

The first is to authorize the District of Columbia to pledge revenues generated by the sports arena tax as security to borrow funds. These funds are to be used to pay for preconstruction activities, mostly site acquisition and preparation, for the new arena to be built in the Gallery Place area. Over the next several years, revenue from the new arena tax, which has been imposed on the District's business community, will be used to repay the debt.

The second purpose is to authorize the Washington Convention Center Authority to spend certain revenues for operating the current convention center and for costs associated with developing plans for a new convention center. These revenues are also generated by a special tax, in this instance an additional tax imposed on the District's hotels and restaurants.

Both of these projects are considered critically important to the future economic stability and growth of the District. The financial recovery of the Nation's Capital is important not only to those who live in the District but to all Americans. A new convention center and sports arena will help to revitalize areas of the city, generate badly needed revenue for the District, and create new businesses and jobs for the residents of the District and the surrounding communities. Both will also enhance civic pride and promote tourism. As a result, both projects have broad based support among local citizens and businesses.

As chairman of the Subcommittee on Oversight of Government Management and the District of Columbia, I conducted a hearing earlier this week on this legislation. The responsibility of the subcommittee and, ultimately, the Congress is to examine the financial soundness of the District's plans for spending these special tax revenues. In light of the District's current financial crisis, there is an even greater obligation to ensure the District is proceeding in a fiscally responsible manner before the Congress approves the pending legislation.

One aspect of the proposal that I have been concerned about over the past few days is the leasing arrangement being considered by the District to house some 720 employees that must be relocated from the buildings which are to be demolished on the proposed site. According to press reports, the council was expected to vote on a proposal from the Mayor to lease space for employees in two buildings owned by a local developer. The council, however, learned that the District had never independently confirmed whether the vacant buildings could be renovated by the October construction deadline and consequently the council did not vote on the \$48 million lease. The Mayor subsequently negotiated a modified lease which was not submitted to the council before it adjourned its special session on August 10.

Concerns have been raised about the wisdom of the District entering into a

long term lease at a time when the District and the D.C. Financial Control Board are looking at making significant cuts in personnel. In addition, some have suggested that the District may have space to relocate the affected employees to existing D.C. owned or leased buildings.

The first year lease costs for one of the buildings are included in the District's preconstruction costs and will be paid for by the arena tax. The remaining costs will be paid from the District's general fund and, therefore, any lease agreement will affect the District's 1996 budget and beyond. Consequently, Senator LEVIN, who is the ranking minority member of the subcommittee, and I believe it would be prudent for the Financial Control Board to review any leasing agreement given that the Board is currently reviewing the District fiscal year 1996 budget.

As a result of discussions with the Mayor and the Control Board, the Mayor has agreed by letter that he will furnish a copy of the lease to, and cooperate with, the Board to enable it to provide a written analysis of the lease.

Mr. President, I ask unanimous consent that a letter to me from Mayor Barry be printed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

THE DISTRICT OF COLUMBIA,
Washington, DC., August 10, 1995.

Hon. WILLIAM COHEN,
Chairman, Subcommittee on Oversight of Government Management and the District of Columbia, Hart Senate Office Building, Washington, DC.

DEAR MR. CHAIRMAN: Thank you for the opportunity to meet with you and Senator Carl Levin this afternoon to discuss your interest in the D.C. Sports Arena and H.R. 2108. As I indicated in our meeting, we have been successful in negotiating a lease for relocating our employees at 605 and 613 G Street, that is economically and programmatically advantageous to the District in that it saves the District \$25 million in potential rent payments.

As the basis for using your best efforts to obtain Senate approval of H.R. 2108, I agree to the following:

First, to provide by no later than 12:00 p.m. on August 11, 1995, to the U.S. Senate Oversight Subcommittee and the Financial Authority copies of the original and modified leases previously submitted to the D.C. City Council;

Second, to cooperate with the Financial Authority to enable it to provide by August 18, 1995, a written analysis of the lease terms;

Third, to use my best efforts, working with the Chairman of City Council, to obtain from the D.C. Council, its approval or disapproval of the original or modified lease by September 13, but not before the Council receives the written analysis from the Financial Authority; and

Fourth, to obtain a letter of commitment, which is legally binding, from the developer, R. Donahue Peebles, that commits him and the District to the terms of the modified lease, notwithstanding the fact that the original lease will be deemed approved on September 14, absent disapproval by D.C. City Council.

Sincerely,

MARION BARRY, JR.,
Mayor.

I have been duly informed and agree with the terms of this letter.

R. Donahue Peebles.

Mr. COHEN. In addition, he will also make every effort to have the D.C. Council consider the lease by September 13.

Finally, I want to note that passing this legislation does not resolve any controversies surrounding the process by which the agreement for the new arena has been reached. These are matters for the citizens of the District and their elected representatives to decide and for the appropriate regulatory and judicial forums to resolve. Final action by Congress on this bill should not be construed as interfering with or affecting the administrative or legal rights of any individual or organization pertaining to the District's decisions on the arena or convention center.

Mr. DOLE. Mr. President, I ask unanimous consent that the bill be deemed read the third time and passed; that the motion to reconsider be laid upon the table; and that any statements relating to the bill be placed at the appropriate place in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

So the bill (H.R. 2108) was deemed read the third time and passed.

THE SMALL BUSINESS LENDING ENHANCEMENT ACT OF 1995

Mr. DOLE. Mr. President, I ask unanimous consent that the Senate proceed to the immediate consideration of calendar No. 166, S. 895.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

A bill (S. 895) to amend the Small Business Act to reduce the level of participation by the Small Business Administration in certain loans guaranteed by the Administration, and for other purposes, which had been reported from the Committee on Small Business, with an amendment to strike all after the enacting clause and inserting in lieu thereof the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "Small Business Lending Enhancement Act of 1995".

SEC. 2. REDUCED LEVEL OF PARTICIPATION IN GUARANTEED LOANS.

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

"(2) LEVEL OF PARTICIPATION IN GUARANTEED LOANS.—

"(A) IN GENERAL.—Except as provided in subparagraph (B), in an agreement to participate in a loan on a deferred basis under this subsection (including a loan made under the Preferred Lenders Program), such participation by the Administration shall be equal to—

"(i) 75 percent of the balance of the financing outstanding at the time of disbursement of the loan, if such balance exceeds \$100,000; or

"(ii) 80 percent of the balance of the financing outstanding at the time of disbursement of the loan, if such balance is less than or equal to \$100,000.

"(B) REDUCED PARTICIPATION UPON REQUEST.—

"(i) IN GENERAL.—The guarantee percentage specified by subparagraph (A) for any

loan under this subsection may be reduced upon the request of the participating lender.

“(ii) **PROHIBITION.**—The Administration shall not use the guarantee percentage requested by a participating lender under clause (i) as a criterion for establishing priorities in approving loan guarantee requests under this subsection.

“(C) **INTEREST RATE UNDER PREFERRED LENDERS PROGRAM.**—

“(i) **IN GENERAL.**—The maximum interest rate for a loan guaranteed under the Preferred Lenders Program shall not exceed the maximum interest rate, as determined by the Administration, applicable to other loans guaranteed under this subsection.

“(ii) **PREFERRED LENDERS PROGRAM DEFINED.**—For purposes of this subparagraph, the term ‘Preferred Lenders Program’ means any program established by the Administrator, as authorized under the proviso in section 5(b)(7), under which a written agreement between the lender and the Administration delegates to the lender—

“(I) complete authority to make and close loans with a guarantee from the Administration without obtaining the prior specific approval of the Administration; and

“(II) authority to service and liquidate such loans.”.

SEC. 3. GUARANTEE FEES.

(a) **AMOUNT OF FEES.**—Section 7(a)(18) of the Small Business Act (15 U.S.C. 636(a)(18)) is amended to read as follows:

“(18) **GUARANTEE FEES.**—

“(A) **IN GENERAL.**—With respect to each loan guaranteed under this subsection (other than a loan that is repayable in 1 year or less), the Administration shall collect a guarantee fee, which shall be payable by the participating lender and may be charged to the borrower, in an amount equal to the sum of—

“(i) 2.5 percent of the amount of the deferred participation share of the loan that is less than or equal to \$250,000;

“(ii) if the deferred participation share of the loan exceeds \$250,000, 3 percent of the difference between—

“(I) \$500,000 or the total deferred participation share of the loan, whichever is less; and

“(II) \$250,000; and

“(iii) if the deferred participation share of the loan exceeds \$500,000, 3.5 percent of the difference between—

“(I) \$750,000 or the total deferred participation share of the loan, whichever is less; and

“(II) \$500,000.

“(B) **EXCEPTION FOR CERTAIN LOANS.**—Notwithstanding subparagraph (A), if the total deferred participation share of a loan guaranteed under this subsection is less than or equal to \$80,000, the guarantee fee collected under subparagraph (A) shall be in an amount equal to 2 percent of the total deferred participation share of the loan.

“(C) **DISCRETIONARY INCREASE.**—Notwithstanding subparagraphs (A) and (B), during the 90-day period beginning on the first day of any fiscal year, the Administration may increase the guarantee fee collected under this paragraph by an amount not to exceed 0.375 percent of the total deferred participation share of the loan, if the Administration—

“(i) determines that such action is necessary to meet projected borrower demand for loans under this subsection during that fiscal year, based on the subsidy cost of the loan program under this subsection and amounts provided in advance for such program in appropriations Acts; and

“(ii) not less than 15 days prior to imposing any such increase, notifies the Committees on Small Business of the Senate and the House of Representatives of the determination made under clause (i).”.

(b) **REPEAL OF PROVISIONS ALLOWING RETENTION OF FEES BY LENDERS.**—Section 7(a)(19) of the Small Business Act (15 U.S.C. 636(a)(19)) is amended—

(1) in subparagraph (B)—

(A) by striking “shall (i) develop” and inserting “shall develop”; and

(B) by striking “, and (ii)” and all that follows through the end of the subparagraph and inserting a period; and

(2) by striking subparagraph (C).

SEC. 4. ESTABLISHMENT OF ANNUAL FEE.

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

“(23) **ANNUAL FEE.**—

“(A) **IN GENERAL.**—With respect to each loan guaranteed under this subsection, the Administration shall, in accordance with such terms and procedures as the Administration shall establish by regulation, assess and collect an annual fee in an amount equal to 0.5 percent of the outstanding balance of the deferred participation share of the loan.

“(B) **PAYER.**—The annual fee assessed under subparagraph (A) shall be payable by the participating lender and shall not be charged to the borrower.”.

(b) **CONFORMING AMENDMENT.**—Section 5(g)(4)(A) of the Small Business Act (15 U.S.C. 634(g)(4)(A)) is amended—

(1) by striking the first sentence and inserting the following: “The Administration may collect a fee for any loan guarantee sold into the secondary market under subsection (f) in an amount equal to not more than 50 percent of the portion of the sale price that exceeds 110 percent of the outstanding principal amount of the portion of the loan guaranteed by the Administration.”; and

(2) by striking “fees” each place such term appears and inserting “fee”.

SEC. 5. NOTIFICATION REQUIREMENT.

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

“(24) **NOTIFICATION REQUIREMENT.**—The Administration shall notify the Committees on Small Business of the Senate and the House of Representatives not later than 15 days before making any significant policy or administrative change affecting the operation of the loan program under this subsection.”.

SEC. 6. DEVELOPMENT COMPANY DEBENTURES.

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

(1) in paragraph (5), by striking “and” at the end;

(2) in paragraph (6), by striking the period at the end and inserting “; and”; and

(3) by adding at the end the following new paragraph:

“(7) with respect to each loan made from the proceeds of such debenture, the Administration—

“(A) assesses and collects a fee, which shall be payable by the borrower, in an amount equal to 0.0625 percent per year of the outstanding balance of the loan; and

“(B) uses the proceeds of such fee to offset the cost (as such term is defined in section 502 of the Federal Credit Reform Act of 1990) to the Administration of making guarantees under subsection (a).”.

The PRESIDING OFFICER. Is there objection to the immediate consideration of the bill?

There being no objection, the Senate proceeded to consider the bill.

Mr. BOND. Mr. President, I rise today in support of S. 895, the Small Business Lending Enhancement Act of 1995. This bill will increase the avail-

ability of business loans under the Small Business Administration's 7(a) Guaranteed Business Loan Program to meet the growing borrowing demand from the small business community. If S. 895 is enacted, the 7(a) program will be able to expand to provide over \$10 billion in small business loans—the largest loan program in SBA's 42 year history.

As many of us know, the popularity of SBA's 7(a) loan program has one unfortunate consequence. Administrator Phil Lader has notified all members of the Committee on Small Business that this popular guaranteed loan program will run out of money by September 1 of this year.

When I introduced S. 895 in early June, I believed the bill provided the tools necessary to put the 7(a) program on an even keel for the remainder of this fiscal year and for fiscal year 1996. I am pleased to report that there was great interest in the bill among the members of the Committee on Small business. As the result of my colleagues' support and the hard work by their staffs, we have created an amended version of S. 895 that builds on the initial bill.

In particular, I want to recognize the support and cooperation I have received from my good friend from Arkansas, the ranking minority member, Senator BUMPERS. He and his staff worked very closely with us in crafting the bill before the Senate today. In addition, I am very pleased that Senators BURNS, SNOWE, and WELLSTONE also have agreed to be cosponsors.

The Small Business Lending Enhancement Act of 1995 will provide a much-needed expansion of the 7(a) loan program. S. 895 will lower the credit subsidy rate for the 7(a) loan program from 2.74 to 1.29 percent, a 54 percent reduction in the subsidy rate. This change has a significant impact on the volume of loans that can be made to small businesses. In fiscal year 1995, \$214 million was needed to support a loan program of \$7.8 billion. Under S. 895, in fiscal year 1996, only \$133 million needs to be appropriated to support \$10.5 billion in loans, reduction of 39 percent with a 35-percent increase in loan volume.

To help fund the 7(a) program, S. 895 imposes a modest increase in guarantee fees paid by the borrower, except that the guarantee fee for LowDoc Loans is not increased. In addition, an annual fee of 50 basis points, one-half of 1 percent of the outstanding guaranteed portion of the loan, will be paid by the lender to SBA.

For the first time, the bill gives the Administrator of SBA the discretion to lower the credit subsidy rate still further—to 1.09 percent. He would exercise this discretionary authority if estimated borrowing demand is so high to require an increase in the availability of SBA guaranteed business loans. When the subsidy rate is lowered, the

total loan authorization amount increases without a corresponding increase in appropriations.

Some of my colleagues on the committee are very interested in expanding the Preferred Lenders Program under the 7(a) loan program. I support their goal. S. 895 includes a provision to raise the guaranteed percentage rate for preferred loans from 70 percent to 75 percent. All other loans, except for those under the LowDoc program, also will carry a 75 percent guarantee. This change eliminates the disparity that exists under the current 7(a) program where preferred loans carry only a 70 percent guarantee and all other loans have guarantees ranging from 90 percent to 75 percent. This has deterred preferred lenders from maximizing use of the Preferred Lenders Program, and S. 895 will correct this inequity.

Further reliance on lenders is necessary to reduce future SBA overhead and exposure under the business loan guarantee programs. Later this year, it is my intention that the committee will undertake an indepth study of the 7(a) program. Additional measures may be considered, if necessary, to increase further the percentage of 7(a) loans originated and administered with the type of substantial lender involvement required under the Preferred Lenders Program.

S. 895 also makes a small adjustment in the credit subsidy rate for the 504 Certified Development Program. Earlier this year, the Administration recommended that the credit subsidy rate for the 504 Program be reduced to zero. The Committee on Small Business has some concern that taking the credit rate to zero might threaten the success of this program. Therefore, S. 895 imposes a modest fee increase on borrowers to reduce the credit subsidy rate for the 504 Program to 0.33 percent from 0.57 percent.

Mr. President, S. 895 is before the Senate today because we need to make adjustments in the credit subsidy rate, which has been mandated by the Federal Credit Reform Act of 1990. It is the annual calculation of the credit subsidy rate that determines the level of appropriation required to support the 7(a) guaranteed loan program. Each year, the Office of Management and Budget determines the credit subsidy rate for the upcoming year. OMB makes critical assumptions about the future performance of 7(a) loans and SBA's liquidation recovery effort. Usually, this calculation is made without prior explanation to the Committee, even though it has a dramatic impact on the cost the 7(a) loan program.

The current manner in which the credit subsidy rate is calculated and the subsidy fund is managed needs a much closer review by the Congress. While the Committee on Small Business has accepted the present credit subsidy rate calculation for the purposes of determining borrower and lender fees under S. 895, the committee intends to enter into a careful study of

this matter as it considers additional long term reforms for SBA's small business finance programs.

Mr. President, S. 895, the Small Business Lending Enhancement Act of 1995, is a sound bill. In the upcoming fiscal year, it will make commercial loans available to tens of thousands of small businesses, who otherwise might not have access to critical business financing. By a vote of 18 to 0, S. 895 was unanimously supported by the Committee on Small Business. I strongly urge my colleagues to vote for this legislation that is so important to small business owners across the United States.

Mr. BUMPERS. Mr. President, I rise in support of S. 895, Senator BOND's bill to restructure the Small Business Administration section 7(a) loan guaranty program. I want to commend the chairman and his staff for their work on this, the first reported Small Business bill since he became chairman of our committee. I was glad to work with Senator BOND on developing a substitute amendment, which is in fact the committee amendment to S. 895.

The thrust of this bill is simple—it reduces the budget subsidy scoring for the 7(a) loan guaranty program, which is by far the largest SBA economic development program. These loans are made by banks and other lenders to qualifying small businesses that would not be able to obtain access to credit on similar terms in the private market. The long and the short of it is that banks simply do not make long-term loans to small businesses. As the committee report points out, this has been a fact of life at least since the issue was first studied by the Department of Commerce in 1935. That finding was reaffirmed by the Federal Reserve in 1952.

The SBA guaranty—which is only a partial guaranty of the loan—allows banks to extend the term of a loan for more than the 2 or 3 years which is typically offered by bankers. Under the 7(a) program, a borrower can get a loan term for as long as 20 years, though most loans are for a much shorter period. In fact, the average loan term is about 12 years, with borrowers typically repaying the loans in about 7 years.

Although borrowers pay a 2-percent guaranty fee to help offset the cost of the program, appropriated funds are still required to keep the program in business. Under the Credit Reform Act of 1990, the Office of Management and Budget divides the amount of appropriated funds by the credit subsidy scoring for each program. This equation determines the program level for the coming year.

Popularity and public demand for the 7(a) program has grown astronomically over the past few years due to many economic factors. During the Bush administration, the 7(a) program grew from slightly over \$3 billion to almost \$6 billion. Congress was hard-pressed to meet the increasing demand with con-

current program appropriations. The program during that time had a subsidy cost of slightly over 5 percent, meaning that \$1 billion in loan authority required \$50 million in appropriated funds. In 1992, demand for the program exhausted funding and two supplemental appropriations measures had to be enacted and signed by President Bush. This trend continued through 1993, and by late spring appropriated funds were exhausted again, closing the program down for several weeks.

Congress has always recognized the economic importance of the 7(a) program, but it became clear that reliance on emergency supplemental funding and traumatic program shutdowns could not continue in the long run.

Shortly after the Clinton administration took office in 1993, the Senate Small Business Committee undertook, with the Administration's full cooperation, to sharply reduce the cost of SBA 7(a) loans to the Treasury while meeting the demands of small business borrowers for affordable credit. In the summer of 1993, legislation from our committee was enacted and signed by President Clinton, reducing the subsidy cost of 7(a) loans from 5.4 percent to 2.2 percent and more than doubling the 7(a) program level with the same amount of appropriated dollars.

The effect of this change was dramatic. In 1993, SBA made about \$6 billion in 7(a) loans but required only \$342 million in appropriations to fund the program. In the current year, almost \$8 billion in loans will be made with about \$200 million in appropriations. I am extremely proud of these savings, but they are still not enough to keep the ever-growing 7(a) program on a sound footing in this era of declining Federal spending.

Finally, a comment about S. 895 and the chairman's work on this bill is in order. I did not choose to cosponsor this bill when it was introduced because I was concerned that the increases in fees proposed for 7(a) borrowers were simply too steep and, in my view, would be too high for the program to be workable. Borrowers who are willing to take a loan at any price are not likely to be very good borrowers, and I felt we were moving dangerously close to that point. The same could be said of the administration's "zero-subsidy" proposal which was considered and not adopted.

The chairman is to be commended for the flexibility and progressiveness he has demonstrated in preparing the committee amendment which I was pleased to cosponsor at the markup of this bill. The maximum, marginal guaranty fee for borrowers was reduced from the original 5 percent to 3.5 percent, with this number being applied only to borrowers seeking over \$500,000 in financing. Moreover, the smallest borrowers—those using the "low doc" program for loans under \$100,000—will face no increased guaranty fees at all. The present 2 percent guaranty fee will continue to be applied to low doc loans.

Both of these steps represent common sense and fairness, two virtues which I wish were more abundant in this Congress.

I urge Senators to support S. 895 and the committee amendment.

AMENDMENT NO. 2426

Mr. DOLE. Mr. President, I send an amendment to the desk on behalf of Senator NUNN.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Kansas [Mr. DOLE], for Mr. NUNN, proposes an amendment numbered 2426.

Mr. DOLE. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

To amend the Committee substitute; on page 14, add the following new section.

“SEC. 7 PILOT PREFERRED SURETY BOND GUARANTEE PROGRAM EXTENSION.

Section 207 of the Small Business Administration Reauthorization and Amendment Act of 1988 (15 U.S.C. 694b note) is amended by striking “September 30, 1995” and inserting “September 30, 1997.”

Mr. DOLE. Mr. President, I ask unanimous consent that the amendment be agreed to; that the committee amendment, as amended, be agreed to; that the bill then be deemed read the third time and passed; that the motion to reconsider be laid upon the table; and that any statements relating to the bill be placed at the appropriate place in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

So the bill (S. 895), as amended, was deemed read the third time and passed, as follows:

S. 895

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Small Business Lending Enhancement Act of 1995”.

SEC. 2. REDUCED LEVEL OF PARTICIPATION IN GUARANTEED LOANS.

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

“(2) LEVEL OF PARTICIPATION IN GUARANTEED LOANS.—

“(A) IN GENERAL.—Except as provided in subparagraph (B), in an agreement to participate in a loan on a deferred basis under this subsection (including a loan made under the Preferred Lenders Program), such participation by the Administration shall be equal to—

“(i) 75 percent of the balance of the financing outstanding at the time of disbursement of the loan, if such balance exceeds \$100,000; or

“(ii) 80 percent of the balance of the financing outstanding at the time of disbursement of the loan, if such balance is less than or equal to \$100,000.

“(B) REDUCED PARTICIPATION UPON REQUEST.—

“(i) IN GENERAL.—The guarantee percentage specified by subparagraph (A) for any loan under this subsection may be reduced upon the request of the participating lender.

“(ii) PROHIBITION.—The Administration shall not use the guarantee percentage requested by a participating lender under clause (i) as a criterion for establishing priorities in approving loan guarantee requests under this subsection.

“(C) INTEREST RATE UNDER PREFERRED LENDERS PROGRAM.—

“(i) IN GENERAL.—The maximum interest rate for a loan guaranteed under the Preferred Lenders Program shall not exceed the maximum interest rate, as determined by the Administration, applicable to other loans guaranteed under this subsection.

“(ii) PREFERRED LENDERS PROGRAM DEFINED.—For purposes of this subparagraph, the term ‘Preferred Lenders Program’ means any program established by the Administrator, as authorized under the proviso in section 5(b)(7), under which a written agreement between the lender and the Administration delegates to the lender—

“(I) complete authority to make and close loans with a guarantee from the Administration without obtaining the prior specific approval of the Administration; and

“(II) authority to service and liquidate such loans.”.

SEC. 3. GUARANTEE FEES.

(a) AMOUNT OF FEES.—Section 7(a)(18) of the Small Business Act (15 U.S.C. 636(a)(18)) is amended to read as follows:

“(18) GUARANTEE FEES.—

“(A) IN GENERAL.—With respect to each loan guaranteed under this subsection (other than a loan that is repayable in 1 year or less), the Administration shall collect a guarantee fee, which shall be payable by the participating lender and may be charged to the borrower, in an amount equal to the sum of—

“(i) 2.5 percent of the amount of the deferred participation share of the loan that is less than or equal to \$250,000;

“(ii) if the deferred participation share of the loan exceeds \$250,000, 3 percent of the difference between—

“(I) \$500,000 or the total deferred participation share of the loan, whichever is less; and

“(II) \$250,000; and

“(iii) if the deferred participation share of the loan exceeds \$500,000, 3.5 percent of the difference between—

“(I) \$750,000 or the total deferred participation share of the loan, whichever is less; and

“(II) \$500,000.

“(B) EXCEPTION FOR CERTAIN LOANS.—Notwithstanding subparagraph (A), if the total deferred participation share of a loan guaranteed under this subsection is less than or equal to \$80,000, the guarantee fee collected under subparagraph (A) shall be in an amount equal to 2 percent of the total deferred participation share of the loan.

“(C) DISCRETIONARY INCREASE.—Notwithstanding subparagraphs (A) and (B), during the 90-day period beginning on the first day of any fiscal year, the Administration may increase the guarantee fee collected under this paragraph by an amount not to exceed 0.375 percent of the total deferred participation share of the loan, if the Administration—

“(i) determines that such action is necessary to meet projected borrower demand for loans under this subsection during that fiscal year, based on the subsidy cost of the loan program under this subsection and amounts provided in advance for such program in appropriations Acts; and

“(ii) not less than 15 days prior to imposing any such increase, notifies the Committees on Small Business of the Senate and the House of Representatives of the determination made under clause (i).”.

(b) REPEAL OF PROVISIONS ALLOWING REDUCTION OF FEES BY LENDERS.—Section

7(a)(19) of the Small Business Act (15 U.S.C. 636(a)(19)) is amended—

(1) in subparagraph (B)—

(A) by striking “shall (i) develop” and inserting “shall develop”; and

(B) by striking “, and (ii)” and all that follows through the end of the subparagraph and inserting a period; and

(2) by striking subparagraph (C).

SEC. 4. ESTABLISHMENT OF ANNUAL FEE.

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

“(23) ANNUAL FEE.—

“(A) IN GENERAL.—With respect to each loan guaranteed under this subsection, the Administration shall, in accordance with such terms and procedures as the Administration shall establish by regulation, assess and collect an annual fee in an amount equal to 0.5 percent of the outstanding balance of the deferred participation share of the loan.

“(B) PAYER.—The annual fee assessed under subparagraph (A) shall be payable by the participating lender and shall not be charged to the borrower.”.

(b) CONFORMING AMENDMENT.—Section 5(g)(4)(A) of the Small Business Act (15 U.S.C. 634(g)(4)(A)) is amended—

(1) by striking the first sentence and inserting the following: “The Administration may collect a fee for any loan guarantee sold into the secondary market under subsection (f) in an amount equal to not more than 50 percent of the portion of the sale price that exceeds 110 percent of the outstanding principal amount of the portion of the loan guaranteed by the Administration.”; and

(2) by striking “fees” each place such term appears and inserting “fee”.

SEC. 5. NOTIFICATION REQUIREMENT.

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

“(24) NOTIFICATION REQUIREMENT.—The Administration shall notify the Committees on Small Business of the Senate and the House of Representatives not later than 15 days before making any significant policy or administrative change affecting the operation of the loan program under this subsection.”.

SEC. 6. DEVELOPMENT COMPANY DEBENTURES.

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

(1) in paragraph (5), by striking “and” at the end;

(2) in paragraph (6), by striking the period at the end and inserting “; and”; and

(3) by adding at the end the following new paragraph:

“(7) with respect to each loan made from the proceeds of such debenture, the Administration—

“(A) assesses and collects a fee, which shall be payable by the borrower, in an amount equal to 0.0625 percent per year of the outstanding balance of the loan; and

“(B) uses the proceeds of such fee to offset the cost (as such term is defined in section 502 of the Federal Credit Reform Act of 1990) to the Administration of making guarantees under subsection (a).”.

SEC. 7. PILOT PREFERRED SURETY BOND GUARANTEE PROGRAM EXTENSION.

Section 207 of the Small Business Administration Reauthorization and Amendment Act of 1988 (15 U.S.C. 694b note) is amended by striking “September 30, 1995” and inserting “September 30, 1997”.