

110<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 1332

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## AN ACT

To improve the access to capital programs of the Small  
Business Administration, 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,*

1 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

2 (a) SHORT TITLE.—This Act may be cited as the  
3 “Small Business Lending Improvements Act of 2007”.

4 (b) TABLE OF CONTENTS.—The table of contents for  
5 this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—7(a) PROGRAM

- Sec. 101. Authority for fee contributions.
- Sec. 102. Rural Lending Outreach Program.
- Sec. 103. Community Express program made permanent.
- Sec. 104. Medical Professionals in Designated Shortage Areas Program.
- Sec. 105. Increased Veteran Participation Program.
- Sec. 106. Alternative size standard.
- Sec. 107. Support to regional offices.

TITLE II—CERTIFIED DEVELOPMENT COMPANY ECONOMIC  
DEVELOPMENT LOAN PROGRAM

- Sec. 201. Certified Development Company Economic Development Loan Program.
- Sec. 202. Definitions.
- Sec. 203. Eligibility of development companies to be designated as certified development companies.
- Sec. 204. Definition of rural areas.
- Sec. 205. Businesses in low-income areas.
- Sec. 206. Combinations of certain goals.
- Sec. 207. Refinancing.
- Sec. 208. Additional equity injections.
- Sec. 209. Loan liquidations.
- Sec. 210. Closing costs.
- Sec. 211. Maximum Certified Development Company and 7(a) loan eligibility.
- Sec. 212. Eligibility for energy efficiency projects.
- Sec. 213. Loans for plant projects used for energy-efficient purposes.
- Sec. 214. Extension of period during which loss reserves of premier certified lenders determined on the basis of outstanding balance of debentures.
- Sec. 215. Extension of alternative loss reserve pilot program for certain premier certified lenders.

6 **TITLE I—7(a) PROGRAM**

7 **SEC. 101. AUTHORITY FOR FEE CONTRIBUTIONS.**

8 Section 7(a) of the Small Business Act (15 U.S.C.  
9 636(a)) is amended—

1 (1) in paragraph (18)(A) by striking “shall col-  
2 lect” and inserting “shall assess and collect”;

3 (2) in paragraph (18) by adding at the end the  
4 following:

5 “(C) OFFSET.—The Administrator may,  
6 as provided in paragraph (32), offset fees as-  
7 sessed and collected under subparagraph (A).”;

8 (3) in paragraph (23) by striking subparagraph  
9 (C) and adding at the end the following:

10 “(C) OFFSET.—The Administrator may,  
11 as provided in paragraph (32), offset fees as-  
12 sessed and collected under subparagraph (A).”;

13 and

14 (4) by adding at the end the following:

15 “(32) FREE CONTRIBUTIONS.—

16 “(A) IN GENERAL.—To the extent that  
17 amounts are made available to the Adminis-  
18 trator for the purpose of fee contributions, the  
19 Administrator shall—

20 “(i) first consider contributing to fees  
21 paid by small business borrowers under  
22 clauses (i) through (iii) of paragraph  
23 (18)(A), to the maximum extent possible;  
24 and

1           “(ii) then consider contributing to fees  
2           paid by small business lenders under para-  
3           graph (23)(A).

4           “(B) QUARTERLY ADJUSTMENT.—Each  
5           fee contribution under subparagraph (A) shall  
6           be effective for one fiscal quarter and shall be  
7           adjusted as necessary for each fiscal quarter  
8           thereafter to ensure that the amounts under  
9           subparagraph (A) are fully used. The fee con-  
10          tribution for a fiscal quarter shall be based on  
11          the loans that the Administrator projects will be  
12          made during that fiscal quarter, given the pro-  
13          gram level authorized by law for that fiscal year  
14          and any other factors that the Administrator  
15          considers appropriate.”.

16 **SEC. 102. RURAL LENDING OUTREACH PROGRAM.**

17          Section 7(a) of the Small Business Act (15 U.S.C.  
18          636(a)) is amended—

- 19               (1) by striking paragraph (25)(C); and  
20               (2) by adding at the end the following:

21               “(33) RURAL LENDING OUTREACH PROGRAM.—  
22          The Administrator shall carry out a rural lending  
23          outreach program to provide up to an 85 percent  
24          guaranty for loans of \$250,000 or less. The program  
25          shall be carried out only through lenders located in

1 rural areas (as ‘rural’ is defined in section 501(f) of  
2 the Small Business Investment Act of 1958) or, in  
3 the case of a small business concern located in a  
4 rural area that does not have a lender located within  
5 30 miles of the principal place of business, through  
6 any lender that is enrolled in, and administers, the  
7 7(a) loan program that the small business concern  
8 chooses. For a loan made through the program, the  
9 following shall apply:

10 “(A) The Administrator shall approve or  
11 disapprove the loan within 36 hours.

12 “(B) The program shall use abbreviated  
13 application and documentation requirements.

14 “(C) Minimum credit standards, as the  
15 Administrator considers necessary to limit the  
16 rate of default on loans made under the pro-  
17 gram, shall apply.”.

18 **SEC. 103. COMMUNITY EXPRESS PROGRAM MADE PERMA-**  
19 **NENT.**

20 (a) **IN GENERAL.**—Section 7(a) of the Small Busi-  
21 ness Act (15 U.S.C. 636(a)) is amended by adding at the  
22 end the following:

23 “(34) **COMMUNITY EXPRESS PROGRAM.**—The  
24 Administrator shall carry out a Community Express  
25 Program for loans of \$250,000 or less. For a loan

1       made under this paragraph, the following shall  
2       apply:

3               “(A) The loan shall be made to a business  
4       concern—

5                       “(i) the majority ownership interest of  
6                       which is directly held by individuals who  
7                       are women, members of qualified Indian  
8                       tribes, socially or economically disadvan-  
9                       tagged individuals (as defined by the Ad-  
10                      ministrators), or veterans of the Armed  
11                      Forces or members of the reserve compo-  
12                      nents of the Armed Forces; or

13                      “(ii) that is located in a low- or mod-  
14                      erate-income area, as defined by the Ad-  
15                      ministrators.

16               “(B) The loan shall comply with the collat-  
17       eral policy of the Administration, except that, if  
18       the amount of the loan is less than or equal to  
19       \$25,000, the Administration shall not require  
20       the lender to take collateral.

21               “(C) The loan shall include terms requir-  
22       ing the lender to ensure that technical assist-  
23       ance is provided to the borrower, through the  
24       lender or a third-party provider.

1           “(D) The Administration shall approve or  
2           disapprove the loan within 36 hours.”.

3           (b) NOTICE AND COMMENT.—The program required  
4 by section 7(a)(34) of the Small Business Act, as added  
5 by subsection (a), shall be established after the oppor-  
6 tunity for notice and comment and not later than 180 days  
7 after the date of the enactment of this Act.

8 **SEC. 104. MEDICAL PROFESSIONALS IN DESIGNATED**  
9 **SHORTAGE AREAS PROGRAM.**

10          (a) IN GENERAL.—Section 7(a) of the Small Busi-  
11 ness Act (15 U.S.C. 636(a)) is amended by adding at the  
12 end the following:

13           “(35) MEDICAL PROFESSIONALS IN DES-  
14 IGNATED SHORTAGE AREAS PROGRAM.—The Admin-  
15 istrator shall carry out a Medical Professionals in  
16 Designated Shortage Areas Program. For a loan  
17 made under this paragraph, the following shall  
18 apply:

19           “(A) The loan shall be made to a business  
20 concern that provides properly licensed medical,  
21 dental, or psychiatric services to the public.

22           “(B) The loan shall be for the purpose of  
23 opening a business concern in a health profes-  
24 sional shortage area (as defined in section 332

1 of the Public Health Service Act (42 U.S.C.  
2 254e)).

3 “(C) The loan shall include the participa-  
4 tion by the Administration equal to 90 percent  
5 of the balance of the financing outstanding at  
6 the time of disbursement.

7 “(D) The fees on the loan under para-  
8 graphs (18) and (23) shall be reduced by half.”.

9 (b) NOTICE AND COMMENT.—The program required  
10 by section 7(a)(35) of the Small Business Act, as added  
11 by subsection (a), shall be established after the oppor-  
12 tunity for notice and comment and not later than 180 days  
13 after the date of the enactment of this Act.

14 **SEC. 105. INCREASED VETERAN PARTICIPATION PROGRAM.**

15 (a) IN GENERAL.—Section 7(a) of the Small Busi-  
16 ness Act (15 U.S.C. 636(a)) is amended by adding at the  
17 end the following:

18 “(36) INCREASED VETERAN PARTICIPATION  
19 PROGRAM.—The Administrator shall carry out an  
20 Increased Veteran Participation Program. For a  
21 loan made under this paragraph, the following shall  
22 apply:

23 “(A) The loan shall be made to a business  
24 concern the majority ownership interest of  
25 which is directly held by individuals who are



1 veterans of the Armed Forces or members of  
2 the reserve components of the Armed Forces.

3 “(B) The loan shall include the participa-  
4 tion by the Administration equal to 90 percent  
5 of the balance of the financing outstanding at  
6 the time of disbursement.

7 “(C) The fees on the loan under para-  
8 graphs (18) and (23) shall not apply.”.

9 (b) NOTICE AND COMMENT.—The program required  
10 by section 7(a)(36) of the Small Business Act, as added  
11 by subsection (a), shall be established after the oppor-  
12 tunity for notice and comment and not later than 180 days  
13 after the date of the enactment of this Act.

14 **SEC. 106. ALTERNATIVE SIZE STANDARD.**

15 (a) IN GENERAL.—Section 3(a) of the Small Busi-  
16 ness Act (15 U.S.C. 632(a)) is amended by adding at the  
17 end the following:

18 “(5) In addition to any other size standard  
19 under this subsection, the Administrator shall estab-  
20 lish, and permit a lender making a loan under sec-  
21 tion 7(a) and a lender making a loan under the de-  
22 velopment company loan program to use, an alter-  
23 native size standard. The alternative size standard  
24 shall be based on factors including maximum tan-  
25 gible net worth and average net income.”.

1 (b) APPLICABILITY.—Until the Administrator estab-  
2 lishes, under section 3(a)(5) of the Small Business Act  
3 (as added by subsection (a)), an alternative size standard  
4 in the case of a lender making a loan under section 7(a)  
5 of that Act, the alternative size standard in section  
6 121.301(b) of title 13, Code of Federal Regulations, shall  
7 apply to such a case.

8 **SEC. 107. SUPPORT TO REGIONAL OFFICES.**

9 Section 7(a) of the Small Business Act (15 U.S.C.  
10 636(a)) is amended by adding at the end the following:

11 “(37) SUPPORT TO REGIONAL OFFICES.—The  
12 Administrator shall carry out a program, within an  
13 element of the Administration already in existence  
14 as of the date of the enactment of the Small Busi-  
15 ness Lending Improvements Act of 2007, to provide  
16 support to regional offices of the Administration in  
17 assisting small lenders who do not participate in the  
18 preferred lender program to participate in the 7(a)  
19 program.”.

1 **TITLE II—CERTIFIED DEVELOP-**  
2 **MENT COMPANY ECONOMIC**  
3 **DEVELOPMENT LOAN PRO-**  
4 **GRAM**

5 **SEC. 201. CERTIFIED DEVELOPMENT COMPANY ECONOMIC**  
6 **DEVELOPMENT LOAN PROGRAM.**

7 Section 504 of the Small Business Investment Act  
8 of 1958 (15 U.S.C. 697a) is amended—

9 (1) by redesignating subsections (a) and (b) as  
10 subsections (b) and (c); and

11 (2) by inserting before subsection (b) (as so re-  
12 designated) the following:

13 “(a) The program to provide financing to small busi-  
14 nesses by guarantees of loans under this Act which are  
15 funded by debentures guaranteed by the Administration  
16 may be known as the ‘Certified Development Company  
17 Economic Development Loan Program’.”.

18 **SEC. 202. DEFINITIONS.**

19 Section 103(6) of the Small Business Investment Act  
20 of 1958 (15 U.S.C. 662(6)) is amended to read as follows:

21 “(6) the term ‘development company’ means an  
22 entity incorporated under State law with the author-  
23 ity to promote and assist the growth and develop-  
24 ment of small-business concerns in the areas in  
25 which it is authorized to operate by the Administra-

1       tion, and the term ‘certified development company’  
2       means a development company which the Adminis-  
3       tration has determined meets the criteria of section  
4       506;”.

5       **SEC. 203. ELIGIBILITY OF DEVELOPMENT COMPANIES TO**  
6                               **BE DESIGNATED AS CERTIFIED DEVELOP-**  
7                               **MENT COMPANIES.**

8       Section 506 of the Small Business Investment Act  
9       of 1958 (15 U.S.C. 697e) is amended to read as follows:

10       **“SEC. 506. CERTIFIED DEVELOPMENT COMPANIES.**

11               “(a) **AUTHORITY TO ISSUE DEBENTURES.**—A devel-  
12       opment company may issue debentures pursuant to this  
13       Act if the Administration certifies that the company meets  
14       the following criteria:

15                       “(1) **SIZE.**—The development company is re-  
16       quired to be a small concern with fewer than 500  
17       employees and not under the control of any entity  
18       which does not meet the Administration’s size stand-  
19       ards as a small business, except that any develop-  
20       ment company which was certified by the Adminis-  
21       tration prior to December 31, 2005 may continue to  
22       issue debentures.

23                       “(2) **PURPOSE.**—The primary purpose of the  
24       development company is to benefit the community by

1 fostering economic development to create and pre-  
2 serve jobs and stimulate private investment.

3 “(3) PRIMARY FUNCTION.—The primary func-  
4 tion of the development company is to accomplish its  
5 purpose by providing long term financing to small  
6 businesses by the utilization of the Certified Devel-  
7 opment Company Economic Development Loan Pro-  
8 gram. It may also provide or support such other  
9 local economic development activities to assist the  
10 community.

11 “(4) NON-PROFIT STATUS.—The development  
12 company is a non-profit corporation, except that a  
13 development company certified by the Administra-  
14 tion prior to January 1, 1987, may retain its status  
15 as a for-profit corporation.

16 “(5) GOOD STANDING.—The development com-  
17 pany is in good standing in its State of incorpora-  
18 tion and in any other State in which it conducts  
19 business, and is in compliance with all laws, includ-  
20 ing taxation requirements, in its State of incorpora-  
21 tion and in any other State in which it conducts  
22 business.

23 “(6) MEMBERSHIP.—The development company  
24 has at least 25 members (or stockholders if the cor-  
25 poration is a for-profit entity), none of whom may

1 own or control more than 10 percent of the com-  
2 pany's voting membership, consisting of representa-  
3 tion from each of the following groups (none of  
4 which are in a position to control the development  
5 company):

6 “(A) Government organizations that are  
7 responsible for economic development.

8 “(B) Financial institutions that provide  
9 commercial long term fixed asset financing.

10 “(C) Community organizations that are  
11 dedicated to economic development.

12 “(D) Businesses.

13 “(7) BOARD OF DIRECTORS.—The development  
14 company has a board of directors that—

15 “(A) is elected from the membership by  
16 the members;

17 “(B) represents at least three of the four  
18 groups enumerated in subsection (a)(6) and no  
19 group is in a position to control the company;  
20 and

21 “(C) meets on a regular basis to make pol-  
22 icy decisions for such company.

23 “(8) PROFESSIONAL MANAGEMENT AND  
24 STAFF.—The development company has full-time  
25 professional management, including a chief executive

1 officer to manage daily operations, and a full-time  
2 professional staff qualified to market the Certified  
3 Development Company Economic Development Loan  
4 Program and handle all aspects of loan approval and  
5 servicing, including liquidation, if appropriate. The  
6 development company is required to be independ-  
7 ently managed and operated to pursue its economic  
8 development mission and to employ its chief execu-  
9 tive officer directly, with the following exceptions:

10 “(A) A development company may be an  
11 affiliate of another local non-profit service cor-  
12 poration (specifically excluding another develop-  
13 ment company) whose mission is to support  
14 economic development in the area in which the  
15 development company operates. In such a case:

16 “(i) The development company may  
17 satisfy the requirement for full-time pro-  
18 fessional staff by contracting with a local  
19 non-profit service corporation (or one of its  
20 non-profit affiliates), or a governmental or  
21 quasi-governmental agency, to provide the  
22 required staffing.

23 “(ii) The development company and  
24 the local non-profit service corporation may  
25 have partially common boards of directors.

1           “(B) A development company in a rural  
2           area (as defined in section 501(f)) shall be  
3           deemed to have satisfied the requirements of a  
4           full-time professional staff and professional  
5           management ability if it contracts with another  
6           certified development company which has such  
7           staff and management ability and which is lo-  
8           cated in the same general area to provide such  
9           services.

10           “(C) A development company that has  
11           been certified by the Administration as of De-  
12           cember 31, 2005, and that has contracted with  
13           a for-profit company to provide services as of  
14           such date may continue to do so.

15           “(b) AREA OF OPERATIONS.—The Administration  
16           shall specify the area in which an applicant is certified  
17           to provide assistance to small businesses under this title,  
18           which may not initially exceed its State of incorporation  
19           unless it proposes to operate in a local economic area  
20           which is required to include part of its State of incorpora-  
21           tion and may include adjacent areas within several States.  
22           After a development company has demonstrated its ability  
23           to provide assistance in its area of operations, it may re-  
24           quest the Administration to be allowed to operate in one



1 or more additional States as a multi-state certified devel-  
2 opment company if it satisfies the following criteria:

3           “(1) Each additional State is contiguous to the  
4 State of incorporation, except the States of Alaska  
5 and Hawaii shall be deemed to be contiguous to any  
6 State abutting the Pacific ocean.

7           “(2) It demonstrates its proficiency in making  
8 and servicing loans under the Certified Development  
9 Company Economic Development Loan Program  
10 by—

11                   “(A) requesting and receiving designation  
12 as an accredited lender under section 507 or a  
13 premier certified lender under section 508; and

14                   “(B) meeting or exceeding performance  
15 standards established by the Administration.

16           “(3) The development company adds to the  
17 membership of its State of incorporation additional  
18 membership from each additional State and the  
19 added membership meets the requirements of sub-  
20 section (a)(6).

21           “(4) The development company adds at least  
22 one member to its board of directors in the State of  
23 incorporation, providing that added member was se-  
24 lected by the membership of the development com-  
25 pany.

1           “(5) The company meets such other criteria or  
2           complies with such conditions as the Administration  
3           deems appropriate.

4           “(c) PROCESSING OF EXPANSION APPLICATIONS.—  
5           The Administration shall respond to the request of a cer-  
6           tified development company for certification as a multi-  
7           state company on an expedited basis within 30 days of  
8           receipt of a completed application if the application dem-  
9           onstrates that the development company meets the re-  
10          quirements of subsection (b)(1) through (b)(4).

11          “(d) USE OF FUNDS LIMITED TO STATE WHERE  
12          GENERATED.—Any funds generated by a development  
13          company from making loans under the Certified Develop-  
14          ment Company Economic Development Loan Program  
15          which remain after payment of staff, operating and over-  
16          head expenses shall be retained by the development com-  
17          pany as a reserve for future operations, for expanding its  
18          area of operations in a local economic area as authorized  
19          by the Administration, or for investment in other local eco-  
20          nomic development activity in the State from which the  
21          funds were generated.

22          “(e) ETHICAL REQUIREMENTS.—

23                 “(1) IN GENERAL.—Certified development com-  
24                 panies, their officers, employees and other staff,  
25                 shall at all times act ethically and avoid activities

1 which constitute a conflict of interest or appear to  
2 constitute a conflict of interest. No one may serve as  
3 an officer, director or chief executive officer of more  
4 than one certified development company.

5 “(2) PROHIBITED CONFLICT IN PROJECT  
6 LOANS.—As part of a project under the Certified  
7 Development Company Economic Development Loan  
8 Program, no certified development company may  
9 recommend or approve a guarantee of a debenture  
10 by the Administration that is collateralized by a sec-  
11 ond lien position on the property being constructed  
12 or acquired and also provide, or be affiliated with a  
13 corporation or other entity, for-profit or non-profit,  
14 which provides, financing collateralized by a first  
15 lien on the same property. A business development  
16 company that was participating as a first mortgage  
17 lender, either directly or through an affiliate, for the  
18 Certified Development Company Economic Develop-  
19 ment Loan Program in either fiscal years 2004 or  
20 2005 may continue to do so.

21 “(3) OTHER ECONOMIC DEVELOPMENT ACTIVI-  
22 TIES.—Operation of multiple programs to assist  
23 small business concerns in order for a certified de-  
24 velopment company to carry out its economic devel-  
25 opment mission shall not be deemed a conflict of in-

1       terest, but notwithstanding any other provision of  
2       law, no development company may accept funding  
3       from any source, including but not limited to any de-  
4       partment or agency of the United States Govern-  
5       ment—

6               “(A) if such funding includes any condi-  
7               tions, priorities or restrictions upon the types of  
8               small businesses to which they may provide fi-  
9               nancial assistance under this title; or

10              “(B) if it includes any conditions or im-  
11              poses any requirements, directly or indirectly,  
12              upon any recipient of assistance under this title  
13              unless the department or agency also provides  
14              all of the financial assistance to be delivered by  
15              the development company to the small business  
16              and such conditions, priorities or restrictions  
17              are limited solely to the financial assistance so  
18              provided.”.

19       **SEC. 204. DEFINITION OF RURAL AREAS.**

20       Section 501 of the Small Business Investment Act  
21       of 1958 (15 U.S.C. 695) is amended by adding at the end  
22       the following new subsection:

23              “(f) As used in subsection (d)(3)(D), the term ‘rural’  
24       shall include any area other than—

1           “(1) a city or town that has a population great-  
2           er than 50,000 inhabitants; and

3           “(2) the urbanized area contiguous and adja-  
4           cent to such a city or town.”.

5 **SEC. 205. BUSINESSES IN LOW-INCOME AREAS.**

6           Section 501(d)(3) of the Small Business Investment  
7 Act of 1958 (15 U.S.C. 695(d)(3)) is amended by insert-  
8 ing after “business district revitalization” the following:  
9 “or expansion of businesses in low-income communities  
10 that would be eligible for new market tax credit invest-  
11 ments under section 45D of the Internal Revenue Code  
12 of 1986 (26 U.S.C. 45D)”.

13 **SEC. 206. COMBINATIONS OF CERTAIN GOALS.**

14           Section 501(e) of the Small Business Investment Act  
15 of 1958 (15 U.S.C. 695(e)) is amended by adding at the  
16 end the following:

17           “(7) A small business concern that is uncondi-  
18           tionally owned by more than one individual, or a cor-  
19           poration whose stock is owned by more than one in-  
20           dividual, is deemed to achieve a public policy goal  
21           under subsection (d)(3) if a combined ownership  
22           share of at least 51 percent is held by individuals  
23           who are in one of the groups listed as public policy  
24           goals specified in subsection (d)(3)(C) or  
25           (d)(3)(E).”.

1 **SEC. 207. REFINANCING.**

2 Section 502 of the Small Business Investment Act  
3 of 1958 (15 U.S.C. 696) is amended by adding at the end  
4 the following:

5 “(7) PERMISSIBLE DEBT REFINANCING.—Any  
6 financing approved under this title may also include  
7 a limited amount of debt refinancing for debt that  
8 was not previously guaranteed by the Administra-  
9 tion. If the project involves expansion of a small  
10 business which has existing indebtedness  
11 collateralized by fixed assets, any amount of existing  
12 indebtedness that does not exceed one-half of the  
13 project cost of the expansion may be refinanced and  
14 added to the expansion cost, providing—

15 “(A) the proceeds of the indebtedness were  
16 used to acquire land, including a building situ-  
17 ated thereon, to construct a building thereon or  
18 to purchase equipment;

19 “(B) the borrower has been current on all  
20 payments due on the existing debt for at least  
21 the past year; and

22 “(C) the financing under the Certified De-  
23 velopment Company Economic Development  
24 Loan Program will provide better terms or rate  
25 of interest than now exists on the debt.”.

1 **SEC. 208. ADDITIONAL EQUITY INJECTIONS.**

2 Clause (ii) of section 502(3)(B) of the Small Business  
3 Investment Act of 1958 (15 U.S.C. 696(3)(B)) is amend-  
4 ed to read as follows:

5 “(ii) FUNDING FROM INSTITU-  
6 TIONS.—

7 “(I) If a small business concern  
8 provides the minimum contribution re-  
9 quired under paragraph (C), not less  
10 than 50 percent of the total cost of  
11 any project financed pursuant to  
12 clauses (i), (ii), or (iii) of subpara-  
13 graph (C) shall come from the institu-  
14 tions described in subclauses (I), (II),  
15 and (III) of clause (i).

16 “(II) If a small business concern  
17 provides more than the minimum con-  
18 tribution required under paragraph  
19 (C), any excess contribution may be  
20 used to reduce the amount required  
21 from the institutions described in sub-  
22 clauses (I), (II), and (III) of clause (i)  
23 except that the amount from such in-  
24 stitutions may not be reduced to an  
25 amount less than the amount of the  
26 loan made by the Administration.”.

1 **SEC. 209. LOAN LIQUIDATIONS.**

2 Section 510 of the Small Business Investment Act  
3 of 1958 (15 U.S.C. 697g) is amended—

4 (1) by redesignating subsection (e) as sub-  
5 section (g); and

6 (2) by inserting after subsection (d) the fol-  
7 lowing:

8 “(e) PARTICIPATION.—

9 “(1) MANDATORY.—Any certified development  
10 company which elects not to apply for authority to  
11 foreclose and liquidate defaulted loans under this  
12 section or which the Administration determines to be  
13 ineligible for such authority shall contract with a  
14 qualified third-party to perform foreclosure and liq-  
15 uidation of defaulted loans in its portfolio. The con-  
16 tract shall be contingent upon approval by the Ad-  
17 ministration with respect to the qualifications of the  
18 contractor and the terms and conditions of liquida-  
19 tion activities.

20 “(2) COMMENCEMENT.—The provisions of this  
21 subsection shall not require any development com-  
22 pany to liquidate defaulted loans until the Adminis-  
23 tration has adopted and implemented a program to  
24 compensate and reimburse development companies  
25 as provided under subsection (f).

26 “(f) COMPENSATION AND REIMBURSEMENT.—



1           “(1) REIMBURSEMENT OF EXPENSES.—The  
2 Administration shall reimburse each certified devel-  
3 opment company for all expenses paid by such com-  
4 pany as part of the foreclosure and liquidation ac-  
5 tivities if the expenses—

6                   “(A) were approved in advance by the Ad-  
7 ministration either specifically or generally; or

8                   “(B) were incurred by the company on an  
9 emergency basis without Administration prior  
10 approval but which were reasonable and appro-  
11 priate.

12           “(2) COMPENSATION FOR RESULTS.—The Ad-  
13 ministration shall develop a schedule to compensate  
14 and provide an incentive to qualified State or local  
15 development companies which foreclose and liquidate  
16 defaulted loans. The schedule shall be based on a  
17 percentage of the net amount recovered but shall not  
18 exceed a maximum amount. The schedule shall not  
19 apply to any foreclosure which is conducted pursu-  
20 ant to a contract between a development company  
21 and a qualified third-party to perform the fore-  
22 closure and liquidation.”.

1 **SEC. 210. CLOSING COSTS.**

2 Paragraph (4) of section 503(b) of the Small Busi-  
3 ness Investment Act of 1958 (15 U.S.C. 697(b)) is amend-  
4 ed to read as follows:

5 “(4) the aggregate amount of such debenture  
6 does not exceed the amount of loans to be made  
7 from the proceeds of such debenture plus, at the  
8 election of the borrower under the Certified Develop-  
9 ment Company Economic Development Loan Pro-  
10 gram, other amounts attributable to the administra-  
11 tive and closing costs of such loans, except for the  
12 borrower’s attorney fees;”.

13 **SEC. 211. MAXIMUM CERTIFIED DEVELOPMENT COMPANY**  
14 **AND 7(a) LOAN ELIGIBILITY.**

15 Section 502(2) of the Small Business Investment Act  
16 of 1958 (15 U.S.C. 696(2)) is amended by adding at the  
17 end the following:

18 “(C) COMBINATION FINANCING.—Financ-  
19 ing under this title may be provided to a bor-  
20 rower in the maximum amount provided in this  
21 subsection, plus a loan guarantee under section  
22 7(a) of the Small Business Act may also be pro-  
23 vided to the same borrower in the maximum  
24 provided in section 7(a)(3)(A) of such Act.”.

1 **SEC. 212. ELIGIBILITY FOR ENERGY EFFICIENCY**  
2 **PROJECTS.**

3 Section 501(d)(3) of the Small Business Investment  
4 Act of 1958 (15 U.S.C. 695(d)(3)) is amended—

5 (1) in subparagraph (G) by striking “or” at the  
6 end;

7 (2) in subparagraph (H) by striking the period  
8 at the end and inserting a comma; and

9 (3) by inserting after subparagraph (H) the fol-  
10 lowing:

11 “(I) reduction of energy consumption by at  
12 least 10 percent, or

13 “(J) increased use of sustainable design or  
14 low-impact design to produce buildings that re-  
15 duce the use of non-renewable resources, mini-  
16 mize environmental impact, and relate people  
17 with the natural environment.”.

18 **SEC. 213. LOANS FOR PLANT PROJECTS USED FOR ENERGY-**  
19 **EFFICIENT PURPOSES.**

20 Section 502(2)(A) of the Small Business Investment  
21 Act of 1958 (15 U.S.C. 696(2)(A)) is amended—

22 (1) in clause (ii) by striking “and” at the end;

23 (2) in clause (iii) by striking the period at the  
24 end and inserting “; and”; and

25 (3) by adding at the end the following:

1                   “(iv) \$4,000,000 for each project that  
2                   reduces the borrower’s energy consumption  
3                   by at least 10 percent.”.

4 **SEC. 214. EXTENSION OF PERIOD DURING WHICH LOSS RE-**  
5 **SERVES OF PREMIER CERTIFIED LENDERS**  
6 **DETERMINED ON THE BASIS OF OUT-**  
7 **STANDING BALANCE OF DEBENTURES.**

8           Section 508(c)(6)(B) of the Small Business Invest-  
9 ment Act of 1958 (15 U.S.C. 697e(c)(6)(B)) is amended  
10 by striking “during the 2-year period beginning on the  
11 date that is 90 days after the date of the enactment of  
12 this subparagraph,” and inserting “through the end of fis-  
13 cal year 2008,”.

14 **SEC. 215. EXTENSION OF ALTERNATIVE LOSS RESERVE**  
15 **PILOT PROGRAM FOR CERTAIN PREMIER**  
16 **CERTIFIED LENDERS.**

17           Section 508(c)(7)(J) of the Small Business Invest-  
18 ment Act of 1958 (15 U.S.C. 697e(c)(7)(J)) is amended  
19 by striking “means” and all that follows through the pe-

1 riod at the end and inserting “means each calendar quar-  
2 ter through the end of fiscal year 2008.”.

Passed the House of Representatives April 25, 2007.

Attest:

*Clerk.*

110<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

**H. R. 1332**

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**AN ACT**

To improve the access to capital programs of the  
Small Business Administration, and for other  
purposes.