

111TH CONGRESS
2D SESSION

H. R. 6055

To support and strengthen small businesses manufacturing in America, and
for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JULY 30, 2010

Mr. MURPHY of Connecticut (for himself and Mr. RYAN of Ohio) introduced
the following bill; which was referred to the Committee on Financial Services

A BILL

To support and strengthen small businesses manufacturing
in America, 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 “Accounts Receivable
5 Insurance Program Act”.

6 **SEC. 2. FINDINGS.**

7 Congress finds the following:

8 (1) Small manufacturers are hurt much more
9 than their larger competitors when delays in pay-
10 ments of accounts receivable occur. These small

1 firms hold millions of dollars in outstanding receiv-
2 ables. Especially in an economic slowdown, many
3 larger firms delay payments to their downstream
4 suppliers causing disruptions in the domestic indus-
5 trial supply chain, creating a greater need to insure
6 payment on terms.

7 (2) As the number and size of accounts receiv-
8 ables outstanding increases, these businesses have
9 fewer resources to buy raw materials, hire workers,
10 and access adequate lines of credit. Small manufac-
11 turers and their creditors need additional assurance
12 that customers will pay their accounts on reasonable
13 terms.

14 (3) Failure of payment to downstream suppliers
15 in a reasonable amount of time has had a significant
16 negative impact on the cash flow of small suppliers.
17 The moment a lender sees that a supplier is involved
18 in a financially troubled industry such as the auto
19 industry, they move the supplier into a high risk cat-
20 egory or will not extend credit. Government guaran-
21 teed account receivables insurance would allow the
22 middle-market companies access to credit lines they
23 need to continue day-to-day operations.

1 **SEC. 3. DEFINITIONS.**

2 For the purpose of this Act the following definitions
3 apply:

4 (1) **FINANCIAL INSTITUTION.**—The term “fi-
5 nancial institution” means an establishment engaged
6 in financial transactions (transactions involving the
7 creation, liquidation, or change in ownership of fi-
8 nancial assets) and/or in facilitating financial trans-
9 actions.

10 (2) **INSURANCE INSTITUTION.**—The term “in-
11 surance institution” means an establishment that is
12 primarily engaged in one of the following:

13 (A) Underwriting (assuming the risk, as-
14 signing premiums, and so forth) annuities and
15 insurance policies.

16 (B) Facilitating such underwriting by sell-
17 ing insurance policies, and by providing other
18 insurance and employee-benefit related services.

19 (3) **GUARANTEE.**—The term “guarantee” has
20 the same meaning as is given the term “loan guar-
21 antee” in section 502(3) of the Federal Credit Re-
22 form Act of 1990 (2 U.S.C. 661a(3)).

23 (4) **SECRETARY.**—The term “Secretary” means
24 the Secretary of the Treasury.

1 **SEC. 4. ACCOUNTS RECEIVABLE INSURANCE.**

2 (a) ESTABLISHMENT OF PROGRAM.—There is estab-
3 lished within the Department of the Treasury a govern-
4 ment-backed private accounts receivable insurance pro-
5 gram to assist small manufacturers in the underwriting
6 and guarantee of payment on terms through the insurance
7 of their accounts receivable.

8 (b) TERMS AND CONDITIONS.—

9 (1) GUARANTEE.—The Secretary shall, to the
10 extent amounts are made available under subsection
11 (c), insure accounts receivable underwritten by fi-
12 nancial or insurance institutions for small manufac-
13 turing businesses.

14 (2) APPLICATION.—

15 (A) A small manufacturing business shall
16 submit an application to a financial or insur-
17 ance institution for participation in the pro-
18 gram established under this section at such
19 time, in such manner, and accompanied by such
20 information as the Secretary may require.

21 (B) A financial or insurance institution
22 shall not deny an application solely based on a
23 small manufacturing business's lack of short
24 term positive cash flow or solely on the nature
25 of their customers' industry classification.

1 (3) DEFAULT.—If a small manufacturing busi-
2 ness defaults on any portion of an obligation guar-
3 anteed under paragraph (1)—

4 (A) the financial or insurance institution
5 shall have the right to demand payment of the
6 unpaid amount from the Secretary in exchange
7 for payment of a fee equal to .5 percent of such
8 amount; and

9 (B) within such period as the Secretary
10 shall specify, the Secretary shall pay to the fi-
11 nancial or insurance institution the remaining
12 balance of the obligation, unless the Secretary
13 determines that such small business or institu-
14 tion has not taken reasonable steps to seek col-
15 lection of such obligation in a reasonably timely
16 manner, which steps shall include—

17 (i) exhausting all efforts to enforce all
18 terms and penalties set forth in the under-
19 lying contract;

20 (ii) making successive efforts by reg-
21 istered mail or other similar method on a
22 regular schedule; and

23 (iii) pursuing legal action.

24 (4) LIMITATION.—A financial or insurance in-
25 stitution shall not be eligible for a guarantee under

1 paragraph (1) if such institution insured the ac-
2 counts receivable of a small manufacturing business
3 for less than 80 percent of the value of such ac-
4 counts receivable insured.

5 (c) FUNDING.—Funding as may be necessary, not to
6 exceed \$500,000,000, for the cost of guarantees under this
7 section shall be available to the Secretary, without further
8 appropriation or fiscal year limitation, for the costs of
9 such program. All funds received by the Secretary in con-
10 nection with purchases made pursuant to paragraph (1),
11 including interest payments, dividend payments, and pro-
12 ceeds from the sale of any financial instrument, shall be
13 paid into the general fund of the Treasury for reduction
14 of the public debt.

15 (d) SUNSET.—The Secretary may not enter into any
16 contracts or agreements with financial institutions to
17 make any guarantees under this section after December
18 31, 2011, or on the date that is 1 year after the date
19 of the enactment of this Act, whichever is later.

20 (e) REGULATIONS.—Not later than 90 days after the
21 date of the enactment of this Act, the Secretary shall issue
22 regulations to carry out the purposes of this section.

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