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118TH CONGRESS
2D SESSION

H. R. 10247

To amend the Small Business Act to enhance the Office of Credit Risk Management, to require the Administrator of the Small Business Administration to issue rules relating to environmental obligations of certified development companies, 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 Act to enhance the Office of Credit Risk Management, to require the Administrator of the Small Business Administration to issue rules relating to environmental obligations of certified development companies, 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 Credit Risk Management Improvement Act of 2024’’.

SEC. 2. ENHANCEMENTS TO THE OFFICE OF CREDIT RISK MANAGEMENT.

Title V of the Small Business Investment Act of 1958 (15 U.S.C. 695 et seq.) is amended by adding at the end the following:

“SEC. 511. OFFICE OF CREDIT RISK MANAGEMENT OVERSIGHT.

‘‘(a) DEFINITIONS.—In this section—

‘‘(1) the term ‘Director’ means the Director of the Office; and

‘‘(2) the term ‘Office’ means the Office of Credit Risk Management established under section 47 of the Small Business Act (15 U.S.C. 657t).

‘‘(b) DUTIES RELATING TO 504 PROGRAM.—The Office—

‘‘(1) shall be responsible for—

‘‘(A) supervising any certified development company, as provided in subsection (d); and

‘‘(B) conducting file reviews with respect to loan closings under the program established under this title, as provided in subsection (c); and

‘‘(2) may—

‘‘(A) take formal and informal enforcement actions against a certified development company, as provided in subsection (e); and

"(B) charge a certified development company a fee, as provided in subsection (f).

"(c) LOAN CLOSING FILE REVIEWS.—With respect to a loan closing under the program established under this title, the Office shall be responsible for the following:

"(1) Conducting a complete file review of a random selection of all loan closings, the number, frequency, and conduct of which shall be at the discretion of the Office, to ensure program integrity, including a review of the items listed on the Checklist for Complete File Review, or any successor thereof, contained in the appropriate form of the Administration.

"(2) Not later than 60 days after the date on which each complete file review conducted under paragraph (1) is completed, preparing a written report documenting the results of that review, which the Office shall send to—

"(A) the applicable certified development company;

"(B) the designated attorney that closed the loan for the certified development company; and

"(C) the Commercial Loan Service Center.

"(3) If a complete file review conducted under paragraph (1) reveals a deficiency that could result in a loss to the Administration, requiring the applicable certified development company or the designated attorney to promptly correct the deficiency.

"(d) SUPERVISION OF CERTIFIED DEVELOPMENT COMPANIES.—With respect to the supervision of certified development companies—

"(1) an employee of the Office shall—

"(A) be present for, and supervise, the review of any such company that is conducted by a contractor of the Office on the premises of the company; and

"(B) supervise the review of any such company that is conducted by a contractor of the Office that is not conducted on the premises of the company; and

"(2) the Administrator shall—

"(A) develop a timeline for the review by the Office of certified development companies and the submission of reports regarding those reviews, under which the Administrator shall—

"(i) submit to a certified development company a written report of any review of the company not later than 90 days after the date on which the review is concluded; or

"(ii) if the Administrator expects to submit the report after the end of the 90-day period described in clause (i)—

"(I) notify the company of the expected date of submission of the report and the reason for the delay; and

"(II) submit to the company the report; and

"(B) if a response by a certified development company is requested in a report submitted under subparagraph (A), require the company to submit responses to the Administrator not later than 45 business days after the date on which the company receives the report.

"(e) ENFORCEMENT AUTHORITY AGAINST CERTIFIED DEVELOPMENT COMPANIES.—

"(1) INFORMAL ENFORCEMENT AUTHORITY.—The Director may take an informal enforcement action against a certified development company if the Director finds that the company has violated a statutory or regulatory requirement or any requirement in a Standard Operating Procedures Manual or Policy Notice relating to a program or function of the Office of Capital Access.

"(2) FORMAL ENFORCEMENT AUTHORITY.—

"(A) IN GENERAL.—With the approval of the Lender Oversight Committee established under section 48 of the Small Business Act (15 U.S.C. 657u), the Director may take a formal enforcement action against any certified development company if the Director finds that the company has violated—

"(i) a statutory or regulatory requirement; or

"(ii) any requirement described in a Standard Operating Procedures Manual or Policy Notice relating to a program or function of the Office of Capital Access.

"(B) ENFORCEMENT ACTIONS.—The decision to take an enforcement action against a certified development company under subparagraph (A) shall be based on the severity or frequency of the violation and may include assessing a civil monetary penalty against the company in an amount that is not greater than $250,000.

"(3) FAILURE TO SUBMIT ANNUAL REPORT.—With respect to a certified development company that, as of the date that is 60 days after the date on which the company is required to submit any report, fails to submit that report, the Director may—

"(A) suspend the company from participating in the program established under this title for a period that is not longer than 30 days; or

"(B) impose a penalty on the company in an amount to be determined by the Director, except that the amount of the penalty shall be not more than $10,000.

"(f) FEE AUTHORITY REGARDING CERTIFIED DEVELOPMENT COMPANIES.—

"(1) IN GENERAL.—On and after the date that is 1 year after the date of enactment of this section, the Office may collect from each certified development company a fee, the amount of which—

"(A) shall be determined on a graduated scale according to the size of the portfolio of the certified development company with respect to the program carried out under this title; and

"(B) shall not exceed the amount that is 1 basis point with respect to the value of the portfolio described in subparagraph (A).

"(2) PAYMENT.—A certified development company on which a fee is imposed under paragraph (1) shall pay the fee from the servicing fees collected by the development company pursuant to regulation.

"(3) REPORT.—Not later than 2 years after the date of enactment of this section, and annually thereafter, the Administrator of the Small Business Administration shall submit to the Committee on Small Business of the House of Representatives and the Committee on Small Business and Entrepreneurship of the Senate and make available online a report that shall include—

"(A) the fees, if any, charged by the Office under this subsection;

"(B) a breakdown of those fees by certified development company portfolio size;

"(C) the number of full-time equivalent and contract employees carrying out duties related to certified development companies; and

"(D) an accounting of the use of fees by the Office and its employees or contractors for certified development company examinations.".

SEC. 3. RULES RELATING TO OBLIGATIONS OF CERTIFIED DEVELOPMENT COMPANIES UNDER THE NATIONAL ENVIRONMENTAL POLICY ACT.

(a) ELIGIBLE CERTIFIED DEVELOPMENT COMPANY DEFINED.—In this section, the term ''eligible certified development company'' means a certified development company, within the meaning under title V of the Small Business Investment Act of 1958 (15 U.S.C. 695 et seq.), that receives assistance pursuant to that title.

(b) REQUIREMENT TO ISSUE RULES.—Not later than 180 days after the date of enactment of this Act, the Administrator of the Small Business Administration shall issue rules to clarify the procedures necessary for an eligible certified development company to comply with the applicable requirements under National Environmental Policy Act of 1969 (42 U.S.C. 4321 et seq.).

(c) RULE OF CONSTRUCTION.—Nothing in this section shall be construed to modify the requirements of the National Environmental Policy Act of 1969 (42 U.S.C. 4321 et seq.).

SEC. 4. EXTENSION OF SUNSET FOR DELEGATED AUTHORITY FOR ACCREDITED LENDERS.

Section 328(b)(2) of division N of the Consolidated Appropriations Act, 2021 (15 U.S.C. 697d note) is amended by striking ''2023'' and inserting ''2025''.

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