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(Original Signature of Member)

116TH CONGRESS  
2D SESSION

# H. R. 8199

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.

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## IN THE HOUSE OF REPRESENTATIVES

Mr. BISHOP of North Carolina introduced the following bill; which was referred to the Committee on \_\_\_\_\_

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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.

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 “504 Credit Risk Man-  
5 agement Improvement Act of 2020”.

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

3 Section 47 of the Small Business Act (15 U.S.C.  
4 657t) is amended—

5 (1) by striking subsection (b) and inserting the  
6 following:

7 “(b) DUTIES.—The Office—

8 “(1) shall be responsible for—

9 “(A) supervising—

10 “(i) any lender making loans under  
11 section 7(a) (in this section referred to as  
12 a ‘7(a) lender’);

13 “(ii) any Lending Partner or Inter-  
14 mediary participant of the Administration  
15 in a lending program of the Office of Cap-  
16 ital Access of the Administration;

17 “(iii) any small business lending com-  
18 pany or a non-Federally regulated lender  
19 without regard to the requirements of sec-  
20 tion 23; and

21 “(iv) any certified development com-  
22 pany described under the program estab-  
23 lished under title V of the Small Business  
24 Investment Act of 1958 (referred to in this  
25 section as a ‘certified development com-  
26 pany’), as provided in subsection (k); and

1           “(B) conducting file reviews with respect  
2           to loan closings under the program established  
3           under title V of the Small Business Investment  
4           Act of 1958, as provided in subsection (j); and  
5           “(2) may—

6           “(A) take formal and informal enforcement  
7           actions against a certified development com-  
8           pany, as provided in subsection (l); and

9           “(B) charge a certified development com-  
10          pany a fee, as provided in subsection (m).”;

11          (2) by adding at the end the following new sub-  
12          sections:

13          “(j) LOAN CLOSING FILE REVIEWS.—With respect  
14          to a loan closing under the program established under title  
15          V of the Small Business Investment Act of 1958, the Of-  
16          fice shall be responsible for the following:

17                 “(1) Conducting a complete file review of a ran-  
18                 dom selection of all loan closings, the number, fre-  
19                 quency, and conduct of which shall be at the discre-  
20                 tion of the Office, to ensure program integrity, in-  
21                 cluding a review of the items listed on the Checklist  
22                 for Complete File Review contained in the appro-  
23                 priate form of the Administration.

24                 “(2) Not later than 60 days after the date on  
25                 which each complete file review conducted under

1 paragraph (1) is completed, preparing a written re-  
2 port documenting the results of that review, which  
3 the Office shall send to—

4 “(A) the applicable certified development  
5 company;

6 “(B) the designated attorney that closed  
7 the loan for the certified development company;  
8 and

9 “(C) the Commercial Loan Service Center.

10 “(3) If a complete file review conducted under  
11 paragraph (1) reveals a deficiency that could result  
12 in a loss to the Administration, requiring the appli-  
13 cable certified development company or the des-  
14 ignated attorney to promptly correct the deficiency.

15 “(k) SUPERVISION OF CERTIFIED DEVELOPMENT  
16 COMPANIES.—With respect to the supervision of certified  
17 development companies—

18 “(1) an employee of the Office shall—

19 “(A) be present for, and supervise, the re-  
20 view of any such company that is conducted by  
21 a contractor of the Office on the premises of  
22 the company; and

23 “(B) supervise the review of any such com-  
24 pany that is conducted by a contractor of the

1 Office that is not conducted on the premises of  
2 the company; and

3 “(2) the Administrator shall—

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

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

13 “(ii) if the Administrator expects to  
14 submit the report after the end of the 90-  
15 day period described in clause (i), notify  
16 the company of the expected date of sub-  
17 mission of the report and the reason for  
18 the delay; and

19 “(B) if a response by a certified develop-  
20 ment company is requested in a report sub-  
21 mitted under subparagraph (A)(i), require the  
22 company to submit responses to the Adminis-  
23 trator not later than 45 business days after the  
24 date on which the company receives the report.

1       “(1) ENFORCEMENT AUTHORITY AGAINST CER-  
2       TIFIED DEVELOPMENT COMPANIES.—

3               “(1) INFORMAL ENFORCEMENT AUTHORITY.—

4       The Director may take an informal enforcement ac-  
5       tion against a certified development company if the  
6       Director finds that the company has violated a stat-  
7       utory or regulatory requirement or any requirement  
8       in a Standard Operating Procedures Manual or Pol-  
9       icy Notice relating to a program or function of the  
10      Office of Capital Access.

11              “(2) FORMAL ENFORCEMENT AUTHORITY.—

12              “(A) IN GENERAL.—With the approval of  
13      the Lender Oversight Committee established  
14      under section 48, the Director may take a for-  
15      mal enforcement action against any certified de-  
16      velopment company if the Director finds that  
17      the company has violated—

18              “(i) a statutory or regulatory require-  
19      ment, including a requirement relating to  
20      the necessary funds for making loans when  
21      those funds are not made available to the  
22      company from private sources on reason-  
23      able terms; or

24              “(ii) any requirement described in a  
25      Standard Operating Procedures Manual or

1 Policy Notice relating to a program or  
2 function of the Office of Capital Access.

3 “(B) ENFORCEMENT ACTIONS.—The deci-  
4 sion to take an enforcement action against a  
5 certified development company under subpara-  
6 graph (A) shall be based on the severity or fre-  
7 quency of the violation and may include assess-  
8 ing a civil monetary penalty against the com-  
9 pany in an amount that is not greater than  
10 \$250,000.

11 “(3) FAILURE TO SUBMIT ANNUAL REPORT.—  
12 With respect to a certified development company  
13 that, as of the date that is 30 days after the date  
14 on which the company is required to submit any re-  
15 port, fails to submit that report, the Director may—

16 “(A) suspend the company from partici-  
17 pating in the program established under title V  
18 of the Small Business Investment Act of 1958  
19 for a period that is not longer than 30 days; or

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

24 “(m) FEE AUTHORITY REGARDING CERTIFIED DE-  
25 VELOPMENT COMPANIES.—

1           “(1) IN GENERAL.—Effective one year after the  
2           date of the enactment of this subsection, the Office  
3           may collect from each certified development com-  
4           pany a fee, the amount of which—

5                   “(A) shall be determined on a graduated  
6                   scale according to the size of the portfolio of  
7                   the certified development company with respect  
8                   to the program carried out under title V of the  
9                   Small Business Investment Act of 1958; and

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

13           “(2) PAYMENT.—A certified development com-  
14           pany on which a fee is imposed under paragraph (1)  
15           shall pay the fee from the servicing fees collected by  
16           the development company pursuant to regulation.”.

17 **SEC. 3. RULES RELATING TO OBLIGATIONS OF CERTIFIED**  
18 **DEVELOPMENT COMPANIES UNDER THE NA-**  
19 **TIONAL ENVIRONMENTAL POLICY ACT.**

20           (a) IN GENERAL.—Not later than 180 days after the  
21           date of the enactment of this Act, the Administrator of  
22           the Small Business Administration shall issue rules to  
23           clarify the procedures necessary for an eligible certified  
24           development company to comply with the applicable re-



1 requirements under National Environmental Policy Act of  
2 1969 (42 U.S.C. 4321 et seq.).

3 (b) RULE OF CONSTRUCTION.—Nothing in this sec-  
4 tion shall be construed to modify the requirements of the  
5 National Environmental Policy Act of 1969 (42 U.S.C.  
6 4321 et seq.).

7 (c) ELIGIBLE CERTIFIED DEVELOPMENT COMPANY  
8 DEFINED.—In this section, the term “eligible certified de-  
9 velopment company” means a certified development com-  
10 pany defined under title V of the Small Business Invest-  
11 ment Act of 1958 (15 U.S.C. 695 et seq.) that receives  
12 assistance pursuant to such title.