

## HR 4166

Expanding Proven Financing for American Employers Act

**Congress:** 114 (2015–2017, Ended)

**Chamber:** House

**Policy Area:** Finance and Financial Sector

**Introduced:** Dec 3, 2015

**Current Status:** Placed on the Union Calendar, Calendar No. 462.

**Latest Action:** Placed on the Union Calendar, Calendar No. 462. (May 26, 2016)

**Official Text:** <https://www.congress.gov/bill/114th-congress/house-bill/4166>

### Sponsor

**Name:** Rep. Barr, Andy [R-KY-6]

**Party:** Republican • **State:** KY • **Chamber:** House

### Cosponsors (12 total)

Cosponsor	Party / State	Role	Date Joined
Rep. Scott, David [D-GA-13]	D · GA		Dec 3, 2015
Rep. Foster, Bill [D-IL-11]	D · IL		May 3, 2016
Rep. Guinta, Frank C. [R-NH-1]	R · NH		May 13, 2016
Rep. Huizenga, Bill [R-MI-2]	R · MI		May 13, 2016
Rep. Marchant, Kenny [R-TX-24]	R · TX		May 13, 2016
Rep. McHenry, Patrick T. [R-NC-10]	R · NC		May 13, 2016
Rep. Stivers, Steve [R-OH-15]	R · OH		May 13, 2016
Rep. Wagner, Ann [R-MO-2]	R · MO		May 13, 2016
Rep. Fitzpatrick, Michael G. [R-PA-8]	R · PA		May 18, 2016
Rep. Luetkemeyer, Blaine [R-MO-3]	R · MO		May 18, 2016
Rep. Carney, John C., Jr. [D-DE-At Large]	D · DE		May 25, 2016
Rep. Hill, J. French [R-AR-2]	R · AR		May 26, 2016

### Committee Activity

Committee	Chamber	Activity	Date
Financial Services Committee	House	Hearings By (subcommittee)	Feb 24, 2016

### Subjects & Policy Tags

#### Policy Area:

Finance and Financial Sector

### Related Bills

*No related bills are listed.*

## Expanding Proven Financing for American Employers Act

(Sec. 2) This bill amends the Securities Exchange Act of 1934 to permit the manager of a qualified collateralized loan obligation, or one or more of the majority-owned affiliates of the manager (or its knowledgeable employees and other employees), to meet the risk retention requirement for a qualified collateralized loan obligation by the purchase and holding (without transferring the credit risk) of the value of at least 5% of the equity distributed among each of the higher tranches of the issuance with at least 3.5% retained as equity of the collateralized loan obligation.

The bill prescribes characteristics of a qualified collateralized loan obligation with respect to:

- asset quality protections that have at least 100% of the obligation's assets composed of senior secured loans and cash equivalents,
- asset portfolio protections,
- structural protections,
- alignment of manager and investor interests,
- regulatory oversight requirements, and
- transparency and disclosure requirements.

Further criteria for the asset quality protections for a qualified collateralized loan obligation require that the obligation:

- have 100% of its loan assets issued by companies;
- have no assets that are asset-backed securities or derivatives (except for an acquired loan participation, any interest related to or in a letter of credit, or a derivative transaction to hedge interest rate or currency rate mismatches);
- not purchase assets in default, margin stock, or equity convertible securities;
- acquire only loans held or acquired by three or more investors or lenders unaffiliated with the manager;
- hold only loans to borrowers whose financial statements are subject to an annual audit from an independent, accredited accounting firm; and
- have no more than 60% of its assets composed of covenant lite loans, except that each asset shall require disclosure of unaudited quarterly financial statements and of audited annual financial statements.

A "covenant lite loan" (or "cov-lite," commonly a loan agreement that does not contain the usual protective covenants for the benefit of the lending party) shall mean in this bill, at the time a collateralized loan obligation enters into a commitment to acquire it, a loan for which the underlying instruments neither:

- require the obligor to comply with any maintenance covenant; nor
- contain a cross-default provision to a financing facility of the obligor that requires the obligor to comply with a maintenance covenant (including one that may apply only upon the funding of such other loan or financing facility).

If any such loan is *pari passu* (treated equally and without preference) with another loan of the obligor that would not be a covenant lite loan, such loan shall be deemed not to be a covenant lite loan.

## **Actions Timeline**

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- **May 26, 2016:** Reported (Amended) by the Committee on Financial Services. H. Rept. 114-596.
- **May 26, 2016:** Placed on the Union Calendar, Calendar No. 462.
- **Mar 2, 2016:** Committee Consideration and Mark-up Session Held.
- **Mar 2, 2016:** Ordered to be Reported (Amended) by the Yeas and Nays: 42 - 15.
- **Feb 24, 2016:** Hearings Held by the Subcommittee on Capital Markets and Government Sponsored Enterprises Prior to Referral.
- **Dec 3, 2015:** Introduced in House
- **Dec 3, 2015:** Referred to the House Committee on Financial Services.

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