H. R. ______

To amend the Small Business Investment Act of 1958 to improve the loan guaranty program, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. ______ introduced the following bill; which was referred to the Committee on ____________________

A BILL

To amend the Small Business Investment Act of 1958 to improve the loan guaranty program, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “504 Modernization and Small Manufacturer Enhancement Act of 2020”.

March 5, 2020 (2:21 p.m.)
SEC. 2. ADDITIONS TO POLICY GOALS FOR THE DEVELOPMENT COMPANY PROGRAM.


(1) by redesignating subparagraphs (A) through (L) as subparagraphs (B) through (M), respectively;

(2) by inserting before subparagraph (B), as so redesignated, the following:

“(A) workforce development through work-based or work-integrated training, which shall be satisfied by demonstrating that a small business concern that is a subject of the project has—

“(i) a documented in-house training program, the duration of which is not shorter than 12 weeks; or

“(ii) entered into a contract with an entity—

“(I) to provide trained applicants for any open position of employment at the small business concern; and

“(II) that ensures that any applicant provided to the small business concern under subclause (I) has undergone not fewer than 12 weeks of
training that is relevant to the open
position described in that subclause,”;

(3) by amending subparagraph (D) (as so re-
designated) to read as follows:
“(D) expansion of minority-owned, em-
ployee-owned, or women-owned business devel-
opment,”;

(4) in subparagraph (L) (as so redesignated),
by striking “producers, or” and inserting “pro-
ducers,”; 

(5) in subparagraph (M) (as so redesignated),
by striking the period at the end and inserting a
comma;

(6) by inserting after subparagraph (M) the fol-
lowing new subparagraphs:
“(N) enhanced ability for small business
concerns to reduce costs by using energy effi-
cient products and generating renewable en-
ergy, or
“(O) aiding in the revitalization of any
area where a disaster has been declared pursu-
ant to section 7(b)(2) of the Small Business
Act.”; and

(7) in the second sentence of the flush text fol-
lowing subparagraph (O), as added by paragraph
(6), by striking “subparagraphs (J) and (K)” and inserting “subparagraphs (K) and (L)”.

SEC. 3. INCREASE IN LOAN AMOUNTS FOR MANUFACTURING LOANS.


(1) in the matter preceding paragraph (1), by striking “The Administration” and inserting the following:

“(a) IN GENERAL.—The Administration”; and

(2) in subsection (a), as so designated—

(A) in paragraph (2)(A)—

(i) in the matter preceding clause (i), by striking “section” and inserting “subsection”; and

(ii) in clause (iii), by striking “$5,500,000” and inserting “$6,500,000”;

(B) in paragraph (3)(A), by striking “this section” and inserting “this subsection”; and

(C) in paragraph (5), by striking “this section” and inserting “this subsection”.

SEC. 4. IMPROVEMENTS TO 504 LOAN CLOSING PROCEDURE.

(1) in section 502, as amended by section 3, by adding at the end the following new subsections:

“(b) Closing.—

“(1) Authority of certain development companies.—An accredited lender certified company may take any of the following actions to facilitate the closing of a loan made under subsection (a):

“(A) Reallocate the cost of the project with respect to which the loan is made in an amount that is not more than 10 percent of the overall cost of the project.

“(B) Correct any name that is applicable to the loan, including the name of any borrower, guarantor, eligible passive company described in subparagraph (C)(i), and operating company described in subparagraph (C)(ii).

“(C) Form any of the following to receive proceeds of the loan:

“(i) An eligible passive company that complies with section 120.111 of title 13, Code of Federal Regulations, or any successor regulation.

“(ii) If an eligible passive company is formed under clause (i), an operating com-
pany with respect to that eligible passive company.

“(D) Correct the address of any property with respect to which the loan is made.

“(E) Correct the name of any interim lender or third party lender.

“(F) Change any third party lender or interim lender if that lender is a financial institution that is regulated by the Federal Government or a State government.

“(G) Make a guarantor a co-borrower or a co-borrower a guarantor.

“(H) Add a guarantor that does not change ownership with respect to the loan.

“(I) Reduce the amount of standby debt before the closing as a result of regularly scheduled payments.

“(J) Reduce the cost of the project with respect to which the loan is made.

“(2) FEES.—The Administrator shall—

“(A) issue a rule regarding the amount of a closing fee that may be financed in a debenture that is issued by a certified development company to make 1 or more loans to small business concerns, the proceeds of which are used
by that concern for the purposes described in subsection (a), except that such amount shall be not less than $3,500; and

“(B) periodically update the rule issued under subparagraph (A).

“(3) NO ADVERSE CHANGE AND FINANCIAL STATEMENT.—Before the closing with respect to a loan made under subsection (a), the borrower and any operating company shall—

“(A) make the certification required under section 120.892 of title 13, Code of Federal Regulations, or any successor regulation; and

“(B) submit to the certified development company a financial statement that is not more than 180 days old, which the company shall certify not later than 60 days before the date on which the certified development company issues a debenture with respect to the project to which the loan relates.

“(c) EXPRESS PROGRAM.—An accredited lender certified company may, with respect to a covered loan, take any of the following actions with respect to the loan:

“(1) Any action described in any of subparagraphs (A) through (J) of subsection (b)(1).
“(2) If the borrower is not delinquent with respect to the loan payments—

“(A) permit the loan to subordinate to a new third party lender loan for the purposes of refinancing that third party lender loan, except that no refinanced amount with respect to the loan may be increased in order to provide cash to the borrower;

“(B) permit a new party to assume responsibility for the loan if the original borrower remains on the loan as the original guarantor;

“(C) obtain force placed insurance coverage for the loan if the borrower has allowed insurance coverage with respect to the loan to lapse; and

“(D) endorse an insurance check with respect to the property that is financed by the loan in an amount that is less than $100,000.

“(3) Certify that the loan is compliant with the appraisal requirements and environmental policies and procedures applicable to the loan under Standard Operating Procedure 50 10 5(K) of the Administration, effective April 1, 2019, or any successor Standard Operating Procedure.

“(d) DEFINITIONS.—In this section—
“(1) the term ‘accredited lender certified company’ means a certified development company that meets the requirements under section 507(b), including a certified development company that the Administration has designated as an accredited lender under such section 507(b); and

“(2) the term ‘covered loan’—

“(A) means a loan made under subsection (a) in an amount that is not more than $500,000; and

“(B) does not include a loan made to a borrower that is a franchise that, or is in an industry that, has a high rate of default, as annually determined by the Administrator.”; and

(2) by adding at the end the following new section:

“SEC. 511. CLOSING AND OVERSIGHT.

“(a) SBA District Counsels.—Beginning on the date of enactment of this section, with respect to the program established under this title, district counsels of the Administration shall be subject to the same requirements, and shall have the same authority and responsibilities, as in effect with respect to that program on the day before the date of enactment of this section, except that—
“(1) the Office of Credit Risk Management of the Administration shall have the responsibility for all duties relating to conducting file reviews of loans made under this title, as provided in section 47(j) of the Small Business Act; and

“(2) district counsels of the Administration shall not have any responsibility relating to the review of closing packages with respect to a loan made under this title.

“(b) DESIGNATED ATTORNEYS.—For the purposes of this title, the following provisions and requirements shall apply with respect to a designated attorney of a certified development company:

“(1) A designated attorney that meets the requirements of paragraph (2) shall be responsible for certifying documents relating to the closing of a loan described in this title.

“(2) The Administrator may determine any continuing education requirements that the designated attorney shall be required to satisfy in order to be permitted to close a loan made under this title.

“(3) If, as of the date of enactment of this section, a certified development company does not have a designated attorney, during the 270-day period beginning on that date of enactment, the certified de-
velopment company may identify such an attorney, subject to the approval of the Administrator.”.

SEC. 5. CERTIFIED DEVELOPMENT COMPANY LOANS FOR SMALL MANUFACTURERS.

(a) CONTRIBUTION REQUIREMENT.—Section 502(a)(3)(C) of the Small Business Investment Act of 1958 (15 U.S.C. 696(a)(3)(C)), as designated by section 3, is amended—

(1) by redesignating clauses (i), (ii), (iii), and (iv) as subclauses (I), (II), (III), and (IV), respectively, and adjusting the margins of such subclauses accordingly;

(2) by inserting before subclause (I), as so redesignated, the following:

“(i) for a small business concern that is not a small manufacturer (as defined in section 501(e)(7))—”;

(3) in subclause (III), as so redesignated, by striking “clauses (i) and (ii)” and inserting “subclauses (I) and (II)”;

(4) in subclause (IV) as so redesignated, by striking the period and the end and inserting “; or”; and

(5) by adding at the end the following:
“(ii) for a small manufacturer (as defined in section 501(e)(7))—

“(I) at least 5 percent of the total cost of the project financed, if the small business concern has been in operation for a period of 2 years or less;

“(II) at least 5 percent of the total cost of the project financed, if the project involves a limited or single purpose building or structure;

“(III) at least 10 percent of the total cost of the project financed if the project involves both of the conditions set forth in subclauses (I) and (II); or

“(IV) at least 5 percent of the total cost of the project financed, in all other circumstances, at the discretion of the development company.”.

(b) CREATION OR RETENTION OF JOBS REQUIREMENT.—Section 501(e) of the Small Business Investment Act of 1958 (15 U.S.C. 695(e)) is amended—

(1) in paragraph (1), by striking “creates or retains” and all that follows through the period at the end and inserting “creates or retains 1 job for every
$75,000 guaranteed by the Administration, except that the amount is $150,000 in the case of a project of a small manufacturer.”;

(2) in paragraph (2), by striking “creates or retains” and all that follows through the period at the end and inserting “creates or retains 1 job for every $75,000 guaranteed by the Administration, except that the amount is $150,000 in the case of a project of a small manufacturer.”;

(3) by redesignating paragraph (6) as paragraph (7); and

(4) by inserting after paragraph (5) the following:

“(6) For a loan for a project directed toward the creation of job opportunities under subsection (d)(1), the Administrator shall publish on the website of the Administration the number of jobs created or retained under the project as of the date that is 2 years after the completion (as determined based on information provided by the development company) of the project.”.

(c) COLLATERAL REQUIREMENTS.—Section 502(a)(3)(E)(i) of the Small Business Investment Act of 1958 (15 U.S.C. 696(3)(E)(i)), as designated by section 3, is amended by adding at the end the following: “Addi-
tional collateral shall not be required in the case of a small manufacturer (as defined in section 501(e)(7)).”.

(d) DEBT REFINANCING.—Section 502(a)(7)(B) of the Small Business Investment Act of 1958 (15 U.S.C. 696(a)(7)(B)), as designated by section 3, is amended in the matter preceding clause (i) by inserting “(or in the case of a small manufacturer (as defined in section 501(e)(7)), that does not exceed 100 percent of the project cost of the expansion)” after “cost of the expansion”.

(e) AMOUNT OF GUARANTEED DEBENTURE.—Section 503(a) of the Small Business Investment Act of 1958 (15 U.S.C. 697(a)) is amended by adding at the end the following:

“(5) Any debenture issued by a State or local development company to a small manufacturer (as defined in section 501(e)(7)) with respect to which a guarantee is made under this subsection shall be in an amount equal to not more than 50 percent of the cost of the project with respect to which such debenture is issued, without regard to whether good cause has been shown.”.

SEC. 6. ASSISTANCE FOR SMALL MANUFACTURERS.

Title V of the Small Business Investment Act of 1958 (15 U.S.C. 695 et seq.), as amended by section 4(2), is further amended by adding at the end the following new section:
“SEC. 512. ASSISTANCE FOR SMALL MANUFACTURERS.

“The Administrator shall ensure that each district office of the Administration partners with not less than 1 resource partner of the Administration, including a small business development center described in section 21 of the Small Business Act, a women’s business center described in section 29 of the Small Business Act, the Service Corps of Retired Executives authorized by section 8(b)(1) of the Small Business Act, or a veteran business outreach center described in section 32 of the Small Business Act, to provide training to small business concerns assigned to a North American Industry Classification System code for manufacturing in obtaining assistance under the program carried out under this title, including with respect to the application process under that program and partnering with development companies under this title.”.