

110TH CONGRESS
1ST SESSION

H. R. 1332

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

IN THE HOUSE OF REPRESENTATIVES

MARCH 6, 2007

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

A BILL

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,*

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

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

6 (b) **TABLE OF CONTENTS.**—The table of contents for
7 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—504 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 504 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.

1 **TITLE I—7(A) PROGRAM**

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

3 Section 7(a) of the Small Business Act (15 U.S.C.
4 636(a)) is amended—

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

7 (2) in paragraph (18) by adding at the end the
8 following:

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

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

1 “(C) OFFSET.—The Administrator may,
2 as provided in paragraph (32), offset fees as-
3 sessed and collected under subparagraph (A).”;
4 and
5 (4) by adding at the end the following:

6 “(32) FREE CONTRIBUTIONS.—

7 “(A) IN GENERAL.—To the extent that
8 amounts are made available to the Adminis-
9 trator for the purpose of fee contributions, the
10 Administrator shall—

11 “(i) first consider contributing to fees
12 paid by small business borrowers under
13 clauses (i) through (iii) of paragraph
14 (18)(A), to the maximum extent possible;
15 and

16 “(ii) then consider contributing to fees
17 paid by small business lenders under para-
18 graph (23)(A).

19 “(B) QUARTERLY ADJUSTMENT.—Each
20 fee contribution under subparagraph (A) shall
21 be effective for one fiscal quarter and shall be
22 adjusted as necessary for each fiscal quarter
23 thereafter to ensure that the amounts under
24 subparagraph (A) are fully used. The fee con-
25 tribution for a fiscal quarter shall be based on

1 the loans that the Administrator projects will be
2 made during that fiscal quarter, given the pro-
3 gram level authorized by law for that fiscal year
4 and any other factors that the Administrator
5 considers appropriate.”.

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

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

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

11 “(33) RURAL LENDING OUTREACH PROGRAM.—

12 The Administrator shall carry out a rural lending
13 outreach program to provide up to an 85 percent
14 guaranty for loans of \$250,000 or less. The program
15 shall be carried out only through lenders located in
16 rural areas (as ‘rural’ is defined in section 501(f) of
17 the Small Business Investment Act of 1958). For a
18 loan made through the program, the following shall
19 apply:

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

22 “(B) The program shall use abbreviated
23 application and documentation requirements.

24 “(C) Minimum credit standards, as the
25 Administrator considers necessary to limit the

1 rate of default on loans made under the pro-
2 gram, shall apply.”.

3 **SEC. 103. COMMUNITY EXPRESS PROGRAM MADE PERMA-**
4 **NENT.**

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

8 “(34) COMMUNITY EXPRESS PROGRAM.—The
9 Administrator shall carry out a Community Express
10 Program for loans of \$250,000 or less. For a loan
11 made under this paragraph, the following shall
12 apply:

13 “(A) The loan shall be made to a business
14 concern—

15 “(i) the majority ownership interest of
16 which is directly held by individuals who
17 are women, minorities, or veterans of the
18 Armed Forces; or

19 “(ii) that is located in a low- or mod-
20 erate-income area, as defined by the Ad-
21 ministrator.

22 “(B) The loan shall comply with the collat-
23 eral policy of the Administration, except that, if
24 the amount of the loan is less than or equal to

1 \$25,000, the Administration shall not require
2 the lender to take collateral.

3 “(C) The loan shall include terms requir-
4 ing the lender to ensure that technical assist-
5 ance is provided to the borrower, through the
6 lender or a third-party provider.

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

9 (b) NOTICE AND COMMENT.—The program required
10 by section 7(a)(34) 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. 104. MEDICAL PROFESSIONALS IN DESIGNATED**
15 **SHORTAGE AREAS PROGRAM.**

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

19 “(35) MEDICAL PROFESSIONALS IN DES-
20 IGNATED SHORTAGE AREAS PROGRAM.—The Admin-
21 istrator shall carry out a Medical Professionals in
22 Designated Shortage Areas Program. For a loan
23 made under this paragraph, the following shall
24 apply:

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

4 “(B) The loan shall be for the purpose of
5 opening a business concern in a health profes-
6 sional shortage area (as defined in section 332
7 of the Public Health Service Act (42 U.S.C.
8 254e)).

9 “(C) The loan shall include the participa-
10 tion by the Administration equal to 90 percent
11 of the balance of the financing outstanding at
12 the time of disbursement.

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

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

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

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

24 “(36) INCREASED VETERAN PARTICIPATION
25 PROGRAM.—The Administrator shall carry out an

1 Increased Veteran Participation Program. For a
2 loan made under this paragraph, the following shall
3 apply:

4 “(A) The loan shall be made to a business
5 concern the majority ownership interest of
6 which is directly held by individuals who are
7 veterans of the Armed Forces.

8 “(B) The loan shall include the participa-
9 tion by the Administration equal to 90 percent
10 of the balance of the financing outstanding at
11 the time of disbursement.

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

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

19 **SEC. 106. ALTERNATIVE SIZE STANDARD.**

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

23 “(4) In addition to any other size standard
24 under this subsection, the Administrator shall estab-
25 lish, and permit a lender making a loan under sec-

1 tion 7(a) and a lender making a loan under the de-
2 velopment company loan program to use, an alter-
3 native size standard. The alternative size standard
4 shall be based on factors including maximum tan-
5 gible net worth and average net income.”.

6 (b) APPLICABILITY.—Until the Administrator estab-
7 lishes, under section 3(a)(4) of the Small Business Act
8 (as added by subsection (a)), an alternative size standard
9 in the case of a lender making a loan under section 7(a)
10 of that Act, the alternative size standard in section
11 121.301(b) of title 13, Code of Federal Regulations, shall
12 apply to such a case.

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

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

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

1 **TITLE II—504 PROGRAM**

2 **SEC. 201. CERTIFIED DEVELOPMENT COMPANY ECONOMIC**
3 **DEVELOPMENT LOAN PROGRAM.**

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

6 (1) by redesignating subsections (a) and (b) as
7 subsections (b) and (c); and

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

10 “(a) The program to provide financing to small busi-
11 nesses by guarantees of loans under this Act which are
12 funded by debentures guaranteed by the Administration
13 shall be known as the ‘Certified Development Company
14 Economic Development Loan Program’ or ‘504 Loan Pro-
15 gram’.”.

16 **SEC. 202. DEFINITIONS.**

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

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

1 tration has determined meets the criteria of section
2 506;”.

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

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

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

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

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

21 “(2) **PURPOSE.**—The primary purpose of the
22 development company is to benefit the community by
23 fostering economic development to create and pre-
24 serve jobs and stimulate private investment.

1 “(3) PRIMARY FUNCTION.—The primary func-
2 tion of the development company is to accomplish its
3 purpose by providing long term financing to small
4 businesses by the utilization of the 504 Loan Pro-
5 gram. It may also provide or support such other
6 local economic development activities to assist the
7 community.

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

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

20 “(6) MEMBERSHIP.—The development company
21 has at least 25 members (or stockholders if the cor-
22 poration is a for-profit entity), none of whom may
23 own or control more than 10 percent of the com-
24 pany’s voting membership, consisting of representa-
25 tion from each of the following groups (none of

1 which are in a position to control the development
2 company):

3 “(A) Government organizations that are
4 responsible for economic development.

5 “(B) Financial institutions that provide
6 commercial long term fixed asset financing.

7 “(C) Community organizations that are
8 dedicated to economic development.

9 “(D) Businesses.

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

12 “(A) is elected from the membership by
13 the members;

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

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

20 “(8) PROFESSIONAL MANAGEMENT AND
21 STAFF.—The development company has full-time
22 professional management, including a chief executive
23 officer to manage daily operations, and a full-time
24 professional staff qualified to market the 504 Pro-
25 gram and handle all aspects of loan approval and

1 servicing, including liquidation, if appropriate. The
2 development company is required to be independ-
3 ently managed and operated to pursue its economic
4 development mission and to employ its chief execu-
5 tive officer directly, with the following exceptions:

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

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

19 “(ii) The development company and
20 the local non-profit service corporation may
21 have partially common boards of directors.

22 “(B) A development company in a rural
23 area (as defined in section 501(f)) shall be
24 deemed to have satisfied the requirements of a
25 full-time professional staff and professional

1 management ability if it contracts with another
2 certified development company which has such
3 staff and management ability and which is lo-
4 cated in the same general area to provide such
5 services.

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

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

23 “(1) Each additional State is contiguous to the
24 State of incorporation, except the States of Alaska

1 and Hawaii shall be deemed to be contiguous to any
2 State abutting the Pacific ocean.

3 “(2) It demonstrates its proficiency in making
4 and servicing loans under section 504 by—

5 “(A) requesting and receiving designation
6 as an accredited lender under section 507 or a
7 premier certified lender under section 508; and

8 “(B) meeting or exceeding performance
9 standards established by the Administration.

10 “(3) The development company adds to the
11 membership of its State of incorporation additional
12 membership from each additional State and the
13 added membership meets the requirements of sub-
14 section (a)(6).

15 “(4) The development company adds at least
16 one member to its board of directors in the State of
17 incorporation, providing that added member was se-
18 lected by the membership of the additional State.

19 “(5) The company meets such other criteria or
20 complies with such conditions as the Administration
21 deems appropriate.

22 “(c) PROCESSING OF EXPANSION APPLICATIONS.—
23 The Administration shall respond to the request of a cer-
24 tified development company for certification as a multi-
25 state company on an expedited basis within 30 days of

1 receipt of a completed application if the application dem-
2 onstrates that the development company meets the re-
3 quirements of subsection (b)(1) through (b)(4).

4 “(d) USE OF FUNDS LIMITED TO STATE WHERE
5 GENERATED.—Any funds generated by a development
6 company from making 503 and 504 loans which remain
7 after payment of staff, operating and overhead expenses
8 shall be retained by the development company as a reserve
9 for future operations, for expanding its area of operations
10 in a local economic area as authorized by the Administra-
11 tion, or for investment in other local economic develop-
12 ment activity in the State from which the funds were gen-
13 erated.

14 “(e) ETHICAL REQUIREMENTS.—

15 “(1) IN GENERAL.—Certified development com-
16 panies, their officers, employees and other staff,
17 shall at all times act ethically and avoid activities
18 which constitute a conflict of interest or appear to
19 constitute a conflict of interest. No one may serve as
20 an officer, director or chief executive officer of more
21 than one certified development company.

22 “(2) PROHIBITED CONFLICT IN PROJECT
23 LOANS.—As part of a project under section 504, no
24 certified development company may recommend or
25 approve a guarantee of a debenture by the Adminis-

1 tration that is collateralized by a second lien position
2 on the property being constructed or acquired and
3 also provide, or be affiliated with a corporation or
4 other entity, for-profit or non-profit, which provides,
5 financing collateralized by a first lien on the same
6 property, except that business development compa-
7 nies which were participating as first mortgage lend-
8 ers for the 504 program in fiscal years 2004 or
9 2005 may continue to do so.

10 “(3) OTHER ECONOMIC DEVELOPMENT ACTIVI-
11 TIES.—Operation of multiple programs to assist
12 small business concerns in order for a certified de-
13 velopment company to carry out its economic devel-
14 opment mission shall not be deemed a conflict of in-
15 terest, but notwithstanding any other provision of
16 law, no development company may accept funding
17 from any source, including but not limited to any de-
18 partment or agency of the United States Govern-
19 ment—

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

24 “(B) if it includes any conditions or im-
25 poses any requirements, directly or indirectly,

1 upon any recipient of assistance under this title
2 unless the department or agency also provides
3 all of the financial assistance to be delivered by
4 the development company to the small business
5 and such conditions, priorities or restrictions
6 are limited solely to the financial assistance so
7 provided.”.

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

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

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

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

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

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

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

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

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

5 “(7) A small business concern that is uncondi-
6 tionally owned by more than one individual, or a cor-
7 poration whose stock is owned by more than one in-
8 dividual, is deemed to achieve a public policy goal
9 under subsection (d)(3) if a combined ownership
10 share of at least 51 percent is held by individuals
11 who are in one of the groups listed as public policy
12 goals specified in subsection (d)(3)(C) or
13 (d)(3)(E).”.

14 **SEC. 207. REFINANCING.**

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

18 “(7) PERMISSIBLE DEBT REFINANCING.—Any
19 financing approved under this title may also include
20 a limited amount of debt refinancing for debt that
21 was not previously guaranteed by the Administra-
22 tion. If the project involves expansion of a small
23 business which has existing indebtedness
24 collateralized by fixed assets, any amount of existing
25 indebtedness that does not exceed one-half of the

1 project cost of the expansion may be refinanced and
2 added to the expansion cost, providing—

3 “(A) the proceeds of the indebtedness were
4 used to acquire land, including a building situ-
5 ated thereon, to construct a building thereon or
6 to purchase equipment;

7 “(B) the borrower has been current on all
8 payments due on the existing debt for at least
9 the past year; and

10 “(C) the 504 financing will provide better
11 terms or rate of interest than now exists on the
12 debt.”.

13 **SEC. 208. ADDITIONAL EQUITY INJECTIONS.**

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

17 “(ii) FUNDING FROM INSTITU-
18 TIONS.—

19 “(I) If a small business concern
20 provides the minimum contribution re-
21 quired under paragraph (C), not less
22 than 50 percent of the total cost of
23 any project financed pursuant to
24 clauses (i), (ii), or (iii) of subpara-
25 graph (C) shall come from the institu-

1 tions described in subclauses (I), (II),
2 and (III) of clause (i).

3 “(II) If a small business concern
4 provides more than the minimum con-
5 tribution required under paragraph
6 (C), any excess contribution may be
7 used to reduce the amount required
8 from the institutions described in sub-
9 clauses (I), (II), and (III) of clause (i)
10 except that the amount from such in-
11 stitutions may not be reduced to an
12 amount less than the amount of the
13 loan made by the Administration.”.

14 **SEC. 209. LOAN LIQUIDATIONS.**

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

17 (1) by redesignating subsection (e) as sub-
18 section (g); and

19 (2) by inserting after subsection (d) the fol-
20 lowing:

21 “(e) PARTICIPATION.—

22 “(1) MANDATORY.—Any certified development
23 company which elects not to apply for authority to
24 foreclose and liquidate defaulted loans under this
25 section or which the Administration determines to be

1 ineligible for such authority shall contract with a
2 qualified third-party to perform foreclosure and liq-
3 uidation of defaulted loans in its portfolio. The con-
4 tract shall be contingent upon approval by the Ad-
5 ministration with respect to the qualifications of the
6 contractor and the terms and conditions of liquida-
7 tion activities.

8 “(2) COMMENCEMENT.—The provisions of this
9 subsection shall not require any development com-
10 pany to liquidate defaulted loans until the Adminis-
11 tration has adopted and implemented a program to
12 compensate and reimburse development companies
13 as provided under subsection (f).

14 “(f) COMPENSATION AND REIMBURSEMENT.—

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

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

22 “(B) were incurred by the company on an
23 emergency basis without Administration prior
24 approval but which were reasonable and appro-
25 priate.

1 “(2) COMPENSATION FOR RESULTS.—The Ad-
2 ministration shall develop a schedule to compensate
3 and provide an incentive to qualified State or local
4 development companies which foreclose and liquidate
5 defaulted loans. The schedule shall be based on a
6 percentage of the net amount recovered but shall not
7 exceed a maximum amount. The schedule shall not
8 apply to any foreclosure which is conducted pursu-
9 ant to a contract between a development company
10 and a qualified third-party to perform the fore-
11 closure and liquidation.”.

12 **SEC. 210. CLOSING COSTS.**

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

16 “(4) the aggregate amount of such debenture
17 does not exceed the amount of loans to be made
18 from the proceeds of such debenture plus, at the
19 election of the 504 borrower, other amounts attrib-
20 utable to the administrative and closing costs of
21 such loans, except for the borrower’s attorney fees;”.

22 **SEC. 211. MAXIMUM 504 AND 7(A) LOAN ELIGIBILITY.**

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

1 “(C) COMBINATION FINANCING.—Financ-
2 ing under this title may be provided to a bor-
3 rower in the maximum amount provided in this
4 subsection, plus a loan guarantee under section
5 7(a) of the Small Business Act may also be pro-
6 vided to the same borrower in the maximum
7 provided in section 7(a)(3)(A) of such Act.”.

8 **SEC. 212. ELIGIBILITY FOR ENERGY EFFICIENCY**
9 **PROJECTS.**

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

12 (1) in subparagraph (G) by striking “or” at the
13 end;

14 (2) in subparagraph (H) by striking the period
15 at the end and inserting “, or”; and

16 (3) by inserting after subparagraph (H) the fol-
17 lowing:

18 “(I) reduction of energy consumption by at
19 least 10 percent.”.

20 **SEC. 213. LOANS FOR PLANT PROJECTS USED FOR ENERGY-**
21 **EFFICIENT PURPOSES.**

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

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

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

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

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

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

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

17 **SEC. 215. EXTENSION OF ALTERNATIVE LOSS RESERVE**
18 **PILOT PROGRAM FOR CERTAIN PREMIER**
19 **CERTIFIED LENDERS.**

20 Section 508(c)(7)(J) of the Small Business Invest-
21 ment Act of 1958 (15 U.S.C. 697e(c)(7)(J)) is amended
22 by striking “means” and all that follows through the pe-
23 riod at the end and inserting “means each calendar quar-
24 ter through the end of fiscal year 2008.”

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