

107TH CONGRESS
2^D SESSION

H. R. 5198

To amend the Small Business Investment Act of 1958 to allow certain premier certified lenders to elect to maintain an alternative loss reserve.

IN THE HOUSE OF REPRESENTATIVES

JULY 24, 2002

Mr. DOOLITTLE introduced the following bill; which was referred to the Committee on Small Business

A BILL

To amend the Small Business Investment Act of 1958 to allow certain premier certified lenders to elect to maintain an alternative loss reserve.

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 “Premier Certified
5 Lenders Program Improvement Act of 2002”.

6 **SEC. 2. FINDINGS.**

7 The Congress finds the following:

8 (1) The Premier Certified Lenders Program
9 (PCLP) established under section 508 of the Small
10 Business Investment Act of 1958 (15 U.S.C. 697e)

1 has been very successful in helping small businesses
2 expand.

3 (2) Increasing the number of premier certified
4 lenders will allow the Government to make available
5 more resources to small businesses even as the Small
6 Business Administration downsizes.

7 (3) The PCLP requires premier certified lend-
8 ers to set aside unnecessarily large amounts in loss
9 reserve accounts.

10 (4) Requiring premier certified lenders to main-
11 tain unnecessarily large loss reserve accounts is inef-
12 ficient and limits the ability of lenders to serve addi-
13 tional small businesses and of new lenders to join
14 the PCLP.

15 (5) Premier certified lenders should be required
16 to maintain loss reserve accounts in amounts com-
17 mensurate with the risk of loss associated with the
18 PCLP loan portfolio of the lender.

19 (6) Changing the PCLP to require that premier
20 certified lenders maintain loss reserve accounts in
21 amounts which reflect the risk of loss associated
22 with the loans of the PCLP will protect taxpayers
23 and improve the ability of the PCLP to help small
24 businesses create economic development.

1 **SEC. 3. ALTERNATIVE LOSS RESERVE FOR CERTAIN PRE-**
2 **MIER CERTIFIED LENDERS.**

3 (a) IN GENERAL.—Section 508(c) of the Small Busi-
4 ness Investment Act of 1958 (15 U.S.C. 697e(c)) is
5 amended by adding at the end the following new para-
6 graph:

7 “(7) ALTERNATIVE LOSS RESERVE.—

8 “(A) ELECTION.—With respect to any cal-
9 endar quarter, any qualified high loss reserve
10 PCL may elect to have the requirements of this
11 paragraph apply in lieu of the requirements of
12 paragraphs (2) and (4).

13 “(B) CONTRIBUTIONS.—

14 “(i) ORDINARY RULES INAPPLI-
15 CABLE.—Except as provided under clause
16 (ii) and paragraph (5), a qualified high
17 loss reserve PCL which makes the election
18 described in subparagraph (A) with respect
19 to a calendar quarter shall not be required
20 to make contributions to its loss reserve
21 during such quarter.

22 “(ii) BASED ON RISK OF LOSS.—A
23 company which makes the election de-
24 scribed in subparagraph (A) with respect
25 to any calendar quarter shall, before the
26 last day of such quarter, make such con-

1 tributions to its loss reserve as are nec-
2 essary to ensure that the amount of the
3 loss reserve of the company is—

4 “(I) not less than \$25,000; and

5 “(II) sufficient, as determined by
6 a third-party auditor employed by the
7 company, to protect the Federal Gov-
8 ernment from the risk of loss associ-
9 ated with the portfolio of PCLP loans
10 of the company.

11 “(C) QUALIFIED HIGH LOSS RESERVE
12 PCL.—The term ‘qualified high loss reserve
13 PCL’ means, with respect to any calendar year,
14 any company designated as a premier certified
15 lender, if the Administrator determines that—

16 “(i) the amount of the loss reserve of
17 the company is not less than \$25,000;

18 “(ii) the company has established a
19 process for analyzing the risk of loss asso-
20 ciated with its portfolio of PCLP loans and
21 for grading each PCLP loan made by the
22 company on the basis of the risk of loss as-
23 sociated with such loan; and

24 “(iii)(I) in the case of a company
25 which was a qualified high loss reserve

1 PCL with respect to the preceding cal-
2 endar year, a third-party auditor employed
3 by the company has certified during each
4 calendar quarter of such year that the
5 amount of the loss reserve of the company
6 is sufficient to protect the Federal Govern-
7 ment from the risk of loss associated with
8 the portfolio of PCLP loans of the com-
9 pany; and

10 “(II) in the case of any other com-
11 pany, a third-party auditor employed by
12 the company has certified during the pre-
13 ceding 90 days that the loss reserve of the
14 company is sufficient to protect the Fed-
15 eral Government from the risk of loss asso-
16 ciated with the portfolio of PCLP loans of
17 the company.

18 “(D) PCLP LOAN.—For purposes of this
19 paragraph, the term ‘PCLP loan’ means any
20 loan guaranteed under this section.

21 “(E) CALENDAR QUARTER.—For purposes
22 of this paragraph, the term ‘calendar quarter’
23 means—

24 “(i) the period which begins on Janu-
25 ary 1 and ends on March 31 of each year;

1 “(ii) the period which begins on April
2 1 and ends on June 30 of each year;

3 “(iii) the period which begins on July
4 1 and ends on September 30 of each year;
5 or

6 “(iv) the period which begins on Octo-
7 ber 1 and ends on December 31 of each
8 year.”.

9 (b) CONFORMING AMENDMENT.—Section
10 508(b)(2)(D) of the Small Business Investment Act of
11 1958 (15 U.S.C. 697e(b)(2)(D)) is amended by striking
12 “subsection (c)(2)” and inserting “subsection (c)”.

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