

110TH CONGRESS
1ST SESSION

S. 1405

To enhance the ability of community banks to foster economic growth and serve their communities, boost small businesses, increase individual savings, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MAY 16, 2007

Mr. BROWNBACK (for himself, Mr. ROBERTS, and Mr. COBURN) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To enhance the ability of community banks to foster economic growth and serve their communities, boost small businesses, increase individual savings, 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; TABLE OF CONTENTS.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Community Banks Serving Their Communities First
6 Act” or the “Communities First Act”.

7 (b) TABLE OF CONTENTS.—The table of contents for
8 this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—TARGETED REGULATORY RELIEF FOR COMMUNITY BANKS

- Sec. 101. Short form reports of condition for certain community banks.
- Sec. 102. Community bank exemption from annual management assessment of internal controls requirement of the Sarbanes-Oxley Act of 2002.
- Sec. 103. Changes required to small bank holding company policy statement on assessment of financial and managerial factors.
- Sec. 104. Community bank protection under the Securities Investor Protection Act of 1970.
- Sec. 105. Updating the amount of small bank exception for cap on aggregate loans to officers.
- Sec. 106. Consideration of community bank impact.
- Sec. 107. Increase in shareholder registration threshold.

TITLE II—ADDITIONAL REGULATORY RELIEF FOR COMMUNITY BANKS AND THEIR CUSTOMERS

- Sec. 201. Enhance customer capital access.
- Sec. 202. Seasoned customer CTR exemption.
- Sec. 203. Exception to annual privacy notice requirement under the Gramm-Leach-Bliley Act.
- Sec. 204. Privacy protection of consumer reports during loan application.
- Sec. 205. Update in the special regulatory lending limit on loans to executive officers.
- Sec. 206. Reimbursement for production of mandated records.
- Sec. 207. Study by the Comptroller General on implementation of commercial real estate guidance.

TITLE III—TAX RELIEF FOR BANK DEPOSITORS, RURAL BANKS, MUNICIPALITIES, BANKS ORGANIZED AS LIMITED LIABILITY COMPANIES, INDIVIDUAL SAVERS, AND SMALL BUSINESSES

- Sec. 301. Reduced rate and deferral of income recognition on long-term certificates of deposit.
- Sec. 302. Exclusion for interest on loans secured by agricultural real property.
- Sec. 303. Update in cap on qualified small issue bonds.
- Sec. 304. Limited liability company tax treatment for FDIC-insured limited liability companies.
- Sec. 305. Repeal of individual alternative minimum tax.
- Sec. 306. Young savers accounts.
- Sec. 307. Section 179 expensing for small business.

TITLE IV—TAX RELIEF FOR COMMUNITY BANKS AND HOLDING COMPANIES

- Sec. 401. Limited tax credit.
- Sec. 402. Community bank relief from minimum tax.

TITLE V—SMALL BUSINESS SUBCHAPTER S REFORMS

- Sec. 501. Increasing Shareholder Limit for Subchapter S to 150.
- Sec. 502. Treatment of qualifying director shares.
- Sec. 503. Recapture of bad debt reserves.

Sec. 504. Issuance of preferred stock permitted for subchapter S corporations.

TITLE VI—SMALL BUSINESS LENDING ENHANCEMENTS

Sec. 601. Reduced fees for section 7(a) loans.

Sec. 602. Low documentation loan program made mandatory.

Sec. 603. Effective date.

1 **TITLE I—TARGETED REGU-** 2 **LATORY RELIEF FOR COMMU-** 3 **NITY BANKS**

4 **SEC. 101. SHORT FORM REPORTS OF CONDITION FOR CER-** 5 **TAIN COMMUNITY BANKS.**

6 (a) IN GENERAL.—Section 7(a) of the Federal De-
7 posit Insurance Act (12 U.S.C. 1817(a)) is amended by
8 adding at the end the following new paragraph:

9 “(12) SHORT FORM REPORTS OF CONDITION
10 FOR COMMUNITY BANKS.—

11 “(A) IN GENERAL.—With respect to re-
12 ports of condition required under paragraph (3)
13 for each calendar quarter, an insured depository
14 institution described in subparagraphs (A), (B),
15 (C), and (D) of section 10(d)(4) may submit a
16 short form of any such report of condition in 2
17 nonsequential quarters of any calendar year.

18 “(B) SHORT FORM DEFINED.—The term
19 ‘short form’, when used in connection with any
20 report of condition required under paragraph
21 (3), means a report of condition in a format es-
22 tablished by the appropriate Federal banking

agency, after notice and opportunity for comment, that—

“(i) is significantly and materially less burdensome for the insured depository institution to prepare than the format of the report of condition required under paragraph (3); and

“(ii) provides sufficient material information for the appropriate Federal banking agency to assure the maintenance of the safe and sound condition of the depository institution and safe and sound practices.”.

(b) REGULATIONS.—Any regulation required to carry out the amendment made by subsection (a) shall be published in final form before the end of the 6-month period beginning on the date of the enactment of this Act.

**SEC. 102. COMMUNITY BANK EXEMPTION FROM ANNUAL
MANAGEMENT ASSESSMENT OF INTERNAL
CONTROLS REQUIREMENT OF THE SAR-
BANES-OXLEY ACT OF 2002.**

Section 404 of the Sarbanes-Oxley Act of 2002 (15 U.S.C. 7262) is amended by adding at the end the following new subsection:

“(c) COMMUNITY BANK EXEMPTION.—

1 “(1) IN GENERAL.—This section shall not apply
 2 in any year to any insured depository institution
 3 which, as of the close of the preceding year, had
 4 total assets, as determined on a consolidated basis,
 5 of \$1,000,000,000 or less.

6 “(2) ADJUSTMENT OF AMOUNT.—The Commis-
 7 sion shall annually adjust the dollar amount in para-
 8 graph (1) by an amount equal to the percentage in-
 9 crease, for the most recent year, in total assets held
 10 by all depository institutions, as reported by the
 11 Federal Deposit Insurance Corporation.”.

12 **SEC. 103. CHANGES REQUIRED TO SMALL BANK HOLDING**
 13 **COMPANY POLICY STATEMENT ON ASSESS-**
 14 **MENT OF FINANCIAL AND MANAGERIAL FAC-**
 15 **TORS.**

16 (a) SMALL BANK HOLDING COMPANY POLICY
 17 STATEMENT ON ASSESSMENT OF FINANCIAL AND MANA-
 18 GERIAL FACTORS.—

19 (1) IN GENERAL.—Before the end of the 6-
 20 month period beginning on the date of the enact-
 21 ment of this Act, the Board of Governors of the
 22 Federal Reserve System shall publish in the Federal
 23 Register proposed revisions to the Small Bank Hold-
 24 ing Company Policy Statement on Assessment of Fi-
 25 nancial and Managerial Factors (12 C.F.R. part

1 225—appendix C) that provide that the policy shall
 2 apply to a bank holding company which has pro
 3 forma consolidated assets of less than
 4 \$1,000,000,000 and that—

5 (A) is not engaged in any nonbanking ac-
 6 tivities involving significant leverage; and

7 (B) does not have a significant amount of
 8 outstanding debt that is held by the general
 9 public.

10 (2) ADJUSTMENT OF AMOUNT.—The Board of
 11 Governors of the Federal Reserve System shall an-
 12 nually adjust the dollar amount referred to in para-
 13 graph (1) in the Small Bank Holding Company Pol-
 14 icy Statement on Assessment of Financial and Man-
 15 agerial Factors by an amount equal to the percent-
 16 age increase, for the most recent year, in total assets
 17 held by all insured depository institutions, as deter-
 18 mined by the Board.

19 (b) INCREASE IN DEBT-TO-EQUITY RATIO OF SMALL
 20 BANK HOLDING COMPANY.—Before the end of the 6-
 21 month period beginning on the date of the enactment of
 22 this Act, the Board of Governors of the Federal Reserve
 23 System shall publish in the Federal Register proposed re-
 24 visions to the Small Bank Holding Company Policy State-
 25 ment on Assessment of Financial and Managerial Factors

1 (12 C.F.R. part 225—appendix C) such that the debt-to-
 2 equity ratio allowable for a small bank holding company
 3 in order to remain eligible to pay a corporate dividend and
 4 to remain eligible for expedited processing procedures
 5 under Regulation Y of the Board of Governors of the Fed-
 6 eral Reserve System would increase from 1:1 to 3:1.

7 **SEC. 104. COMMUNITY BANK PROTECTION UNDER THE SE-**
 8 **CURITIES INVESTOR PROTECTION ACT OF**
 9 **1970.**

10 Section 9 of the Securities Investor Protection Act
 11 of 1970 (15 U.S.C. 78fff-3) is amended by adding at the
 12 end the following new subsection:

13 “(d) COMMUNITY BANK PROTECTION.—

14 “(1) IN GENERAL.—The prohibition on ad-
 15 vances in subsection (a)(5) shall not apply to a bank
 16 with total assets, on a consolidated basis, of less
 17 than \$1,000,000,000.

18 “(2) ADJUSTMENT OF AMOUNT.—The Commis-
 19 sion shall annually adjust the dollar amount in para-
 20 graph (1) by an amount equal to the percentage in-
 21 crease, for the most recent year, in total assets held
 22 by all depository institutions, as reported by the
 23 Federal Deposit Insurance Corporation.”.

1 **SEC. 105. UPDATING THE AMOUNT OF SMALL BANK EXCEP-**
 2 **TION FOR CAP ON AGGREGATE LOANS TO OF-**
 3 **FICERS.**

4 Subparagraph (C) of section 22(h)(5) of the Federal
 5 Reserve Act (12 U.S.C. 375b(5)(C)) is amended—

6 (1) by striking “\$100,000,000 of deposits” and
 7 inserting “\$1,000,000,000 of total assets (on a con-
 8 solidated basis)”;

9 (2) by striking “2 times” and inserting “4
 10 times”; and

11 (3) by adding at the end the following new sen-
 12 tence: “The Board shall annually adjust the dollar
 13 amount in the 1st sentence of this subparagraph by
 14 an amount equal to the percentage increase, for the
 15 most recent year, in total assets held by all deposi-
 16 tory institutions, as reported by the Federal Deposit
 17 Insurance Corporation.”.

18 **SEC. 106. CONSIDERATION OF COMMUNITY BANK IMPACT.**

19 Before establishing or making any revision in any
 20 regulation, requirement, or guideline applicable to insured
 21 depository institutions (as that term is defined in section
 22 3 of the Federal Deposit Insurance Act), the appropriate
 23 Federal banking agency (as that term is defined in such
 24 section) shall take into account the effect of the establish-
 25 ment of the regulation, requirement, or guideline on com-
 26 munity banks and savings associations.

1 **SEC. 107. INCREASE IN SHAREHOLDER REGISTRATION**
 2 **THRESHOLD.**

3 Subsection (g) of section 12 of the Securities Ex-
 4 change Act of 1934 (15 U.S.C. 78l(g)) is amended by
 5 striking “instrumentality of interstate commerce shall—
 6 ” and all that follows through “register such security by
 7 filing” and inserting “instrumentality of interstate com-
 8 merce and which has total assets exceeding \$1,000,000
 9 and a class of equity security (other than an exempted
 10 security) held of record by more than 1,000 persons shall
 11 register such security by filing”.

12 **TITLE II—ADDITIONAL REGU-**
 13 **LATORY RELIEF FOR COMMU-**
 14 **NITY BANKS AND THEIR CUS-**
 15 **TOMERS**

16 **SEC. 201. ENHANCE CUSTOMER CAPITAL ACCESS.**

17 (a) OPTIONAL CONSUMER WAIVERS OF RIGHT OF
 18 RESCISSION.—Section 125(d) of the Truth in Lending Act
 19 (15 U.S.C. 1635(d)) is amended—

20 (1) by striking “The Board may” and inserting
 21 “WAIVERS OF RESCISSION RIGHTS.—

22 “(1) PERSONAL FINANCIAL EMERGENCIES.—
 23 The Board may”; and

24 (2) by adding at the end the following new
 25 paragraph:

1 “(2) WAIVERS WHEN CREDITOR IS INSURED
 2 DEPOSITORY INSTITUTION.—The Board shall pre-
 3 scribe regulations authorizing a consumer to waive
 4 the rights provided under this section when the cred-
 5 itor is an insured depository institution (as that
 6 term is defined in section 3(c)(2) of the Federal De-
 7 posit Insurance Act) in such manner and after such
 8 notice as the Board may prescribe.”.

9 (b) EXEMPTION IN CASE OF REFINANCING WITH NO
 10 NEW MONEY REGARDLESS OF CREDITOR.—Section
 11 125(e)(2) of the Truth in Lending Act (15 U.S.C.
 12 1635(e)(2)) is amended by striking “by the same cred-
 13 itor”.

14 (c) EXEMPT HOME EQUITY LINES OF CREDIT.—Sec-
 15 tion 125(e)(4) of the Truth in Lending Act (15 U.S.C.
 16 1635(e)(4)) is amended to read as follows:

17 “(4) advances under an open end consumer
 18 credit plan which provides for any extension of cred-
 19 it which is secured by the consumer’s principal
 20 dwelling.”.

21 **SEC. 202. SEASONED CUSTOMER CTR EXEMPTION.**

22 (a) SHORT TITLE.—This section may be cited as the
 23 “Seasoned Customer CTR Exemption Act of 2007”.

1 (b) SEASONED CUSTOMER EXEMPTION.—Section
 2 5313(e) of title 31, United States Code, is amended to
 3 read as follows:

4 “(e) QUALIFIED CUSTOMER EXEMPTION.—

5 “(1) IN GENERAL.—Before the end of the 270-
 6 day period beginning on the date of the enactment
 7 of the Seasoned Customer CTR Exemption Act of
 8 2007, the Secretary of the Treasury shall prescribe
 9 regulations that exempt any depository institution
 10 from filing a report pursuant to this section in a
 11 transaction for the payment, receipt, or transfer of
 12 United States coins or currency (or other monetary
 13 instruments the Secretary of the Treasury pre-
 14 scribes) with a qualified customer of the depository
 15 institution.

16 “(2) QUALIFIED CUSTOMER DEFINED.—For
 17 purposes of this section, the term ‘qualified cus-
 18 tomer’, with respect to a depository institution, has
 19 such meaning as the Secretary of the Treasury shall
 20 prescribe, which shall include any person that—

21 “(A) is incorporated or organized under
 22 the laws of the United States or any State, in-
 23 cluding a sole proprietorship (as defined in 31
 24 C.F.R. 103.22(d)(6)(vii), as in effect on May

1 10, 2006), or is registered as, and eligible to do
2 business within, the United States or a State;

3 “(B) has maintained a deposit account
4 with the depository institution for at least 12
5 months; and

6 “(C) has engaged, using such account, in
7 multiple currency transactions that are subject
8 to the reporting requirements of subsection (a).

9 “(3) REGULATIONS.—

10 “(A) IN GENERAL.—The Secretary of the
11 Treasury shall prescribe regulations requiring a
12 depository institution to file a 1-time notice of
13 designation of exemption for each qualified cus-
14 tomer of the depository institution.

15 “(B) FORM AND CONTENT OF EXEMPTION
16 NOTICE.—The Secretary shall by regulation
17 prescribe the form, manner, content, and timing
18 of the qualified customer exemption notice and
19 such notice shall include information sufficient
20 to identify the qualified customer and the ac-
21 counts of the customer.

22 “(C) AUTHORITY OF SECRETARY.—

23 “(i) IN GENERAL.—The Secretary
24 may suspend, reject, or revoke any quali-
25 fied customer exemption notice, in accord-

1 ance with criteria prescribed by the Sec-
2 retary by regulation.

3 “(ii) CONDITIONS.—The Secretary
4 may establish conditions, in accordance
5 with criteria prescribed by regulation,
6 under which exempt qualified customers of
7 an insured depository institution that is
8 merged with or acquired by another in-
9 sured depository institution will continue
10 to be treated as designated exempt quali-
11 fied customers of the surviving or acquir-
12 ing institution.”.

13 (c) PERIODIC REVIEW OF REPORTING THRESHOLD
14 AND ADJUSTMENT FOR INFLATION.—Section 5318 of title
15 31, United States Code, is amended by adding at the end
16 the following new subsection:

17 “(o) PERIODIC REVIEW OF REPORTING THRESHOLD
18 AND ADJUSTMENT FOR INFLATION.—

19 “(1) IN GENERAL.—Before the end of the 90-
20 day period beginning on the date of the enactment
21 of the Seasoned Customer CTR Exemption Act of
22 2007, and at least every 5 years after the end of
23 such period, the Secretary of the Treasury shall—

24 “(A) review the continuing appropriate-
25 ness, relevance, and utility of each threshold

1 amount or denomination established by the Sec-
2 retary, in the Secretary's discretion, for any re-
3 port required by the Secretary under this sub-
4 chapter; and

5 “(B) adjust each such amount, at such
6 time and in such manner as the Secretary con-
7 siders appropriate, for any inflation that the
8 Secretary determines has occurred since the
9 date any such amount was established or last
10 adjusted, as the case may be.

11 “(2) REPORT.—Before the end of the 60-day
12 period beginning upon the completion of any review
13 by the Secretary of the Treasury under paragraph
14 (1), the Secretary shall submit a report to the Con-
15 gress containing the findings and conclusions of the
16 Secretary in connection with such review, together
17 with an explanation for any adjustment, or lack of
18 adjustment, of any threshold amount or denomina-
19 tion by the Secretary as a result of such review, in-
20 cluding the adjustment for inflation.”.

1 **SEC. 203. EXCEPTION TO ANNUAL PRIVACY NOTICE RE-**
2 **QUIREMENT UNDER THE GRAMM-LEACH-BLI-**
3 **LEY ACT.**

4 Section 503 of the Gramm-Leach-Bliley Act (15
5 U.S.C. 6803) is amended by adding the following new sub-
6 sections:

7 “(f) **EXCEPTION TO ANNUAL NOTICE REQUIRE-**
8 **MENT.**—A financial institution that—

9 “(1) provides nonpublic personal information
10 only in accordance with the provisions of subsection
11 (b)(2) or (e) of section 502 or regulations prescribed
12 under section 504(b);

13 “(2) does not share information with affiliates
14 under section 603(d)(2)(A) of the Fair Credit Re-
15 porting Act; and

16 “(3) has not changed its policies and practices
17 with regard to disclosing nonpublic personal infor-
18 mation from the policies and practices that were dis-
19 closed in the most recent disclosure sent to con-
20 sumers in accordance with this subsection,

21 shall not be required to provide an annual disclosure under
22 this subsection until such time as the financial institution
23 fails to comply with any criteria described in paragraph
24 (1), (2), or (3).

1 “(g) EXCEPTION TO NOTICE REQUIREMENT.—A fi-
2 nancial institution shall not be required to provide any dis-
3 closure under this section if—

4 “(1) the financial institution is licensed by a
5 State and is subject to existing regulation of con-
6 sumer confidentiality that prohibits disclosure of
7 nonpublic personal information without knowing and
8 expressed consent of the consumer in the form of
9 laws, rules, or regulation of professional conduct or
10 ethics promulgated either by the court of highest ap-
11 pellate authority or by the principal legislative body
12 or regulatory agency or body of any State of the
13 United States, the District of Columbia, any terri-
14 tory of the United States, Puerto Rico, Guam,
15 American Samoa, the Trust Territory of the Pacific
16 Islands, the Virgin Islands, or the Northern Mariana
17 Islands; or

18 “(2) the financial institution is licensed by a
19 State and becomes subject to future regulation of
20 consumer confidentiality that prohibits disclosure of
21 nonpublic personal information without knowing and
22 expressed consent of the consumer in the form of
23 laws, rules, or regulation of professional conduct or
24 ethics promulgated either by the court of highest ap-
25 pellate authority or by the principal legislative body

1 or regulatory agency or body of any State of the
 2 United States, the District of Columbia, any terri-
 3 tory of the United States, Puerto Rico, Guam,
 4 American Samoa, the Trust Territory of the Pacific
 5 Islands, the Virgin Islands, or the Northern Mariana
 6 Islands.”.

7 **SEC. 204. PRIVACY PROTECTION OF CONSUMER REPORTS**
 8 **DURING LOAN APPLICATION.**

9 Section 604(c) of the Fair Credit Reporting Act (15
 10 U.S.C. 1681b(c)) is amended by adding at the end the
 11 following new paragraph

12 “(4) REPORT PROMPTED BY A REQUEST FOR A
 13 CONSUMER REPORT FROM ANOTHER CREDITOR PRO-
 14 HIBITED.—

15 “(A) IN GENERAL.—A consumer reporting
 16 agency shall not furnish a consumer report if
 17 such action is prompted by a request for a con-
 18 sumer report from another creditor unless ap-
 19 proved in writing by the consumer.

20 “(B) REGULATIONS.—The Commission
 21 shall prescribe regulations in final form to en-
 22 force this paragraph before the end of the 180-
 23 day period beginning on the date of the enact-
 24 ment of the Communities First Act.”.

1 **SEC. 205. UPDATE IN THE SPECIAL REGULATORY LENDING**
 2 **LIMIT ON LOANS TO EXECUTIVE OFFICERS.**

3 Section 22(g) of the Federal Reserve Act (12 U.S.C.
 4 375a) is amended by inserting after paragraph (8) the fol-
 5 lowing new paragraph:

6 “(9) LIMIT APPLICABLE ON AGGREGATE
 7 AMOUNT OF CERTAIN LOANS TO EXECUTIVE OFFI-
 8 CERS OF COMMUNITY BANKS.—Notwithstanding any
 9 regulation prescribed by the Board under paragraph
 10 (4) and subject to other conditions imposed under
 11 this subsection and subsection (h), the aggregate
 12 amount of extensions of credit that a member bank
 13 may make to an executive officer of the bank under
 14 paragraph (4) shall not exceed \$250,000.”.

15 **SEC. 206. REIMBURSEMENT FOR PRODUCTION OF MAN-**
 16 **DATED RECORDS.**

17 (a) CORPORATE RECORDS.—Section 1101(4) of the
 18 Right to Financial Privacy Act of 1978 (12 U.S.C.
 19 3401(4)) is amended by inserting “, except that, for pur-
 20 poses of section 1115, such term includes any entity” after
 21 “fewer individuals”.

22 (b) CLARIFICATION OF SCOPE.—Section 1115(b) of
 23 the Right to Financial Privacy Act of 1978 (12 U.S.C.
 24 3415) is amended to read as follows:

25 “(b) CLARIFICATION OF SCOPE.—Notwithstanding
 26 the introductory clause to the first sentence of subsection

1 (a), this section shall apply to all records required to be
2 assembled or provided for any Federal law enforcement
3 or investigative purpose.”.

4 **SEC. 207. STUDY BY THE COMPTROLLER GENERAL ON IM-**
5 **PLEMENTATION OF COMMERCIAL REAL ES-**
6 **TATE GUIDANCE.**

7 The Comptroller General shall conduct a study on the
8 implementation, by any Federal banking agency, of exam-
9 iner guidance on concentrations in commercial real estate
10 lending, including the impact on—

- 11 (1) local economies;
- 12 (2) the regulatory burden on banks
- 13 (3) community bank portfolios; and
- 14 (4) community banks’ market share.

1 **TITLE III—TAX RELIEF FOR**
 2 **BANK DEPOSITORS, RURAL**
 3 **BANKS, MUNICIPALITIES,**
 4 **BANKS ORGANIZED AS LIM-**
 5 **ITED LIABILITY COMPANIES,**
 6 **INDIVIDUAL SAVERS, AND**
 7 **SMALL BUSINESSES**

8 **SEC. 301. REDUCED RATE AND DEFERRAL OF INCOME REC-**
 9 **OGNITION ON LONG-TERM CERTIFICATES OF**
 10 **DEPOSIT.**

11 (a) DEFERRAL OF INCOME RECOGNITION.—Section
 12 451 of the Internal Revenue Code of 1986 (relating to
 13 general rule for taxable year of inclusion) is amended by
 14 adding at the end the following new subsection:

15 “(j) CERTIFICATES OF DEPOSITS HELD BY CASH
 16 BASIS INDIVIDUALS.—In the case of an individual on the
 17 cash receipts and disbursements method of accounting
 18 who holds a nonnegotiable certificate of deposit, interest
 19 income which is not made available for withdrawal before
 20 maturity of the certificate without penalty shall not be in-
 21 cludible in gross income before the certificate is redeemed
 22 or matures.”.

23 (b) INTEREST INCOME ON LONG-TERM CERTIFI-
 24 CATES OF DEPOSIT.—Subparagraph (A) of section

1 1(h)(11) of such Code is amended by striking “increased
2 by” and all that follows and inserting:

3 “increased by—

4 “(i) qualified dividend income, and

5 “(ii) interest income on any nonnego-
6 tiable certificate of deposit—

7 “(I) with a fixed maturity date
8 which is 1 year or more from the date
9 of issue, and

10 “(II) the interest on which is not
11 made available for withdrawal before
12 maturity without penalty.”.

13 (c) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to taxable years beginning after
15 the date of the enactment of this Act.

16 **SEC. 302. EXCLUSION FOR INTEREST ON LOANS SECURED**
17 **BY AGRICULTURAL REAL PROPERTY.**

18 (a) IN GENERAL.—Part III of subchapter B of chap-
19 ter 1 of the Internal Revenue Code of 1986 (relating to
20 items specifically excluded from gross income) is amended
21 by inserting after section 139A the following new section:

1 **“SEC. 139B. INTEREST ON LOANS SECURED BY AGRICUL-**
 2 **TURAL REAL PROPERTY.**

3 “(a) EXCLUSION.—Gross income shall not include in-
 4 terest received by a qualified lender on any qualified real
 5 estate loan.

6 “(b) DEFINITIONS.—For purposes of this section:

7 “(1) QUALIFIED LENDER.—The term ‘qualified
 8 lender’ means any bank or savings association the
 9 deposits of which are insured under the Federal De-
 10 posit Insurance Act (12 U.S.C. 1811 et seq.).

11 “(2) QUALIFIED REAL ESTATE LOAN.—The
 12 term ‘qualified real estate loan’ means any loan se-
 13 cured by agricultural real estate or by a leasehold
 14 mortgage (with a status as a lien) on agricultural
 15 real estate. For purposes of the preceding sentence,
 16 the determination of whether property securing such
 17 loan is agricultural real estate shall be made as of
 18 the time the interest income on such loan is accrued.

19 “(3) AGRICULTURAL REAL ESTATE.—The term
 20 ‘agricultural real estate’ means—

21 “(A) real property used for the production
 22 of 1 or more agricultural products, and

23 “(B) any single family residence—

24 “(i) which is the principal residence
 25 (within the meaning of section 121) of its
 26 occupant,

1 “(ii) which is located in a rural area
 2 (as determined by the Secretary of Agri-
 3 culture), which is not within a Metropoli-
 4 tan Statistical Area (as defined by the Of-
 5 fice of Management and Budget) and
 6 which has a population (determined on the
 7 basis of the most recent decennial census
 8 for which data are available) of 2,500 or
 9 less, and

10 “(iii) which is purchased or improved
 11 with the proceeds of the qualified real es-
 12 tate loan.

13 “(c) COORDINATION WITH SECTION 265.—Qualified
 14 real estate loans shall be treated as obligations described
 15 in section 265(a)(2) the interest on which is wholly exempt
 16 from the taxes imposed by this subtitle.”.

17 (b) CLERICAL AMENDMENT.—The table of sections
 18 for such part III is amended by inserting after the item
 19 relating to section 139A the following new item:

“Sec. 139B. Interest on loans secured by agricultural real property.”.

20 (c) EFFECTIVE DATE.—The amendments made by
 21 this section shall apply to taxable years beginning after
 22 the date of the enactment of this Act.

1 **SEC. 303. UPDATE IN CAP ON QUALIFIED SMALL ISSUE**
 2 **BONDS.**

3 (a) IN GENERAL.—Clause (i) of section 144(a)(4)(A)
 4 of the Internal Revenue Code of 1986 (relating to general
 5 rule for \$10,000,000 limit in certain cases) is amended
 6 by striking “\$10,000,000” and inserting “\$30,000,000”.

7 (b) ADJUSTMENT OF CAP FOR INFLATION.—Sub-
 8 section (a) of section 144 of such Code (relating to quali-
 9 fied small issue bond) is amended by redesignating para-
 10 graph (12) as paragraph (13) and by inserting after para-
 11 graph (11) the following new paragraph:

12 “(12) INFLATION ADJUSTMENT.—In the case of
 13 a calendar year after 2007, the \$30,000,000 amount
 14 contained in paragraph (4)(A)(i) shall be increased
 15 by an amount equal to—

16 “(A) such dollar amount, multiplied by

17 “(B) the cost-of-living adjustment deter-
 18 mined under section 1(f)(3) for such calendar
 19 year by substituting ‘calendar year 2006’ for
 20 ‘calendar year 1992’ in subparagraph (B)
 21 thereof.

22 Any increase under the preceding sentence which is
 23 not a multiple of \$100,000 shall be rounded to the
 24 next lowest multiple of \$100,000.”.

1 (c) CONFORMING AMENDMENT.—Paragraph (4) of
 2 section 144(a) of such Code is amended in the heading
 3 by striking “\$10,000,000” and inserting “\$30,000,000”.

4 (d) EFFECTIVE DATE.—The amendments made by
 5 this section shall apply to—

6 (1) obligations issued after the date of the en-
 7 actment of this Act, and

8 (2) capital expenditures made after such date
 9 with respect to obligations issued on or before such
 10 date.

11 **SEC. 304. LIMITED LIABILITY COMPANY TAX TREATMENT**
 12 **FOR FDIC-INSURED LIMITED LIABILITY COM-**
 13 **PANIES.**

14 (a) IN GENERAL.—Paragraph (2) of section 7701(a)
 15 of the Internal Revenue Code of 1986 (defining partner-
 16 ship and partner) is amended to read as follows:

17 “(2) PARTNER AND PARTNERSHIP.—

18 “(A) IN GENERAL.—The term ‘partner-
 19 ship’ includes a syndicate, group, pool, joint
 20 venture, or other unincorporated organization,
 21 through or by means of which any business, fi-
 22 nancial operation, or venture is carried on, and
 23 which is not, within the meaning of this title,
 24 a trust or estate or a corporation; and the term
 25 ‘partner’ includes a member in such a syn-

1 dicate, group, pool, joint venture, or organiza-
2 tion.

3 “(B) ELECTION BY CERTAIN BANKS TO BE
4 TAXED AS PARTNERSHIPS.—

5 “(i) IN GENERAL.—An eligible cor-
6 poration may elect to be treated as a part-
7 nership for purposes of this title.

8 “(ii) TAX TREATMENT.—In the case
9 of an eligible corporation making an elec-
10 tion under clause (i)—

11 “(I) no gain or loss shall be rec-
12 ognized to the corporation or the
13 shareholders by reason of an election
14 under clause (i), and

15 “(II) section 1374 shall apply to
16 the entity after such election.

17 “(iii) ELIGIBLE CORPORATION.—The
18 term ‘eligible corporation’ means any of
19 the following entities which would (but for
20 this subparagraph) be treated as a C cor-
21 poration for purposes of this title:

22 “(I) Any bank (as defined in sec-
23 tion 581).

24 “(II) Any bank holding company
25 (as defined in section 2(a) of the

1 Bank Holding Company Act of 1956
 2 (12 U.S.C. 1841(a))).

3 “(III) Any savings association
 4 (as defined in section 3(b) of the Fed-
 5 eral Deposit Insurance Act (12 U.S.C.
 6 1813)).

7 “(IV) Any savings and loan hold-
 8 ing company (as defined in section
 9 10(a)(1)(D) of the Home Owners
 10 Loan Act).”.

11 (b) EFFECTIVE DATE.—The amendment made by
 12 this section shall apply to taxable years beginning after
 13 the date of the enactment of this Act.

14 **SEC. 305. REPEAL OF INDIVIDUAL ALTERNATIVE MINIMUM**
 15 **TAX.**

16 (a) IN GENERAL.—Section 55(a) of the Internal Rev-
 17 enue Code of 1986 (relating to alternative minimum tax
 18 imposed) is amended by adding at the end the following
 19 new flush sentence:

20 “Except in the case of a corporation, no tax shall be im-
 21 posed by this section for any taxable year beginning after
 22 December 31, 2007, and the tentative minimum tax of any
 23 taxpayer other than a corporation for any such taxable
 24 year shall be zero for purposes of this title.”.

1 (b) MODIFICATION OF LIMITATION ON USE OF
 2 CREDIT FOR PRIOR YEAR MINIMUM TAX LIABILITY.—

3 Subsection (c) of section 53 of the Internal Revenue Code
 4 of 1986 (relating to credit for prior year minimum tax
 5 liability) is amended to read as follows:

6 “(c) LIMITATION.—

7 “(1) IN GENERAL.—Except as provided in para-
 8 graph (2), the credit allowable under subsection (a)
 9 for any taxable year shall not exceed the excess (if
 10 any) of—

11 “(A) the regular tax liability of the tax-
 12 payer for such taxable year reduced by the sum
 13 of the credits allowable under subparts A, B, D,
 14 E, and F of this part, over

15 “(B) the tentative minimum tax for the
 16 taxable year.

17 “(2) TAXABLE YEARS BEGINNING AFTER
 18 2007.—In the case of any taxable year beginning
 19 after 2007, the credit allowable under subsection (a)
 20 to a taxpayer other than a corporation for any tax-
 21 able year shall not exceed 90 percent of the regular
 22 tax liability of the taxpayer for such taxable year re-
 23 duced by the sum of the credits allowable under sub-
 24 parts A, B, D, E, and F of this part.”.

1 (c) EFFECTIVE DATE.—The amendment made by
 2 this section shall apply to taxable years beginning after
 3 December 31, 2007.

4 **SEC. 306. YOUNG SAVERS ACCOUNTS.**

5 (a) IN GENERAL.—Section 408A of the Internal Rev-
 6 enue Code of 1986 (relating to Roth IRAs) is amended
 7 by adding at the end the following new subsection:

8 “(g) SPECIAL RULES FOR ROTH IRAS FOR CHIL-
 9 DREN.—

10 “(1) GENERAL RULE.—A Roth IRA maintained
 11 for the benefit of an individual who has not attained
 12 age 25 before the close of the taxable year shall be
 13 maintained under this section, as modified by this
 14 subsection.

15 “(2) CONTRIBUTION LIMITS.—

16 “(A) IN GENERAL.—For so long as a Roth
 17 IRA is subject to this subsection, contributions
 18 to such Roth IRA shall be subject to this para-
 19 graph and not to subsection (c)(2), and sub-
 20 section (c)(3) shall not apply.

21 “(B) LIMIT.—The aggregate amount of
 22 contributions for any taxable year to all child
 23 Roth IRAs maintained for the benefit of an in-
 24 dividual under this subsection shall not exceed
 25 the maximum amount allowable as a deduction

1 under subsection (b)(1) of section 219 for such
 2 taxable year (computed without regard to sub-
 3 sections (b)(1)(B), (d)(1), and (g) of such sec-
 4 tion).”.

5 (b) ENFORCEMENT OF CONTRIBUTION LIMITS.—
 6 Paragraphs (1)(B) and (2)(B) of section 4973(f) of such
 7 Code are each amended by striking “and (c)(3)” and in-
 8 serting “, (c)(3), and (f)(2)”.

9 (c) EFFECTIVE DATE.—The amendments made by
 10 this section shall apply to taxable years beginning after
 11 December 31, 2007.

12 **SEC. 307. SECTION 179 EXPENSING FOR SMALL BUSINESS.**

13 Subsections (b)(1), (b)(2), (b)(5), (c)(2), and
 14 (d)(1)(A)(ii) of section 179(b) (relating to election to ex-
 15 pense certain depreciable business assets) are each amend-
 16 ed by striking “and before 2010”.

17 **TITLE IV—TAX RELIEF FOR COM-**
 18 **MUNITY BANKS AND HOLD-**
 19 **ING COMPANIES**

20 **SEC. 401. LIMITED TAX CREDIT.**

21 (a) C CORPORATIONS.—Section 11 of the Internal
 22 Revenue Code of 1986 (relating to tax imposed) is amend-
 23 ed by adding at the end the following new subsection:

24 “(e) REDUCTION OF TAX ON COMMUNITY BANKS.—

1 “(1) IN GENERAL.—In the case of a C corpora-
 2 tion which is a community bank, the aggregate tax
 3 imposed by this section, section 55, and section
 4 1201 shall be 80 percent of the aggregate tax which
 5 would (but for this subsection) be imposed by such
 6 sections.

7 “(2) MAXIMUM REDUCTION.—The reduction in
 8 tax by reason of this subsection shall not exceed
 9 \$250,000. Corporations treated as 1 corporation
 10 under section 1202(d)(3) shall be so treated under
 11 this subsection, and the limitation under the pre-
 12 ceding sentence shall be allocated among such cor-
 13 porations in such manner as the Secretary shall pre-
 14 scribe.

15 “(3) INCREASED BENEFIT FOR BANKS OPER-
 16 ATING IN DISTRESSED AREAS, ETC.—

17 “(A) IN GENERAL.—In the case of a bank
 18 operating in an area referred to in subpara-
 19 graph (B)—

20 “(i) paragraph (1) shall be applied by
 21 substituting ‘50 percent’ for ‘80 percent’,
 22 and

23 “(ii) paragraph (2) shall be applied by
 24 substituting ‘\$500,000’ for ‘\$250,000’.

1 “(B) AREAS DESCRIBED.—The areas re-
2 ferred to in this subparagraph are—

3 “(i) empowerment zones and enter-
4 prise communities designated under section
5 1391,

6 “(ii) renewal communities designated
7 under section 1400E,

8 “(iii) low-income communities (as de-
9 fined in section 45D(e)), and

10 “(iv) distressed communities (within
11 the meaning of section 233 of the Bank
12 Enterprise Act of 1991 (12 U.S.C.
13 1834a(b))).

14 “(4) COMMUNITY BANK.—For purposes of this
15 section, the term ‘community bank’ means any of
16 the following entities the gross assets of which (de-
17 termined under the rules of section 1202(d)) are
18 \$5,000,000,000 or less:

19 “(A) Any bank (as defined in section 581).

20 “(B) Any bank holding company (as de-
21 fined in section 2(a) of the Bank Holding Com-
22 pany Act of 1956 (12 U.S.C. 1841(a))).

23 “(C) Any savings association (as defined in
24 section 3(b) of the Federal Deposit Insurance
25 Act (12 U.S.C. 1813)).

1 “(D) Any savings and loan holding com-
 2 pany (as defined in section 10(a)(1)(D) of the
 3 Home Owners Loan Act).”.

4 (b) S CORPORATIONS.—Subsection (a) of section
 5 1366 of such Code is amended by adding at the end the
 6 following new paragraph:

7 “(3) REDUCTION OF TAX ON COMMUNITY
 8 BANKS.—

9 “(A) IN GENERAL.—In the case of an S
 10 corporation which is a community bank (as de-
 11 fined in section 11(e)(4)), the net amount re-
 12 quired to be taken into account by shareholders
 13 (without regard to this paragraph) shall be re-
 14 duced by the lesser of—

15 “(i) 20 percent of such net amount, or

16 “(ii) \$1,250,000.

17 “(B) INCREASED BENEFIT FOR BANKS OP-
 18 ERATING IN DISTRESSED AREAS, ETC.—In the
 19 case of a bank operating in an area referred to
 20 in section 11(e)(3)(B)—

21 “(i) subparagraph (A)(i) shall be ap-
 22 plied by substituting ‘50 percent’ for ‘20
 23 percent’, and

1 “(ii) subparagraph (A)(ii) shall be ap-
 2 plied by substituting ‘\$2,500,000’ for
 3 ‘\$1,250,000’.”.

4 (c) EFFECTIVE DATE.—The amendments made by
 5 this section shall apply to taxable years beginning after
 6 the date of the enactment of this Act.

7 **SEC. 402. COMMUNITY BANK RELIEF FROM MINIMUM TAX.**

8 (a) IN GENERAL.—Section 55 of the Internal Rev-
 9 enue Code of 1986 (relating to alternative minimum tax
 10 imposed) is amended by adding at the end the following
 11 new subsection:

12 “(f) EXEMPTION FOR COMMUNITY BANKS.—

13 “(1) IN GENERAL.—The tentative minimum tax
 14 of a community bank (as defined in section 11(e)(4))
 15 shall be zero.

16 “(2) CERTAIN RULES TO APPLY.—Rules similar
 17 to the rules of paragraphs (2) through (5) of sub-
 18 section (e) shall apply for purposes of this sub-
 19 section.”.

20 (b) EFFECTIVE DATE.—The amendments made by
 21 this section shall apply to taxable years beginning after
 22 the date of the enactment of this Act.

TITLE V—SMALL BUSINESS

SUBCHAPTER S REFORMS

SEC. 501. INCREASING SHAREHOLDER LIMIT FOR SUB- CHAPTER S TO 150.

(a) IN GENERAL.—Section 1361(b)(1)(A) of the Internal Revenue Code of 1986 (defining small business corporation) is amended by striking “100” and inserting “150”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2007.

SEC. 502. ISSUANCE OF PREFERRED STOCK PERMITTED FOR SUBCHAPTER S CORPORATIONS.

(a) IN GENERAL.—Section 1361 of such Code (defining S corporation) is amended by adding at the end the following new subsection:

“(f) TREATMENT OF QUALIFIED PREFERRED STOCK.—

“(1) IN GENERAL.—For purposes of this subchapter—

“(A) qualified preferred stock shall not be treated as a second class of stock, and

“(B) no person shall be treated as a shareholder of the corporation by reason of holding qualified preferred stock.

1 “(2) QUALIFIED PREFERRED STOCK DE-
 2 FINED.—For purposes of this subsection, the term
 3 ‘qualified preferred stock’ means stock which meets
 4 the requirements of subparagraphs (A), (B), and (C)
 5 of section 1504(a)(4). Stock shall not fail to be
 6 treated as qualified preferred stock merely because
 7 it is convertible into other stock.

8 “(3) DISTRIBUTIONS.—A distribution (not in
 9 part or full payment in exchange for stock) made by
 10 the corporation with respect to qualified preferred
 11 stock shall be includible as ordinary income of the
 12 holder and deductible to the corporation as an ex-
 13 pense in computing taxable income under section
 14 1363(b) in the year such distribution is received.”.

15 (b) CONFORMING AMENDMENTS.—

16 (1) Paragraph (1) of section 1361(b) of such
 17 Code is amended by inserting “, except as provided
 18 in subsection (f),” before “which does not”.

19 (2) Subsection (a) of section 1366 of such Code
 20 is amended by adding at the end the following new
 21 paragraph:

22 “(3) ALLOCATION WITH RESPECT TO QUALI-
 23 FIED PREFERRED STOCK.—The holders of qualified
 24 preferred stock (as defined in section 1361(f)) shall

1 not, with respect to such stock, be allocated any of
 2 the items described in paragraph (1).”.

3 (3) Clause (ii) of section 354(a)(2)(C) of such
 4 Code is amended—

5 (A) in the header by inserting “AND S
 6 CORPORATIONS” after “CORPORATIONS”; and

7 (B) by striking subclause (I) and inserting
 8 the following:

9 “(I) IN GENERAL.—Clause (i)
 10 shall not apply in the case of a recapitalization under section 368(a)(I)(E)
 11 of a family-owned corporation or S
 12 corporation.”.

14 (4) Subsection (a) of section 1373 of such Code
 15 is amended by striking “and” at the end of paragraph (1), by striking the period at the end of paragraph (2) and inserting “, and”, and by adding at
 16 the end the following new paragraph:
 17
 18

19 “(3) no amount of an expense deductible under
 20 this subchapter by reason of section 1361(f)(3) shall
 21 be apportioned or allocated to such income.”.

22 (c) EFFECTIVE DATE.—The amendments made by
 23 this section shall apply to taxable years beginning after
 24 December 31, 2007.

1 **SEC. 503. TREATMENT OF QUALIFYING DIRECTOR SHARES.**

2 (a) IN GENERAL.—Section 1361 of the Internal Rev-
 3 enue Code of 1986 (defining S corporation), as amended
 4 by section 502(a), is amended by adding at the end the
 5 following new subsection:

6 “(g) TREATMENT OF QUALIFYING DIRECTOR
 7 SHARES.—

8 “(1) IN GENERAL.—For purposes of this sub-
 9 chapter—

10 “(A) qualifying director shares shall not be
 11 treated as a second class of stock, and

12 “(B) no person shall be treated as a share-
 13 holder of the corporation by reason of holding
 14 qualifying director shares.

15 “(2) QUALIFYING DIRECTOR SHARES DE-
 16 FINED.—For purposes of this subsection, the term
 17 ‘qualifying director shares’ means any shares of
 18 stock in a bank (as that term is defined in section
 19 581) or in a bank holding company registered as
 20 such with the Federal Reserve System—

21 “(A) which are held by an individual solely
 22 by reason of status as a director of such bank
 23 or company or its controlled subsidiary, and

24 “(B) which are subject to an agreement
 25 pursuant to which the holder is required to dis-
 26 pose of the shares of stock upon termination of

1 the holder’s status as a director at the same
 2 price as the individual acquired such shares of
 3 stock.

4 “(3) DISTRIBUTIONS.—A distribution (not in
 5 part or full payment in exchange for stock) made by
 6 the corporation with respect to qualifying director
 7 shares shall be includible as ordinary income of the
 8 holder and deductible to the corporation as an ex-
 9 pense in computing taxable income under section
 10 1363(b) in the year such distribution is received.”.

11 (b) CONFORMING AMENDMENTS.—

12 (1) Section 1361(b)(1) of the Internal Revenue
 13 Code of 1986, as amended by section 502(b), is
 14 amended by striking “subsection (f)” and inserting
 15 “subsections (f) and (g)”.

16 (2) Section 1366(a) of such Code, as amended
 17 by section 502(b), is amended by adding at the end
 18 the following new paragraph:

19 “(4) ALLOCATION WITH RESPECT TO QUALI-
 20 FYING DIRECTOR SHARES.—The holders of quali-
 21 fying director shares (as that term is defined in sec-
 22 tion 1361(g)) shall not, with respect to such shares
 23 of stock, be allocated any of the items described in
 24 paragraph (1).”.

1 (3) Section 1373(a) of such Code, as amended
2 by section 502(b), is amended—

3 (A) by striking “and” at the end of para-
4 graph (2);

5 (B) by striking the period at the end of
6 paragraph (3) and inserting “, and”;

7 (C) and adding at the end the following
8 new paragraph:

9 “(4) no amount of an expense deductible under
10 this subchapter by reason of section 1361(g)(3) shall
11 be apportioned or allocated to such income.”.

12 (c) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to taxable years beginning after
14 December 31, 2007.

15 **SEC. 504. RECAPTURE OF BAD DEBT RESERVES.**

16 Notwithstanding section 481 of the Internal Revenue
17 Code of 1986, with respect to any S corporation election
18 made by any bank in taxable years beginning after Decem-
19 ber 31, 1996, such bank may recognize built-in gains from
20 changing its accounting method for recognizing bad debts
21 from the reserve method under section 585 or 593 of such
22 Code to the charge-off method under section 166 of such
23 Code either in the taxable year ending with or beginning
24 with such an election.

1 **TITLE VI—SMALL BUSINESS**
2 **LENDING ENHANCEMENTS**

3 **SEC. 601. REDUCED FEES FOR SECTION 7(a) LOANS.**

4 Section 7(a) of the Small Business Act (15 U.S.C.
5 636(a)) is amended—

6 (1) in paragraph (23)(C)—

7 (A) in the matter preceding clause (i), by
8 striking “may be reduced,” and all that follows
9 through “guarantees—” and inserting “may be
10 reduced—”; and

11 (B) in clause (i), by striking “, to the max-
12 imum extent possible”; and

13 (2) by adding at the end the following new
14 paragraph:

15 “(32) FEE REDUCTION.—Amounts appro-
16 priated or otherwise made available to the Adminis-
17 trator for the purpose of fee reduction shall be used
18 by the Administrator to reduce the fee percentages
19 in effect under paragraphs (18)(A) and (23)(A), to
20 the maximum extent possible.”.

21 **SEC. 602. LOW DOCUMENTATION LOAN PROGRAM MADE**
22 **MANDATORY.**

23 Section 7(a) of the Small Business Act (15 U.S.C.
24 636(a)) (as amended by section 601 of this title) is amend-
25 ed—

1 (1) in paragraph (25), by striking subpara-
2 graph (C); and

3 (2) by inserting after paragraph (32) (as added
4 by section 601(2) of this title) the following new
5 paragraph:

6 “(33) LOW DOCUMENTATION LOAN PRO-
7 GRAM.—

8 “(A) IN GENERAL.—The Administrator
9 shall carry out a low documentation loan pro-
10 gram for loans of \$250,000 or less only through
11 lenders with significant experience in making
12 small business loans.

13 “(B) REGULATIONS.—Not later than 45
14 days after the date of the enactment of this
15 paragraph, the Administrator shall prescribe
16 regulations defining the experience necessary
17 for participation as a lender in the low docu-
18 mentation loan program.”.

19 **SEC. 603. EFFECTIVE DATE.**

20 The amendments made by sections 601 and 602 shall
21 apply for fiscal years beginning with fiscal year 2008.

○