraph (1).*

8 (b) *MULTISTATE OPERATIONS.*—*As soon as is prac-*
 9 *ticable after the date of enactment of this Act, the Adminis-*
 10 *trator shall promulgate regulations to implement section*
 11 *506(d) of the Small Business Investment Act of 1958, as*
 12 *added by this title. Such regulations shall become effective*
 13 *not later than 120 days after the date of enactment of this*
 14 *Act.*

15 (c) *EFFECTIVE DATE.*—

16 (1) *IN GENERAL.*—*Except as otherwise specifi-*
 17 *cally provided this title, this title and the amend-*
 18 *ments made by this title shall become effective 240*
 19 *days after the date of enactment of this Act, regardless*
 20 *of whether the Administrator has promulgated the*
 21 *regulations required under subsection (a).*

22 (2) *MULTISTATE OPERATIONS.*—*Section 506(d)*
 23 *of the Small Business Investment Act of 1958, as*
 24 *added by this title, shall become effective 120 days*
 25 *after the date of enactment of this Act, regardless of*

1 *whether the Administrator has promulgated the regu-*
 2 *lations required under subsection (b).*

3 **SEC. 416. LIMITATION ON TIME FOR FINAL APPROVAL OF**
 4 **COMPANIES.**

5 *Section 354(d) of the Small Business Investment Act*
 6 *of 1958 (15 U.S.C. 689c(d)) is amended by striking “a pe-*
 7 *riod of time, not to exceed 2 years,” and inserting “2*
 8 *years”.*

9 **SEC. 417. CHILD CARE LENDING PILOT PROGRAM.**

10 *(a) CHILD CARE LENDING PILOT PROGRAM.—Section*
 11 *502 of the Small Business Investment Act of 1958 (15*
 12 *U.S.C. 696), as amended by this Act, is amended—*

13 *(1) in the matter preceding paragraph (1)—*

14 *(A) by striking “The Administration” and*
 15 *inserting the following:*

16 *“(a) AUTHORIZATION.—The Administration”;*

17 *(B) by striking “and such loans” and in-*
 18 *serting “. Such loans”;*

19 *(C) by striking “: Provided, however, That*
 20 *the foregoing powers shall be subject to the fol-*
 21 *lowing restrictions and limitations:” and insert-*
 22 *ing a period; and*

23 *(D) by adding at the end the following:*

1 “(b) *RESTRICTIONS AND LIMITATIONS.*—*The authority*
 2 *under subsection (a) shall be subject to the following restric-*
 3 *tions and limitations:”*; and

4 (2) *in subsection (b)(1), as so redesignated—*

5 (A) *by inserting after “USE OF PRO-*
 6 *CEEDS.—” the following:*

7 “(A) *IN GENERAL.*—”; and

8 (B) *by adding at the end the following:*

9 “(B) *LOANS TO SMALL, NONPROFIT CHILD*
 10 *CARE BUSINESSES.—*

11 “(i) *IN GENERAL.*—*Notwithstanding*
 12 *subsection (a), the proceeds of any loan de-*
 13 *scribed in subsection (a) may be used by the*
 14 *certified development company to assist a*
 15 *small, nonprofit child care business, if—*

16 “(I) *the loan is used for a sound*
 17 *business purpose that has been ap-*
 18 *proved by the Administrator;*

19 “(II) *each such business meets all*
 20 *of the same eligibility requirements ap-*
 21 *plicable to for-profit businesses under*
 22 *this title, except for status as a for-*
 23 *profit business;*

24 “(III) *1 or more individuals has*
 25 *personally guaranteed the loan;*

1 “(IV) *each such business has clear*
2 *and singular title to the collateral for*
3 *the loan;*

4 “(V) *each such business has suffi-*
5 *cient cash flow from its operations to*
6 *meet its obligations on the loan and its*
7 *normal and reasonable operating ex-*
8 *penses; and*

9 “(VI) *each such business is located*
10 *in Arkansas, Connecticut, Georgia, In-*
11 *diana, Iowa, Louisiana, Maine, Mary-*
12 *land, Massachusetts, Michigan, Min-*
13 *nesota, Missouri, Montana, North*
14 *Carolina, South Dakota, Tennessee,*
15 *Washington, or Wyoming.*

16 “(ii) *LIMITATION ON VOLUME.—Not*
17 *more than 7 percent of the total number of*
18 *loans guaranteed in any fiscal year under*
19 *this title may be awarded under this sub-*
20 *paragraph.*

21 “(iii) *DEFINED TERM.—For purposes*
22 *of this subparagraph, the term ‘small, non-*
23 *profit child care business’ means an estab-*
24 *lishment that—*

1 “(I) is organized in accordance
2 with section 501(c)(3) of the Internal
3 Revenue Code of 1986;

4 “(II) is primarily engaged in pro-
5 viding child care for infants, toddlers,
6 pre-school, or pre-kindergarten children
7 (or any combination thereof), and may
8 provide care for older children when
9 they are not in school, and may offer
10 pre-kindergarten educational pro-
11 grams;

12 “(III) including its affiliates, has
13 tangible net worth that does not exceed
14 \$7,000,000, and has average net in-
15 come (excluding any carryover losses)
16 for the 2 completed fiscal years pre-
17 ceding the date of the application for
18 assistance under this subparagraph
19 that does not exceed \$2,500,000; and

20 “(IV) is licensed as a child care
21 provider by the State, insular area, or
22 the District of Columbia, in which it is
23 located.

24 “(iv) *SUNSET PROVISION.*—This sub-
25 paragraph shall cease to have effect on Sep-

tember 30, 2010, and shall apply to all loans authorized under this subparagraph that are applied for, approved, or disbursed during the period beginning on the date of enactment of this subparagraph and ending on September 30, 2010.”.

(b) *REPORTS.*—

(1) *SMALL BUSINESS ADMINISTRATION.*—

(A) *IN GENERAL.*—Not later than 6 months after the date of enactment of this Act, and every 6 months thereafter until September 30, 2010, the Administrator shall submit a report on the implementation of the program under section 502(b)(1)(B) of the Small Business Investment Act of 1958, as added by this Act, to—

(i) the Committee on Small Business and Entrepreneurship of the Senate; and

(ii) the Committee on Small Business of the House of Representatives.

(B) *CONTENTS.*—Each report under subparagraph (A) shall contain—

(i) the date on which the program is implemented;

(ii) the date on which the rules are issued under subsection (c); and

1 (iii) the number and dollar amount of
 2 loans under the program applied for, ap-
 3 proved, and disbursed during the 6-month
 4 period ending on the date of that report—

5 (I) with respect to nonprofit child
 6 care businesses; and

7 (II) with respect to for-profit child
 8 care businesses.

9 (2) GOVERNMENT ACCOUNTABILITY OFFICE.—

10 (A) IN GENERAL.—Not later than March
 11 31, 2010, the Comptroller General of the United
 12 States shall submit a report on the child care
 13 small business loans authorized by section
 14 502(b)(1)(B) of the Small Business Investment
 15 Act of 1958, as added by this Act, to—

16 (i) the Committee on Small Business
 17 and Entrepreneurship of the Senate; and

18 (ii) the Committee on Small Business
 19 of the House of Representatives.

20 (B) CONTENTS.—The report under subpara-
 21 graph (A) shall—

22 (i) contain information gathered dur-
 23 ing the first 2 years of the loan program,
 24 including—

1 (I) an evaluation of the timeliness
2 of the implementation of the loan pro-
3 gram;

4 (II) a description of the effective-
5 ness and ease with which certified de-
6 velopment companies, lenders, and
7 small business concerns have partici-
8 pated in the loan program;

9 (III) a description and assessment
10 of how the loan program was marketed;

11 (IV) by location (State, insular
12 area, and the District of Columbia)
13 and in total, the number of child care
14 small businesses, categorized by status
15 as a for-profit or nonprofit business,
16 that—

17 (aa) applied for a loan under
18 the program (and whether it was
19 a new or expanding child care
20 provider);

21 (bb) were approved for a
22 loan under the program; and

23 (cc) received a loan disburse-
24 ment under the program (and

1 *whether they are a new or ex-*
2 *panding child care provider); and*
3 *(V) with respect to businesses de-*
4 *scribed under subclause (IV)(cc)—*

5 *(aa) the number of such busi-*
6 *nesses in each State, insular area,*
7 *and the District of Columbia, as*
8 *of the year of enactment of this*
9 *Act;*

10 *(bb) the total amount loaned*
11 *to such businesses under the pro-*
12 *gram;*

13 *(cc) the total number of loans*
14 *to such businesses under the pro-*
15 *gram;*

16 *(dd) the average loan amount*
17 *and term;*

18 *(ee) the currency rate, delin-*
19 *quencies, defaults, and losses of*
20 *the loans;*

21 *(ff) the number and percent*
22 *of children served who receive sub-*
23 *sidized assistance; and*

1 (gg) *the number and percent*
 2 *of children served who are low in-*
 3 *come; and*

4 (ii) *assess whether there are govern-*
 5 *ment programs in place making loans or*
 6 *providing grant funding to nonprofit child*
 7 *care centers to address child care shortages.*

8 (C) *ACCESS TO INFORMATION.—*

9 (i) *IN GENERAL.—The Administration*
 10 *shall collect and maintain such information*
 11 *as may be necessary to carry out this para-*
 12 *graph from certified development companies*
 13 *and child care providers, and such compa-*
 14 *nies and providers shall comply with a re-*
 15 *quest for information from the Administra-*
 16 *tion for that purpose.*

17 (ii) *PROVISION OF INFORMATION TO*
 18 *GOVERNMENT ACCOUNTABILITY OFFICE.—*
 19 *The Administration shall provide informa-*
 20 *tion collected under this subparagraph to*
 21 *the Comptroller General of the United*
 22 *States for purposes of the report required by*
 23 *this paragraph.*

24 (c) *RULEMAKING AUTHORITY.—Not later than 120*
 25 *days after the date of enactment of this Act, the Adminis-*

1 *trator shall issue final rules to carry out the loan program*
 2 *authorized by section 502(b)(1)(B) of the Small Business*
 3 *Investment Act of 1958, as added by this Act.*

4 **SEC. 418. DEBENTURE REPAYMENT.**

5 *Section 503(a) of the Small Business Investment Act*
 6 *of 1958 (15 U.S.C. 697(a)) is amended by adding at the*
 7 *end the following:*

8 *“(5) Any debenture that is issued under this section*
 9 *shall provide for the payment of principal and interest on*
 10 *a semiannual basis.”.*

11 **SEC. 419. REAL ESTATE APPRAISALS.**

12 *(a) IN GENERAL.—Section 7(a)(29) of the Small Busi-*
 13 *ness Act (15 U.S.C. 636(a)(29)) is amended to read as fol-*
 14 *lows:*

15 *“(29) REAL ESTATE APPRAISALS.—*

16 *“(A) IN GENERAL.—For any loan under*
 17 *this subsection that is secured by commercial*
 18 *real property, an appraisal of that property by*
 19 *an appraiser licensed or certified by the State in*
 20 *which that property is located—*

21 *“(i) shall be required by the Adminis-*
 22 *trator if the estimated value of that prop-*
 23 *erty is more than \$400,000; and*

24 *“(ii) may be required by the Adminis-*
 25 *trator or the lender if—*

1 “(I) the estimated value of that
2 property is less than \$400,000; and

3 “(II) an appraisal is necessary
4 for the appropriate evaluation of cred-
5 itworthiness.

6 “(B) ADJUSTMENT.—The Administrator—

7 “(i) shall periodically adjust the
8 amount under subparagraph (A) to account
9 for the effects of inflation; and

10 “(ii) may not make an adjustment
11 under clause (i) in an amount less than
12 \$50,000.”.

13 (b) CONFORMING AMENDMENT.—Section 502(b)(3)(E),
14 as so designated by section 417(a) of this Act, is amended—

15 (1) in clause (ii), by striking “\$250,000” each
16 place that term appears and inserting “\$400,000”;
17 and

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

19 “(iii) ADJUSTMENT.—The Adminis-
20 trator—

21 “(I) shall periodically adjust the
22 amount under clause (ii) to account
23 for the effects of inflation; and

1 “(II) may not make an adjust-
2 ment under subclause (I) in an
3 amount less than \$50,000.”.

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110TH CONGRESS
1ST Session

S. 1256

[Report No. 110-154]

A BILL

To amend the Small Business Act to reauthorize loan programs under that Act, and for other purposes.

SEPTEMBER 12, 2007

Reported with an amendment