

SMALL BUSINESS ACTS

PUBLIC LAW 106-8—APR. 2, 1999

Public Law 106-8
106th Congress

An Act

To provide for a loan guarantee program to address the Year 2000 computer problems of small business concerns, and for other purposes.

Apr. 2, 1999

[S. 314]

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 “Small Business Year 2000 Readiness Act”.

Small Business
Year 2000
Readiness Act.
15 USC 631 note.

SEC. 2. FINDINGS.

15 USC 636 note.

Congress finds that—

(1) the failure of many computer programs to recognize the Year 2000 may have extreme negative financial consequences in the Year 2000, and in subsequent years for both large and small businesses;

(2) small businesses are well behind larger businesses in implementing corrective changes to their automated systems;

(3) many small businesses do not have access to capital to fix mission critical automated systems, which could result in severe financial distress or failure for small businesses; and

(4) the failure of a large number of small businesses due to the Year 2000 computer problem would have a highly detrimental effect on the economy in the Year 2000 and in subsequent years.

SEC. 3. YEAR 2000 COMPUTER PROBLEM LOAN GUARANTEE PROGRAM.

(a) PROGRAM ESTABLISHED.—Section 7(a) of the Small Business Act (15 U.S.C. 636(a)) is amended by adding at the end the following:

“(27) YEAR 2000 COMPUTER PROBLEM PROGRAM.—

“(A) DEFINITIONS.—In this paragraph—

“(i) the term ‘eligible lender’ means any lender designated by the Administration as eligible to participate in the general business loan program under this subsection; and

“(ii) the term ‘Year 2000 computer problem’ means, with respect to information technology, and embedded systems, any problem that adversely effects the processing (including calculating, comparing, sequencing, displaying, or storing), transmitting, or receiving of date-dependent data—

“(I) from, into, or between—

“(aa) the 20th or 21st centuries; or

“(bb) the years 1999 and 2000; or

“(II) with regard to leap year calculations.

“(B) ESTABLISHMENT OF PROGRAM.—The Administration shall—

“(i) establish a loan guarantee program, under which the Administration may, during the period beginning on the date of enactment of this paragraph and ending on December 31, 2000, guarantee loans made by eligible lenders to small business concerns in accordance with this paragraph; and

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Notification.

“(ii) notify each eligible lender of the establishment of the program under this paragraph, and otherwise take such actions as may be necessary to aggressively market the program under this paragraph.

“(C) USE OF FUNDS.—A small business concern that receives a loan guaranteed under this paragraph shall only use the proceeds of the loan to—

“(i) address the Year 2000 computer problems of that small business concern, including the repair and acquisition of information technology systems, the purchase and repair of software, the purchase of consulting and other third party services, and related expenses; and

“(ii) provide relief for a substantial economic injury incurred by the small business concern as a direct result of the Year 2000 computer problems of the small business concern or of any other entity (including any service provider or supplier of the small business concern), if such economic injury has not been compensated for by insurance or otherwise.

“(D) LOAN AMOUNTS.—

“(i) IN GENERAL.—Notwithstanding paragraph (3)(A) and subject to clause (ii) of this subparagraph, a loan may be made to a borrower under this paragraph even if the total amount outstanding and committed (by participation or otherwise) to the borrower from the business loan and investment fund, the business guaranty loan financing account, and the business direct loan financing account would thereby exceed \$750,000.

“(ii) EXCEPTION.—A loan may not be made to a borrower under this paragraph if the total amount outstanding and committed (by participation or otherwise) to the borrower from the business loan and investment fund, the business guaranty loan financing account, and the business direct loan financing account would thereby exceed \$1,000,000.

“(E) ADMINISTRATION PARTICIPATION.—Notwithstanding paragraph (2)(A), in an agreement to participate in a loan under this paragraph, participation by the Administration shall not exceed—

“(i) 85 percent of the balance of the financing outstanding at the time of disbursement of the loan, if the balance exceeds \$100,000;

“(ii) 90 percent of the balance of the financing outstanding at the time of disbursement of the loan, if the balance is less than or equal to \$100,000; and

“(iii) notwithstanding clauses (i) and (ii), in any case in which the subject loan is processed in accordance with the requirements applicable to the SBAExpress Pilot Program, 50 percent of the balance outstanding at the time of disbursement of the loan.

“(F) PERIODIC REVIEWS.—The Inspector General of the Administration shall periodically review a representative sample of loans guaranteed under this paragraph to mitigate the risk of fraud and ensure the safety and soundness of the loan program.

“(G) ANNUAL REPORT.—The Administration shall annually submit to the Committees on Small Business of the House of Representatives and the Senate a report on the results of the program carried out under this paragraph during the preceding 12-month period, which shall include information relating to—

“(i) the total number of loans guaranteed under this paragraph;

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“(ii) with respect to each loan guaranteed under this paragraph—

“(I) the amount of the loan;

“(II) the geographic location of the borrower;

and

“(III) whether the loan was made to repair or replace information technology and other automated systems or to remedy an economic injury; and

“(iii) the total number of eligible lenders participating in the program.”.

(b) GUIDELINES.—

15 USC 636 note.

(1) IN GENERAL.—Not later than 30 days after the date of enactment of this Act, the Administrator of the Small Business Administration shall issue guidelines to carry out the program under section 7(a)(27) of the Small Business Act, as added by this section.

(2) REQUIREMENTS.—Except to the extent that it would be inconsistent with this section or section 7(a)(27) of the Small Business Act, as added by this section, the guidelines issued under this subsection shall, with respect to the loan program established under section 7(a)(27) of the Small Business Act, as added by this section—

(A) provide maximum flexibility in the establishment of terms and conditions of loans originated under the loan program so that such loans may be structured in a manner that enhances the ability of the applicant to repay the debt;

(B) if appropriate to facilitate repayment, establish a moratorium on principal payments under the loan program for up to 1 year beginning on the date of the origination of the loan;

(C) provide that any reasonable doubts regarding a loan applicant's ability to service the debt be resolved in favor of the loan applicant; and

(D) authorize an eligible lender (as defined in section 7(a)(27)(A) of the Small Business Act, as added by this section) to process a loan under the loan program in accordance with the requirements applicable to loans originated under another loan program established pursuant to section 7(a) of the Small Business Act (including the general business loan program, the Preferred Lender Program, the Certified Lender Program, the Low Documentation Loan Program, and the SBAExpress Pilot Program), if—

(i) the eligible lender is eligible to participate in such other loan program; and

(ii) the terms of the loan, including the principal amount of the loan, are consistent with the requirements applicable to loans originated under such other loan program.

(c) REPEAL.—Effective on December 31, 2000, this section and the amendments made by this section are repealed.

15 USC 636 and note.

Approved April 2, 1999.

LEGISLATIVE HISTORY—S. 314:

SENATE REPORTS: No. 106-5 (Comm. on Small Business).

CONGRESSIONAL RECORD, Vol. 145 (1999):

Mar. 2, considered and passed Senate.

Mar. 23, considered and passed House.

WEEKLY COMPILATION OF PRESIDENTIAL DOCUMENTS, Vol. 35 (1999):

Apr. 2, Presidential statement.