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[Senate Amendment to H.R. 2499, Veterans Entrepreneurship Act of 2015](#)

FLOOR SITUATION

On Monday, July 27, 2015, the House will consider the Senate amendment to [H.R. 2499](#), the *Veterans Entrepreneurship Act of 2015*, under suspension of the rules. The bill was introduced on May 21, 2015, by Rep. Steve Chabot (R-OH) and referred to the Committee on Small Business, which ordered the bill to be reported, as amended, by voice vote, on June 10, 2015. The House passed H.R. 2499 on July 13, 2015, by a vote of [410 to 1](#). The Senate passed the bill, with an amendment, on July 23, 2015, by [unanimous consent](#).

SUMMARY

H.R. 2499 amends the Small Business Act to require the Administrator of the Small Business Administration (SBA) to eliminate up-front fees for veterans and their spouses under the 7(a) Express Loan Program, which allows the SBA to guarantee loans made by private lending institutions.

Specifically, the bill requires the SBA to waive the upfront guarantee fees on loans made to veterans under the 7(a) express loan program; unless the President, in the budget, determines that the entire 7(a) loan program will have a cost above zero as the term cost is defined in the Federal Credit Reform Act for the upcoming fiscal year. The bill's waiver requirements take effect for loans made on or after October 1, 2015.

The bill also requires that the SBA Administrator submit a report to Congress assessing the level of outreach to and consultation with female veterans regarding access to capital by Women's Business Centers and Veterans Business Outreach Centers.

The Senate amendment makes the following changes to the House-passed bill:

- increases the aggregate amount of Section 7(a) loans the Small Business Administration may administer in 2015 from \$18.75 billion to \$23.5 billion. This increase in lending authority will

not require any appropriations because the program operates without a cost as that term is defined in the Federal Credit Reform Act;¹

- changes certain eligibility requirements for loan recipients;
- requires SBA to submit a quarterly report regarding the Section 7(a) Loan Program, beginning immediately upon enactment and ceasing, 3 years after enactment; and,
- makes other technical changes.

BACKGROUND

The Small Business Administration (SBA) has been guaranteeing bank loans to small businesses in various forms since 1954, the year after its creation. The SBA's mission is to "aid, counsel, assist and protect the interests of small business concerns, to preserve free competitive enterprise and to maintain and strengthen the overall economy of our nation." SBA activity has expanded to include specialized outreach to women, minorities, and veterans.²

The Business Guarantee Loan Program, or 7(a) Loan Program, is SBA's largest loan program. SBA does not actually make loans with this program, but rather guarantees to pay back a loan to a private entity if the recipient is unable to do so. The program's maximum gross loan amount for any one 7(a) loan is \$5 million (up to \$3.75 million maximum guaranty). In 2014, the average approved 7(a) loan amount was \$368,737.³ To be eligible for a 7(a) loan, a small business applicant must:

- be located in the United States;
- be a for-profit operating business (except for loans to eligible passive companies);
- qualify as small under the SBA's size requirements;
- demonstrate a need for the desired credit; and
- be certified by a lender that the desired credit is unavailable to the applicant on reasonable terms

Borrowers must use the proceeds to establish a new business or to assist in the operation, acquisition, or expansion of an existing business.⁴

In 2014, the program made approximately 52,000 loans, but only 2,113 loans made were to veterans, which constitutes just 4 percent of the total loans made.⁵ According to the Committee, "given the emphasis that the Federal government (through training programs at the Department of Defense, the Department of Veterans Affairs, and the SBA) places on assisting veterans in establishing small businesses, there appears to be a mismatch between the educational efforts and the mechanisms for providing those entrepreneurial minded veterans with the necessary capital to start their business."⁶

The SBA Administrator has authority to waive the upfront fees paid by borrowers and is currently waiving that fee on 7(a) express loans (loans under \$350,000) to veterans. The bill makes this waiver permanent except in years where an appropriation is necessary for the 7(a) loan program. These would be covered at no cost to the taxpayer because the Administrator has discretion to adjust other

¹ This provision of the Senate Amendment amends the Business Loans Program Account provided by the Consolidated and Further Continuing Appropriations Act, 2015 (128 STAT. 2371[P. 243]) ([P.L. 113-235](#)).

² See SBA, "[What We Do](#)"

³ See Congressional Research Service (CRS) report, "[Small Business Administration 7\(a\) Loan Guaranty Program.](#)" at 5

⁴ See CRS report, "[Small Business Administration 7\(a\) Loan Guaranty Program.](#)" at 4 and 5

⁵ See House Report [114-187](#) at 3

⁶ See House Report [114-187](#) at 4

fees authorized under the 7(a) program, to maintain an overall subsidy rate of zero.⁷ Appropriations were not required to cover the 7(a) program subsidy from 2007 to 2009 and 2014 to 2015. From 2010 to 2013, appropriations to cover shortfalls of \$80 million, \$80 million, \$139.4 million, and \$213.8 million, respectively, were provided. No appropriation is expected to be needed for fiscal year 2016.⁸

According to Small Business Committee Chairman Chabot, “Our veterans are as entrepreneurial minded as anyone else in the world . . . Think about all that’s required to launch a new business: strategic planning, tactical expertise, dogged perseverance, and the ability to adjust plans to overcome new challenges at a moment’s notice. This is the American warfighter. Making sure they can access the resources needed to start their own business and build up the communities they’ve protected will do more than just create jobs—it will help them successfully transition into civilian life.”⁹

COST

The Congressional Budget Office (CBO) [estimates](#) that implementing the House-passed version of H.R. 2499 would have an insignificant effect on spending subject to appropriation. “The SBA has discretion to adjust other fees authorized under the 7(a) program, within certain limits, to maintain an overall subsidy rate of zero;” therefore, CBO expects “the agency would use that flexibility to maintain the program at no cost, thereby allowing SBA to offer the waiver.” CBO also estimates that “the bill’s reporting requirements would not have a significant effect on the agency’s workload or costs.” Enacting H.R. 2499 would not affect direct spending or revenues; therefore pay-as-you-go procedures do not apply.

STAFF CONTACT

For questions or further information please contact [John Huston](#) with the House Republican Policy Committee by email or at 6-5539.

⁷ See CBO [estimate](#), HR. 2499

⁸ See CRS report, [“Small Business Administration 7\(a\) Loan Guaranty Program,”](#) at 19 and 20

⁹ See Press Release, [“Chabot and Small Business Committee Members Introduce Veterans Entrepreneurship Act,”](#) May 21, 2015