

114TH CONGRESS  
2D SESSION

# H. R. 5113

To encourage initiatives for financial products and services that are appropriate and accessible for millions of American small businesses that do not have access to the financial mainstream.

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## IN THE HOUSE OF REPRESENTATIVES

APRIL 28, 2016

Mrs. CAROLYN B. MALONEY of New York (for herself, Ms. VELÁZQUEZ, Ms. HAHN, Mr. VARGAS, Mr. RANGEL, Ms. MOORE, Mr. JOHNSON of Georgia, Ms. CLARKE of New York, Mr. HINOJOSA, Ms. NORTON, Mr. HONDA, and Mr. RICHMOND) introduced the following bill; which was referred to the Committee on Financial Services

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## A BILL

To encourage initiatives for financial products and services that are appropriate and accessible for millions of American small businesses that do not have access to the financial mainstream.

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 “Investing in America’s  
5 Small Businesses Act of 2016”.

6 **SEC. 2. FINDINGS.**

7 The Congress finds the following:

1           (1) Small businesses in underserved areas have  
2 for generations been unable to access affordable  
3 credit.

4           (2) A 2013 report commissioned by the U.S.  
5 Small Business Administration shows the major con-  
6 straint limiting the growth, expansion, and wealth  
7 creation of small firms—especially women- and mi-  
8 nority-owned businesses—is inadequate capital.

9           (3) Small businesses revitalize communities by  
10 creating jobs, and also contribute to the local tax  
11 base, which helps finance investments in schools,  
12 hospitals, infrastructure, and public safety.

13           (4) A 2015 report from the Carsey School of  
14 Public Policy at the University of New Hampshire  
15 found that 79 percent of CDFI loan volume went to  
16 borrowers from underserved populations.

17           (5) During the financial crisis, CDFI loan  
18 funds expanded their activity to meet increased de-  
19 mand from borrowers that could not access tradi-  
20 tional lending. From 2006 to 2009, the median fund  
21 deployment ratio grew 3.1 percent annually.

22           (6) After Superstorm Sandy, CDFIs launched  
23 disaster recovery loan programs and reached out to  
24 affected businesses and organizations to provide

1 credit to help grocery stores and social service orga-  
2 nizations re-open to help communities in need.

3 (7) A 2014 report by the Dardin School of  
4 Business at the University of Virginia found that de-  
5 spite serving predominately low-income markets,  
6 CDFI banks and credit unions had virtually the  
7 same level of performance as mainstream financial  
8 institutions.

9 **SEC. 3. GRANTS TO ESTABLISH LOAN-LOSS RESERVE**  
10 **FUNDS FOR SMALL BUSINESS LENDING.**

11 (a) IN GENERAL.—The Community Development  
12 Banking and Financial Institutions Act of 1994 (12  
13 U.S.C. 4701 et seq.) is amended by adding at the end  
14 the following:

15 **“SEC. 123. GRANTS TO ESTABLISH LOAN-LOSS RESERVE**  
16 **FUNDS FOR SMALL BUSINESS LENDING.**

17 “(a) PURPOSES.—The purposes of this section are—

18 “(1) to make financial assistance available from  
19 the Fund in order to help community development  
20 financial institutions defray the costs of operating  
21 small business loan programs, by providing the  
22 amounts necessary for such institutions to establish  
23 their own loan loss reserve funds to mitigate some  
24 of the losses on such small business loan programs;

1           “(2) to encourage community development fi-  
2           nancial institutions to establish and maintain small  
3           business loan programs that would help provide bor-  
4           rowers access to mainstream financial institutions  
5           and combat high cost small business lending; and

6           “(3) to encourage community development fi-  
7           nancial institutions to expand the development serv-  
8           ices they offer and to serve new investment areas  
9           and new targeted populations.

10          “(b) GRANTS.—

11           “(1) LOAN-LOSS RESERVE FUND GRANTS.—

12           “(A) IN GENERAL.—The Fund shall make  
13           grants to community development financial in-  
14           stitutions to enable such institutions to estab-  
15           lish a loan-loss reserve fund in order to defray  
16           the costs of a small business loan program es-  
17           tablished or maintained by such institution.

18           “(B) APPLICATION.—A community devel-  
19           opment financial institution that wishes to re-  
20           ceive a grant under this paragraph shall submit  
21           an application to the Administrator in such  
22           form and manner and containing such informa-  
23           tion as the Administrator may require.

24           “(C) MATCHING REQUIREMENT.—A com-  
25           munity development financial institution shall

1 provide non-Federal matching funds in an  
2 amount equal to 50 percent of the amount of  
3 any grant received under this paragraph.

4 “(D) USE OF FUNDS.—Any grant amounts  
5 received by a community development financial  
6 institution under this paragraph—

7 “(i) may not be used by such institu-  
8 tion to provide direct loans to small busi-  
9 nesses;

10 “(ii) may be used by such institution  
11 to help recapture a portion or all of a de-  
12 faulted loan made under the small business  
13 loan program of such institution on or  
14 after the date of the enactment of this sec-  
15 tion; and

16 “(iii) may be used to designate and  
17 utilize a fiscal agent for services normally  
18 provided by such an agent.

19 “(2) TECHNICAL ASSISTANCE GRANTS.—

20 “(A) IN GENERAL.—The Fund shall make  
21 technical assistance grants to community devel-  
22 opment financial institutions to create, support,  
23 or maintain a small business loan program. Any  
24 grant amounts received under this paragraph  
25 may be used for—

1           “(i) technology, staff support, staff  
2           capacity building, and other costs associ-  
3           ated with establishing, supporting, or  
4           maintaining a small business loan pro-  
5           gram; and

6           “(ii) establishing, supporting, or  
7           maintaining technical assistance programs  
8           for borrowers.

9           “(B) APPLICATION.—A community devel-  
10          opment financial institution that wishes to re-  
11          ceive a grant under this paragraph shall submit  
12          an application to the Administrator in such  
13          form and manner and containing such informa-  
14          tion as the Administrator may require.

15          “(c) REPORTS.—For each fiscal year for which  
16          grants are made under this section, the Administrator  
17          shall submit a report to the Committee on Financial Serv-  
18          ices of the House of Representatives and the Committee  
19          on Banking, Housing, and Urban Affairs of the Senate  
20          containing a description of the activities funded and  
21          amounts distributed under this section for such fiscal year,  
22          as well as measurable results of such actions.

23          “(d) AUTHORIZATION OF APPROPRIATIONS.—

1           “(1) IN GENERAL.—There are authorized to be  
2           appropriated to the Fund \$25,000,000 for each of  
3           fiscal years 2017 to 2022 to carry out this section.

4           “(2) ADMINISTRATIVE COSTS.—There are au-  
5           thorized to be appropriated to the Fund \$2,000,000  
6           for each of fiscal years 2017 to 2022 for the admin-  
7           istrative costs of carrying out this section.

8           “(e) DEFINITIONS.—For purposes of this section:

9           “(1) SMALL BUSINESS.—The term ‘small busi-  
10          ness’ has the meaning given the term ‘small business  
11          concern’ under section 3(a) of the Small Business  
12          Act (15 U.S.C. 632(a)).

13          “(2) SMALL BUSINESS LOAN PROGRAM.—The  
14          term ‘small business loan program’ means a loan  
15          program wherein a community development financial  
16          institution offers loans to small businesses that—

17                 “(A) are made in amounts not exceeding  
18                 \$50,000;

19                 “(B) have no pre-payment penalty; and

20                 “(C) meet any other affordability require-  
21                 ments as may be established by the Adminis-  
22                 trator.”.

23          (b) CONFORMING AMENDMENT.—The table of con-  
24          tents for the Riegle Community Development and Regu-

- 1 latory Improvement Act of 1994 is amended by inserting
- 2 after the item relating to section 121 the following:

“Sec. 122. Grants to establish loan-loss reserve funds.

“Sec. 123. Grants to establish loan-loss reserve funds for small business lending.”.

