

113TH CONGRESS
1ST SESSION

H. R. 2451

To direct the Administrator of the Small Business Administration to establish and carry out a direct lending program for small business concerns, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 20, 2013

Ms. VELÁZQUEZ (for herself, Mr. PAYNE, Ms. CHU, and Ms. CLARKE) introduced the following bill; which was referred to the Committee on Small Business

A BILL

To direct the Administrator of the Small Business Administration to establish and carry out a direct lending program for small business concerns, 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 “Strengthening Entre-
5 preneurs’ Economic Development Act of 2013”.

1 **SEC. 2. DIRECT LENDING PROGRAM FOR SMALL BUSINESS**
2 **CONCERNS.**

3 (a) **ESTABLISHMENT.**—The Administrator of the
4 Small Business Administration shall—

5 (1) establish and carry out a loan program (in
6 this Act referred to as the “program”); and

7 (2) establish a process under which an eligible
8 small business concern may submit an application to
9 the Administrator for the purpose of securing a loan
10 under the program.

11 (b) **LOAN AMOUNT.**—Each loan made to an eligible
12 small business concern under the program shall be in an
13 amount not to exceed \$150,000.

14 (c) **REPAYMENT PERIOD.**—An eligible small business
15 concern that receives a loan under the program shall repay
16 the loan not later than 6 years after the date on which
17 such loan is disbursed.

18 (d) **NO PREPAYMENT PENALTY.**—There shall be no
19 prepayment penalty on a loan made under the program.

20 (e) **INTEREST RATE.**—The maximum legal rate of in-
21 terest on any loan made under the program shall not ex-
22 ceed the sum of the rate prescribed by the Administrator
23 pursuant to section 7(a)(4)(A) of the Small Business Act
24 (15 U.S.C. 636(a)(4)(A)) for direct loans plus 5 percent.

25 (f) **BORROWER FEES.**—With respect to each loan
26 made to an eligible small business concern under the pro-

1 gram, the Administrator may collect a fee from the bor-
2 rower using the formula established under section
3 7(a)(18) of the Small Business Act (15 U.S.C.
4 636(a)(18)).

5 (g) UNDERWRITING STANDARDS.—Not later than
6 180 days after the date of enactment of this Act, the Ad-
7 ministrator shall issue guidance regarding prudent under-
8 writing standards that must be used for loans made under
9 the program.

10 (h) LENDER PARTICIPATION.—

11 (1) LENDERS.—

12 (A) IN GENERAL.—The Administrator
13 shall establish a process under which the Ad-
14 ministrator makes available to lenders each loan
15 application submitted for the purpose of such
16 lenders originating, underwriting, closing, and
17 servicing the loan for which the applicant ap-
18 plied.

19 (B) ELIGIBILITY.—Lenders are eligible to
20 receive a loan application described in subpara-
21 graph (A) if they participate in the program.

22 (C) LOCAL LENDERS.—The Administrator
23 shall first make available a loan application de-
24 scribed in subparagraph (A) to lenders within

1 50 miles of the principal office of the loan ap-
2 plicant.

3 (D) PREFERRED LENDERS.—If a lender
4 described in subparagraph (C) does not agree
5 to originate, underwrite, close, and service the
6 loan applied for within 5 business days of re-
7 ceiving a loan application described in subpara-
8 graph (A), the Administrator shall subsequently
9 make available such loan application to lenders
10 in the Preferred Lenders Program under sec-
11 tion 7(a)(2)(C)(ii) of the Small Business Act
12 (15 U.S.C. 636(a)(2)(C)(ii)).

13 (E) AUTHORITY OF ADMINISTRATION TO
14 LEND.—If a lender described in subparagraphs
15 (C) and (D) does not agree to originate, under-
16 write, close, and service the loan applied for
17 within 10 business days of receiving a loan ap-
18 plication described in subparagraph (A), the
19 Administrator shall, in accordance with the un-
20 derwriting standards promulgated under sub-
21 section (g), consider such loan for origination,
22 underwriting, closing, and servicing by the Ad-
23 ministration within 10 business days.

24 (2) ASSET SALES.—The Administrator shall
25 offer to sell loans made by the Administrator under

1 the program. Such sales shall be made through the
2 semi-annual public solicitation (in the Federal Reg-
3 ister and in other media) of offers to purchase. The
4 Administrator may contract with vendors for due
5 diligence, asset valuation, and other services related
6 to such sales. The Administrator may not sell any
7 loan under the program for less than 90 percent of
8 the net present value of the loan, as determined and
9 certified by a qualified third party.

10 (3) LOANS NOT SOLD.—The Administrator
11 shall maintain and service loans made by the Admin-
12 istrator under this paragraph that are not sold
13 through the asset sales under this subsection.

14 (i) DEFINITIONS.—In this Act:

15 (1) ADMINISTRATOR.—The term “Adminis-
16 trator” means the Administrator of the Small Busi-
17 ness Administration.

18 (2) ELIGIBLE SMALL BUSINESS CONCERN.—
19 The term “eligible small business concern” means a
20 small business concern that has less than 20 employ-
21 ees.

22 (3) SMALL BUSINESS CONCERN.—The term
23 “small business concern” has the same meaning
24 given such term under section 3 of the Small Busi-
25 ness Act (15 U.S.C. 632).

1 **SEC. 3. FEE FOR HIGH-DOLLAR 7(a) LOANS.**

2 Section 7(a) of the Small Business Act is amended—

3 (1) by redesignating paragraphs (31) through
4 (35) as paragraphs (32) through (36); and

5 (2) by inserting the following new paragraph:

6 “(31) FEE FOR HIGH-DOLLAR LOANS.—With
7 respect to each loan in excess of \$2,000,000 ap-
8 proved under this subsection, the Administration
9 shall assess, collect, and retain a fee not to exceed
10 a certain percentage, as determined by the Adminis-
11 trator, of the outstanding balance of the deferred
12 participation share of the loan, as necessary to re-
13 duce to zero the cost to the Administration of mak-
14 ing loans under this subsection. As used in the para-
15 graph, the term ‘cost’ has the meaning given that
16 term in section 502 of the Federal Credit Reform
17 Act of 1990 (2 U.S.C. 661a).”

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