

Editorial Notes**AMENDMENTS**

2015—Subsec. (a)(4). Pub. L. 114-92 substituted “which is principally for supplies from a regular dealer in such supplies, and which is not a contract principally for services or construction” for “for supplies from a regular dealer in such supplies” in introductory provisions.

Statutory Notes and Related Subsidiaries**INAPPLICABILITY OF REQUIREMENT TO REVIEW AND JUSTIFY CERTAIN CONTRACTS**

Pub. L. 113-66, div. A, title XVI, §1615, Dec. 26, 2013, 127 Stat. 950, provided that: “In the case of a contract to which the provisions of section 46 of the Small Business Act (15 U.S.C. 657s) apply, the requirements under section 802 of the National Defense Authorization Act for Fiscal Year 2013 (Public Law 112-239; 126 Stat. 1824; 10 U.S.C. 2304 note [now 10 U.S.C. note prec.] do not apply.”

§ 657t. Office of Credit Risk Management**(a) Establishment**

There is established within the Administration the Office of Credit Risk Management (in this section referred to as the “Office”).

(b) Duties

The Office shall be responsible for supervising—

(1) any lender making loans under section 7(a) [15 U.S.C. 636(a)] (in this section referred to as a “7(a) lender”);

(2) any Lending Partner or Intermediary participant of the Administration in a lending program of the Office of Capital Access of the Administration; and

(3) any small business lending company or a non-Federally regulated lender without regard to the requirements of section 650 of this title.

(c) Director**(1) In general**

The Office shall be headed by the Director of the Office of Credit Risk Management (in this section referred to as the “Director”), who shall be a career appointee in the Senior Executive Service (as defined in section 3132 of title 5).

(2) Duties

The Director shall be responsible for oversight of the lenders and participants described in subsection (b), including by conducting periodic reviews of the compliance and performance of such lenders and participants.

(d) Supervision duties for 7(a) lenders**(1) Reviews**

With respect to 7(a) lenders, an employee of the Office shall—

(A) be present for and supervise any such review that is conducted by a contractor of the Office on the premise¹ of the 7(a) lender; and

(B) supervise any such review that is not conducted on the premise¹ of the 7(a) lender.

(2) Review report timeline**(A) In general**

Notwithstanding any other requirements of the Office or the Administrator, the Ad-

ministrator shall develop and implement a review report timeline which shall—

(i) require the Administrator to—

(I) deliver a written report of the review to the 7(a) lender not later than 60 business days after the date on which the review is concluded; or

(II) if the Administrator expects to submit the report after the end of the 60-day period described in clause (i), notify the 7(a) lender of the expected date of submission of the report and the reason for the delay; and

(ii) if a response by the 7(a) lender is requested in a report submitted under subparagraph (A), require the 7(a) lender to submit responses to the Administrator not later than 45 business days after the date on which the 7(a) lender receives the report.

(B) Extension

The Administrator may extend the time frame described in subparagraph (A)(i)(II) with respect to a 7(a) lender as the Administrator determines necessary.

(e) Enforcement authority against 7(a) lenders**(1) Informal enforcement authority**

The Director may take an informal enforcement action against a 7(a) lender if the Director finds that the 7(a) lender has violated a statutory or regulatory requirement under section 7(a) [15 U.S.C. 636(a)] or any requirement in a Standard Operating Procedures Manual or Policy Notice related to a program or function of the Office of Capital Access.

(2) Formal enforcement authority**(A) In general**

With the approval of the Lender Oversight Committee established under section 657u of this title, the Director may take a formal enforcement action against any 7(a) lender if the Director finds that the 7(a) lender has violated—

(i) a statutory or regulatory requirement under section 7(a), including a requirement relating to credit elsewhere; or

(ii) any requirement described in a Standard Operating Procedures Manual or Policy Notice, related to a program or function of the Office of Capital Access.

(B) Enforcement actions

An enforcement action imposed on a 7(a) lender by the Director under subparagraph (A) shall be based on the severity or frequency of the violation and may include assessing a civil monetary penalty against the 7(a) lender in an amount that is not greater than \$250,000.

(3) Appeal by lender

A 7(a) lender may appeal an enforcement action imposed by the Director described in this subsection to the Office of Hearings and Appeals established under section 634(i) of this title or to an appropriate district court of the United States.

(f) Regulations

Not later than 1 year after June 21, 2018, the Administrator shall issue regulations, after op-

¹ So in original. Probably should be “premises”.

portunity for notice and comment, to carry out subsection (e).

(g) Servicing and liquidation responsibilities

During any period during which a 7(a) lender is suspended or otherwise prohibited from making loans under section 7(a) [15 U.S.C. 636(a)], the 7(a) lender shall remain obligated to maintain all servicing and liquidation activities delegated to the lender by the Administrator, unless otherwise specified by the Director.

(h) Portfolio risk analysis of 7(a) loans

(1) In general

The Director shall annually conduct a risk analysis of the portfolio of the Administration with respect to all loans guaranteed under section 7(a).

(2) Report to Congress

On December 1, 2018, and every December 1 thereafter, the Director shall submit to Congress a report containing the results of each portfolio risk analysis conducted under paragraph (1) during the fiscal year preceding the submission of the report, which shall include—

(A) an analysis of the overall program risk of loans guaranteed under section 7(a);

(B) an analysis of the program risk, set forth separately by industry concentration;

(C) without identifying individual 7(a) lenders by name, a consolidated analysis of the risk created by the individual 7(a) lenders responsible for not less than 1 percent of the gross loan approvals set forth separately for the year covered by the report by—

(i) the dollar value of the loans made by such 7(a) lenders; and

(ii) the number of loans made by such 7(a) lenders;

(D) steps taken by the Administrator to mitigate the risks identified in subparagraphs (A), (B), and (C);

(E) the number of 7(a) lenders, the number of loans made, and the gross and net dollar amount of loans made;

(F) the number and dollar amount of total losses, the number and dollar amount of total purchases, and the percentage and dollar amount of recoveries at the Administration;

(G) the number and type of enforcement actions recommended by the Director;

(H) the number and type of enforcement actions approved by the Lender Oversight Committee established under section 657u of this title;

(I) the number and type of enforcement actions disapproved by the Lender Oversight Committee; and

(J) the number and dollar amount of civil monetary penalties assessed.

(i) Budget submission and justification

The Director shall annually provide, in writing, a fiscal year budget submission for the Office and a justification for such submission to the Administrator. Such submission and justification shall—

(1) include salaries and expenses of the Office and the charge for the lender oversight fees;

(2) be submitted at or about the time of the budget submission by the President under section 1105(a) of title 31; and

(3) be maintained in an indexed form and made available for public review for a period of not less than 5 years beginning on the date of submission and justification.

(Pub. L. 85-536, §2[47], as added and amended Pub. L. 115-189, §3(a)(2), (b), June 21, 2018, 132 Stat. 1492, 1495.)

Editorial Notes

PRIOR PROVISIONS

A prior section 2[47] of Pub. L. 85-536 was renumbered section 2[49] and is set out as a note under section 631 of this title.

AMENDMENTS

2018—Subsec. (d). Pub. L. 115-189, §3(b), amended subsec. (d) generally. Prior to amendment, text read as follows: “With respect to 7(a) lenders, an employee of the Office shall—

“(1) be present for and supervise any such review that is conducted by a contractor of the Office on the premise of the 7(a) lender; and

“(2) supervise any such review that is not conducted on the premise of the 7(a) lender.”

Statutory Notes and Related Subsidiaries

CHANGE OF NAME

Pub. L. 115-189, §3(d)(1), June 21, 2018, 132 Stat. 1496, provided that: “Any reference in a law, regulation, guidance, document, paper, or other record of the United States to the Office of Credit Risk Management of the Small Business Administration shall be deemed a reference to the Office of Credit Risk Management, established under section 47 of the Small Business Act [15 U.S.C. 657t], as added by subsection (a).”

EFFECTIVE DATE OF 2018 AMENDMENT

Pub. L. 115-189, §3(b), June 21, 2018, 132 Stat. 1495, provided that the amendment made by section 3(b) is effective Jan. 1, 2019.

TRANSFER OF FUNCTIONS

Pub. L. 115-189, §3(c)(1), June 21, 2018, 132 Stat. 1496, provided that: “All functions of the Office of Credit Risk Management of the Small Business Administration, including the personnel, assets, and obligation of the Office of Credit Risk Management, as in existence on the day before the date of the enactment of this Act [June 21, 2018], shall be transferred to the Office of Credit Risk Management established under section 47 of the Small Business Act [15 U.S.C. 657t], as added by subsection (a).”

ESTABLISHING A PROCESS FOR WAIVERS

Pub. L. 115-189, §6, June 21, 2018, 132 Stat. 1498, provided that:

“(a) **IN GENERAL.**—If the Administrator [of the Small Business Administration] exercises statutory or regulatory authority to waive a regulation or a requirement in the Standard Operating Procedures Manual or Policy Notice related to a program or function of the Office of Capital Access of the [Small Business] Administration, the waiver shall be in writing and be maintained in an indexed form.

“(b) **NO NEW WAIVER AUTHORITY.**—Nothing in subsection (a) shall be construed as creating new authority for the Administrator to waive regulations of the Administration.”

DEFINITIONS OF TERMS USED IN PUB. L. 115-189

Pub. L. 115-189, §2, June 21, 2018, 132 Stat. 1492, provided that: “In this Act [see Short Title of 2018 Amendment note set out under section 631 of this title], the terms ‘Administration’ and ‘Administrator’ mean the

Small Business Administration and the Administrator thereof, respectively.”

§ 657u. Lender Oversight Committee

(a) Establishment

There is established within the Administration the Lender Oversight Committee (in this section referred to as the “Committee”).

(b) Membership

The Committee shall consist of at least 8 members selected by the Administrator, of which—

- (1) 3 members shall be voting members, 2 of whom shall be career appointees in the Senior Executive Service (as defined in section 3132 of title 5); and
- (2) the remaining members shall be non-voting members who shall serve in an advisory capacity on the Committee.

(c) Duties

The Committee shall—

- (1) review reports on lender oversight activities;
- (2) review formal enforcement action recommendations of the Director of the Office of Credit Risk Management with respect to any lender making loans under section 636(a) of this title and any Lending Partner or Intermediary participant of the Administration in a lending program of the Office of Capital Access of the Administration;
- (3) in carrying out paragraph (2) with respect to formal enforcement actions taken under subsection (d) or (e) of section 650 of this title, vote to recommend or not recommend action to the Administrator or a designee of the Administrator;
- (4) in carrying out paragraph (2) with respect to any formal enforcement action not specified under subsection (d) or (e) of section 650 of this title, vote to approve, disapprove, or modify the action;
- (5) review, in an advisory capacity, any lender oversight, portfolio risk management, or program integrity matters brought by the Director; and
- (6) take such other actions and perform such other functions as may be delegated to the Committee by the Administrator.

(d) Meetings

(1) In general

The Committee shall meet as necessary, but not less frequently than on a quarterly basis.

(2) Reports

The Committee shall submit to the Administrator a report detailing each meeting of the Committee, including if the Committee does or does not vote to approve a formal enforcement action of the Director of the Office of Credit Risk Management with respect to a lender.

(Pub. L. 85–536, §2[48], as added Pub. L. 115–189, §3(a)(2), June 21, 2018, 132 Stat. 1494.)

Statutory Notes and Related Subsidiaries

CHANGE OF NAME

Pub. L. 115–189, §3(d)(2), June 21, 2018, 132 Stat. 1496, provided that: “Any reference in a law, regulation,

guidance, document, paper, or other record of the United States to the Lender Oversight Committee of the Small Business Administration shall be deemed a reference to the Lender Oversight Committee, established under section 48 of the Small Business Act [15 U.S.C. 657u], as added by subsection (a).”

TRANSFER OF FUNCTIONS

Pub. L. 115–189, §3(c)(2), June 21, 2018, 132 Stat. 1496, provided that: “All functions of the Lender Oversight Committee of the Small Business Administration, including the personnel, assets, and obligations of the Lender Oversight Committee, as in existence on the day before the date of the enactment of this Act [June 21, 2018], shall be transferred to the Lender Oversight Committee established under section 48 of the Small Business Act [15 U.S.C. 657u], as added by subsection (a).”

CHAPTER 14B—SMALL BUSINESS INVESTMENT PROGRAM

SUBCHAPTER I—GENERAL PROVISIONS

Sec.

661. Congressional declaration of policy.
662. Definitions.

SUBCHAPTER II—SMALL BUSINESS INVESTMENT DIVISION OF SMALL BUSINESS ADMINISTRATION

671. Establishment; Associate Administrator; appointment and compensation.
672. Repealed.

SUBCHAPTER III—INVESTMENT DIVISION PROGRAMS

PART A—SMALL BUSINESS INVESTMENT COMPANIES

681. Organization.
682. Capital requirements.
683. Borrowing operations.
684. Equity capital for small-business concerns.
685. Long-term loans to small-business concerns.
686. Aggregate limitations on amount of assistance to any single enterprise.
687. Operation and regulation of companies.
- 687a. Revocation and suspension of licenses; cease and desist orders.
- 687b. Investigations and examinations; power to subpoena and take oaths and affirmations; aid of courts; examiners; reports.
- 687c. Injunctions and other orders.
- 687d. Conflicts of interest.
- 687e. Removal or suspension of management officials.
- 687f. Unlawful acts and omissions by officers, directors, employees, or agents.
- 687g. Penalties and forfeitures.
- 687h. Jurisdiction and service of process.
- 687i, 687j. Repealed.
- 687k. Guaranteed obligations not eligible for purchase by Federal Financing Bank.
- 687l. Issuance and guarantee of trust certificates.
- 687m. Periodic issuance of guarantees and trust certificates.
688. Repealed.

PART B—NEW MARKETS VENTURE CAPITAL PROGRAM

689. Definitions.
- 689a. Purposes.
- 689b. Establishment.
- 689c. Selection of New Markets Venture Capital companies.
- 689d. Debentures.
- 689e. Issuance and guarantee of trust certificates.
- 689f. Fees.
- 689g. Operational assistance grants.
- 689h. Bank participation.
- 689i. Federal Financing Bank.
- 689j. Reporting requirement.