

S 1256

Small Business Lending Reauthorization and Improvements Act of 2007

Congress: 110 (2007–2009, Ended)

Chamber: Senate

Policy Area: Commerce

Introduced: May 1, 2007

Current Status: Committee on Small Business and Entrepreneurship. Hearings held.

Latest Action: Committee on Small Business and Entrepreneurship. Hearings held. (Apr 16, 2008)

Official Text: <https://www.congress.gov/bill/110th-congress/senate-bill/1256>

Sponsor

Name: Sen. Kerry, John F. [D-MA]

Party: Democratic • **State:** MA • **Chamber:** Senate

Cosponsors (5 total)

Cosponsor	Party / State	Role	Date Joined
Sen. Levin, Carl [D-MI]	D · MI		May 1, 2007
Sen. Snowe, Olympia J. [R-ME]	R · ME		May 1, 2007
Sen. Landrieu, Mary L. [D-LA]	D · LA		May 3, 2007
Sen. Obama, Barack [D-IL]	D · IL		May 3, 2007
Sen. Tester, Jon [D-MT]	D · MT		May 8, 2007

Committee Activity

Committee	Chamber	Activity	Date
Small Business and Entrepreneurship Committee	Senate	Hearings By (full committee)	Apr 16, 2008

Subjects & Policy Tags

Policy Area:

Commerce

Related Bills

No related bills are listed.

Small Business Lending Reauthorization and Improvements Act of 2007 - (Sec. 4) Amends the Small Business Act (the Act) to reauthorize for FY2007-FY2010 certain small business assistance programs of the Small Business Administration (SBA), including: (1) the microloan program (loans made to very small businesses for start-up, expansion, or equipment); (2) section 7(a) loans (SBA-guaranteed general business loans made to small businesses); (3) certified development company (CDC) financings; (4) assistance to veteran-owned small businesses and small businesses affected by a Department of Defense base closure or realignment or the termination of a defense contract or subcontract; and (5) the Program for Investment in Microentrepreneurs (PRIME).

Title I: Microloan Programs - (Sec. 101) Increases from \$7,500 to \$10,000 the average microloan loan amount.

(Sec. 102) Includes persons with disabilities within the purposes of the Act (thereby qualifying them for microloans).

(Sec. 103) Revises microloan intermediary eligibility requirements to allow an intermediary to qualify if it has an employee with at least three years of experience at making microloans and one year of experience providing intensive marketing, management, and technical assistance to borrowers. Increases from 25% to 30% of the total microloan assistance funding the amount that intermediaries may use to provide technical assistance to borrowers.

(Sec. 104) Transfers to the SBA Administrator administration of the PRIME program. Requires at least 50% of available program funds to be used to benefit very low-income persons, including those residing on Indian reservations.

(Sec. 105) Requires the Comptroller General (CG) (currently, the Administrator) to report to the congressional small business committees on the operation and effectiveness of the microloan program.

Title II: Intermediary Lending Pilot Program - (Sec. 202) Establishes a three-year small business intermediary lending pilot program under which the Administrator provides loans to nonprofit intermediaries, which then make fixed-interest-rate midsize loans to startup, newly established, and growing small businesses. Makes eligible for the SBA loans an intermediary with at least one year of experience in making such business loans. Limits to \$1 million the outstanding loan amount to each intermediary, with a loan interest rate of 1% for a maximum term of 20 years. Prohibits the Administrator from providing such loans to more than 20 intermediaries. Requires an annual report from the Administrator to the small business committees evaluating pilot program effectiveness. Authorizes appropriations.

Title III: 7(a) Loan Program - (Sec. 301) Establishes a preferred lenders program under which the Administrator authorizes qualifying lenders to make and service working capital loans to small businesses. Requires the Administrator to designate an area in which a qualifying lender may operate, but allows a preferred lender to request designation as a national preferred lender eligible to operate in any area served by an SBA office. Outlines national preferred lender eligibility requirements. Allows such designation to be suspended or revoked at the discretion of the Administrator.

(Sec. 302) Increases from: (1) \$2 million to \$3 million the maximum amount of a 7(a) loan; and (2) \$1.5 million to \$2.25 million the maximum amount of such loan that may be guaranteed by the SBA.

(Sec. 303) Allows a small business to receive the maximum 7(a) loan as well as the maximum 504 loan (financing to small businesses through loans funded by debentures guaranteed by the Administrator under provisions of the Small Business Investment Act of 1958). Requires an annual report from the Administrator to the small business committees on such combination financing.

(Sec. 304) Allows the Administrator to pool (combine for sale on the secondary market) SBA-guaranteed loans having various interest rates. (Currently, the SBA may pool only SBA-guaranteed loans having the same interest rate.) Requires interest rates on trust certificates representing shares of pooled loans to be the weighted average interest rate of such loans.

(Sec. 305) Directs the SBA to establish an optional loan size standard applicable to both 7(a) borrowers and 504 loan borrowers, using net worth and average net income as loan size standards in lieu of industry standards.

(Sec. 306) Requires the SBA to provide to lenders at least one alternative interest rate other than the Wall Street prime rate.

(Sec. 307) Establishes in the SBA an Office of Minority Business Development, to be administered by the Associate Administrator for Minority Small Business Development, who shall be responsible for the formulation, execution, and promotion of SBA policies and programs that provide assistance to small businesses owned and controlled by minorities. Authorizes appropriations.

(Sec. 308) Allows the SBA to lower the loan fees charged to both borrowers and lenders (currently, only to borrowers) if the 7(a) loan program is fully funded or if the program is overfunded after the last collection of such fees. Limits the amount of appropriated funds that may be applied to such fee reductions.

(Sec. 309) Increases to \$2.75 million the maximum SBA loan guarantee amount for loans made to small businesses engaging in exporting and other international trade. Provides collateral and refinancing terms for such loans consistent with other 7(a) loan programs.

(Sec. 310) Directs the Administrator to carry out a rural lending outreach program, providing up to an 85% guaranty for small business loans of up to \$250,000, through lenders located in rural areas.

Title IV: Certified Development Companies; 504 Loan Program - (Sec. 401) Amends the Small Business Investment Act of 1958 to rename the 504 loan program as the Local Development Business Loan Program (LDBL).

(Sec. 402) Allows a CDC to elect not to foreclose or liquidate its defaulted loans, but instead to contract with a third party to carry out such foreclosures and liquidations. Authorizes such CDCs to receive SBA reimbursement for authorized foreclosure and liquidation expenses.

(Sec. 403) Allows certain small business borrowers (start-ups or those using the proceeds for single purpose buildings) to contribute more equity to a project funded partially through a CDC, and to use the excess equity to reduce the amount of the non-CDC-funded portion of the loan.

(Sec. 404) Makes uniform between the 7(a) program and the LDBL program the office space leasing policy, allowing up to 50% of a facility to be leased on either a new or existing building.

(Sec. 405) Provides various incentives for businesses to locate in low-income communities, including: (1) allowing businesses to qualify for a "public policy goal loan" and thereby increase its maximum authorized loan amount from \$2 million to \$4 million; (2) increasing by 25% the small business size standard; and (3) allowing more business owner personal liquidity to be excluded from the amount required to reduce the portion of the project funded by the SBA.

(Sec. 406) Allows a business to qualify as "minority owned" for purposes of qualifying as a public policy goal loan if 51% or more of the business interest belongs to one or more individuals who are minorities.

(Sec. 407) Allows a borrower to refinance under a new SBA loan a limited amount of the business's preexisting debt, if that debt is already secured by a mortgage on the property being expanded under the new loan.

(Sec. 409) Provides definitions of "development company," "certified development company," and "rural area" under the Small Business Investment Act of 1958.

(Sec. 410) Makes permanent a current stop-gap provision that allows CDCs qualified as premier certified lenders under SBA requirements to amortize their reserve requirements and withdraw from such reserve amounts attributable to debentures as such debentures are repaid.

(Sec. 411) Outlines criteria for development company qualification as a CDC eligible to participate in the LDBL program, including: (1) size (fewer than 500 employees, with an exception); (2) primary purpose and function; (3) nonprofit status; (4) good standing in the state in which it conducts business; (4) membership, board of directors, and professional management and staff; and (5) use of proceeds. Provides ethical requirements, including prohibited conflicts of interest in approved loans. Directs the Administrator to permit a CDC to engage in multistate (contiguous) loan operations, under specified requirements. Prohibits a CDC from having more than one member of the Board of Directors of that CDC in common with any other Board of Directors of another CDC. Requires CDCs to follow state job creation requirements.

(Sec. 413) Allows 7(a) and LDBL program borrowers to include loan and debenture closing costs within their loan amounts.

(Sec. 415) Authorizes and directs the SBA to publish proposed regulations to implement this Act within 120 days after enactment, and to publish final regulations within an additional 120 days.

(Sec. 416) Establishes a two-year limit for final approval of development companies as new market capital venture companies.

(Sec. 417) Authorizes LDBL program loans to be used by CDCs for a pilot program to assist small, nonprofit child care businesses. (Currently, such loans are limited to for-profit child care providers.) Prohibits more than 7% of LDBL loans guaranteed in a fiscal year from being used for loans to child care businesses. Terminates such authority at the end of FY2010. Requires: (1) semiannual implementation reports, throughout the program period, from the Administrator to the small business committees; and (2) a single report, from the CG to such committees, on information gathered during the first two years of the program.

(Sec. 418) Requires that any debenture issued to provide capital for a development company loan guaranteed by the SBA to provide for payment of principal and interest on a semiannual basis.

(Sec. 419) Increases from \$250,000 to \$400,000 the value of commercial real property offered as collateral for a 7(a) or LDBL loan on which an appraisal will be required. Allows the Administrator to require an appraisal of property valued at less than \$400,000 if the appraisal is considered necessary for an appropriate evaluation of creditworthiness. Requires the Administrator to periodically adjust the \$400,000 threshold for inflation.

Actions Timeline

- **Apr 16, 2008:** Committee on Small Business and Entrepreneurship. Hearings held.
- **Feb 27, 2008:** Committee on Small Business and Entrepreneurship. Hearings held.
- **Sep 12, 2007:** Committee on Small Business and Entrepreneurship. Reported by Senator Kerry with an amendment in the nature of a substitute. With written report No. 110-154.(consideration: CR S11504)
- **Sep 12, 2007:** Committee on Small Business and Entrepreneurship. Reported by Senator Kerry with an amendment in the nature of a substitute. With written report No. 110-154. (consideration: CR S11504)
- **Sep 12, 2007:** Placed on Senate Legislative Calendar under General Orders. Calendar No. 352.
- **May 16, 2007:** Committee on Small Business and Entrepreneurship. Ordered to be reported with an amendment in the nature of a substitute favorably.
- **May 1, 2007:** Introduced in Senate
- **May 1, 2007:** Read twice and referred to the Committee on Small Business and Entrepreneurship.