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118TH CONGRESS
2D SESSION

H. R. 10246

To amend the Small Business Investment Act of 1958 to improve the loan guaranty program, enhance the ability of small manufacturers to access affordable capital, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 21, 2024

Ms. VELÁZQUEZ introduced the following bill; which was referred to the Committee on Small Business

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A BILL

To amend the Small Business Investment Act of 1958 to improve the loan guaranty program, enhance the ability of small manufacturers to access affordable capital, 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 2024''.

SEC. 2. ADDITIONS TO POLICY GOALS FOR THE DEVELOPMENT COMPANY PROGRAM.

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

(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 redesignated, to read as follows:

''(D) expansion of minority-owned, employee-owned, or women-owned business development,'';

(4) in subparagraph (L), as so redesignated, by striking ''producers, or'' and inserting ''producers,'';

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

(6) by inserting after subparagraph (M), as so redesignated, the following:

''(N) enhanced ability for small business concerns to reduce costs by using energy efficient products and generating renewable energy,

''(O) aid revitalizing of any area for which a disaster has been declared or determined under subparagraph (A), (B), (C), or (E) of section 7(b)(2) of the Small Business Act (15 U.S.C. 636(b)(2)), or

''(P) expansion of small business concerns with 10 or fewer employees.''; and

(7) in the flush text following subparagraph (P), 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.

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

(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’’; and

(B) in paragraph (3)(A), by striking ‘‘this section’’ and inserting ‘‘this subsection’’.

SEC. 4. IMPROVEMENTS TO 504 LOAN CLOSING PROCEDURE.

Title V of the Small Business Investment Act of 1958 (15 U.S.C. 695 et seq.) is amended—

(1) in section 502 (15 U.S.C. 696), as amended by this Act, by adding at the end the following:

"(b) CLOSING.—An accredited lender certified company may take any of the following actions to facilitate the closing of a loan made under subsection (a):

"(1) 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.

"(2) Correct any name that is applicable to the loan, including the name of any borrower, guarantor, eligible passive company described in paragraph (3)(A), and operating company described in paragraph (3)(B).

"(3) Add any of the following to receive proceeds of the loan:

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

"(B) If an eligible passive company is added under subparagraph (A), an operating company with respect to that eligible passive company.

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

"(5) Correct the name of any interim lender or third-party lender.

"(6) 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.

"(7) Make a guarantor a co-borrower or a co-borrower a guarantor.

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

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

"(10) Reduce the cost of the project with respect to which the loan is made.

"(c) ACCREDITED LENDER CERTIFIED COMPANY DEFINED.—In this section, 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) by adding at the end the following:

"SEC. 511. CLOSING AND OVERSIGHT.

"(a) SBA DISTRICT COUNSELS.—Beginning on the date that is 180 days after 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; 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 determined under 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 180-day period beginning on that date of enactment, the certified development 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 so designated by this Act, 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 at 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) COLLATERAL REQUIREMENTS.—Section 502(a)(3)(E)(i) of the Small Business Investment Act of 1958 (15 U.S.C. 696(a)(3)(E)(i)), as so designated by this Act, is amended by adding at the end the following: "Additional collateral shall not be required in the case of a small manufacturer (as defined in section 501(e)(7)).".

(c) DEBT REFINANCING.—Section 502(a)(7)(B) of the Small Business Investment Act of 1958 (15 U.S.C. 696(a)(7)(B)), as so designated by this Act, is amended—

(1) 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";

(2) in clause (v), by adding "and" at the end;

(3) by striking clause (vi); and

(4) by redesignating clause (vii) as clause (vi).

(d) 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 this Act, is amended by adding at the end the following:

"SEC. 512. ASSISTANCE FOR SMALL MANUFACTURERS.

"(a) IN GENERAL.—The Administrator shall ensure that each district office of the Administration partners with not less than 1 resource partner to provide training to small business concerns assigned a North American Industry Classification System code for manufacturing on 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.

"(b) RESOURCE PARTNER DEFINED.—In this section, the term 'resource partner' means—

"(1) a small business development center, as defined in section 3 of the Small Business Act (15 U.S.C. 632);

"(2) a women's business center described in section 29 of such Act (15 U.S.C. 656);

"(3) a chapter of the Service Corps of Retired Executives established under section 8(b)(1)(B) of such Act (15 U.S.C. 637(b)(1)(B)); and

"(4) a Veteran Business Outreach Center described in section 32 of such Act (15 U.S.C. 657b).".

SEC. 7. LEASING RULES FOR NEW FACILITIES AND EXISTING BUILDINGS.

(a) IN GENERAL.—Section 502(a) of the Small Business Investment Act of 1958 (15 U.S.C. 696(a)), as so designated by this Act, is amended by striking paragraphs (4) and (5) and inserting the following:

"(4) NEW FACILITIES.—

"(A) IN GENERAL.—With respect to a project to construct a new facility, an assisted small business concern may permanently lease not more than 20 percent of the project to commercial or residential tenants if such concern—

"(i) permanently occupies and uses not less than 60 percent of the project;

"(ii) plans to occupy and use an additional portion of the project that is not permanently leased not later than 3 years after receipt of assistance under this section; and

"(iii) plans to permanently occupy and use 80 percent of the project not later than 10 years after receipt of such assistance.

"(B) SMALL MANUFACTURERS.—With respect to an assisted small business concern that is a small manufacturer (as defined in section 501(e)(7)), subparagraph (A)(i) shall apply with '50 percent' substituted for '60 percent'.

"(5) EXISTING BUILDINGS.—With respect to a project to acquire, renovate, or reconstruct an existing building, the following shall apply:

"(A) OCCUPANCY REQUIREMENTS.—The assisted small business concern may permanently lease not more than 50 percent of the project if the concern permanently occupies and uses not less than 50 percent of the project.

"(B) EXCEPTION.—The assisted small business concern may permanently lease more than 50 percent of the project to commercial or residential tenants if—

"(i) such concern—

"(I) has occupied and used the existing building for a consecutive 12-month period before submitting an application for assistance under this section;

"(II) agrees to permanently use less than 50 percent of the existing building and permanently lease more than 50 percent for a consecutive 12-month period after receiving such assistance; and

"(III) affirms that the existing building is appropriate for current and reasonably anticipated needs; and

"(ii) the development company assisting such project—

"(I) provides written notice to the Administrator on the date on which the development company closes the loan for such project; and

"(II) once each year during the first 5 years of the loan, and once every 2 years for the remainder of the loan—

"(aa) conducts an examination of the assisted small business concern to ensure the concern is not a real estate development business; and

"(bb) files with the Administrator an anti-investor certification signed by the development company and the assisted small business concern.

"(C) LEASE TERM.—Any residential lease made under this paragraph shall be for a term of not more than 1 year, and any commercial lease made under this paragraph shall be for a term of not more than 5 years.".

(b) REPORT.—Not later than 5 years after the date of enactment of this Act, the Administrator of the Small Business Administration shall submit to Congress a report analyzing the impact of the amendments made by this section on access to capital for small business concerns (as defined in section 3 of the Small Business Act (15 U.S.C. 632)), and recommending whether similar notice, examination, and certifications requirements should be made to the program established under section 7(a) of the Small Business Act (15 U.S.C. 636(a)).

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