

119TH CONGRESS
1ST SESSION

S. _____

To amend the Small Business Investment Act of 1958 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 SENATE OF THE UNITED STATES

Mr. YOUNG (for himself and Ms. KLOBUCHAR) introduced the following bill;
which was read twice and referred to the Committee on

A BILL

To amend the Small Business Investment Act of 1958 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 2025”.

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

3 Title V of the Small Business Investment Act of 1958
4 (15 U.S.C. 695 et seq.) is amended by adding at the end
5 the following:

6 **“SEC. 511. OFFICE OF CREDIT RISK MANAGEMENT OVER-**
7 **SIGHT.**

8 “(a) DEFINITIONS.—In this section—

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

11 “(2) the term ‘Office’ means the Office of Cred-
12 it Risk Management established under section 47 of
13 the Small Business Act (15 U.S.C. 657t).

14 “(b) DUTIES RELATING TO 504 PROGRAM.—The Of-
15 fice—

16 “(1) shall be responsible for—

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

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

23 “(2) may—

24 “(A) take formal and informal enforcement
25 actions against a certified development com-
26 pany, as provided in subsection (e); and

1 “(B) charge a certified development com-
2 pany a fee, as provided in subsection (g).

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

6 “(1) Conducting a complete file review of a ran-
7 dom selection of all loan closings, the number, fre-
8 quency, and conduct of which shall be at the discre-
9 tion of the Office, to ensure program integrity, in-
10 cluding a review of the items listed on the Checklist
11 for Complete File Review contained in the appro-
12 priate form of the Administration.

13 “(2) Not later than 60 days after the date on
14 which each complete file review conducted under
15 paragraph (1) is completed, preparing a written re-
16 port documenting the results of that review, which
17 the Office shall send to—

18 “(A) the applicable certified development
19 company;

20 “(B) the designated attorney that closed
21 the loan for the certified development company;
22 and

23 “(C) the Commercial Loan Service Center.

24 “(3) If a complete file review conducted under
25 paragraph (1) reveals a deficiency that could result

1 in a loss to the Administration, requiring the appli-
2 cable certified development company or the des-
3 ignated attorney to promptly correct the deficiency.

4 “(d) SUPERVISION OF CERTIFIED DEVELOPMENT
5 COMPANIES.—With respect to the supervision of certified
6 development companies—

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

8 “(A) be present for, and supervise, the re-
9 view of any such company that is conducted by
10 a contractor of the Office on the premises of
11 the company; and

12 “(B) supervise the review of any such com-
13 pany that is conducted by a contractor of the
14 Office that is not conducted on the premises of
15 the company; and

16 “(2) the Administrator shall—

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

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

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

4 “(I) notify the company of the
5 expected date of submission of the re-
6 port and the reason for the delay; and

7 “(II) submit to the company the
8 report; and

9 “(B) if a response by a certified develop-
10 ment company is requested in a report sub-
11 mitted under subparagraph (A), require the
12 company to submit responses to the Adminis-
13 trator not later than 45 business days after the
14 date on which the company receives the report.

15 “(e) ENFORCEMENT AUTHORITY AGAINST CER-
16 TIFIED DEVELOPMENT COMPANIES.—

17 “(1) INFORMAL ENFORCEMENT AUTHORITY.—

18 The Director may take an informal enforcement ac-
19 tion against a certified development company if the
20 Director finds that the company has violated a stat-
21 utory or regulatory requirement or any requirement
22 in a Standard Operating Procedures Manual or Pol-
23 icy Notice relating to a program or function of the
24 Office of Capital Access.

25 “(2) FORMAL ENFORCEMENT AUTHORITY.—

1 “(A) IN GENERAL.—With the approval of
2 the Lender Oversight Committee established
3 under section 48 of the Small Business Act (15
4 U.S.C. 657u), the Director may take a formal
5 enforcement action against any certified devel-
6 opment company if the Director finds that the
7 company has violated—

8 “(i) a statutory or regulatory require-
9 ment, including a requirement relating to
10 the necessary funds for making loans when
11 those funds are not made available to the
12 company from private sources on reason-
13 able terms; or

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

18 “(B) ENFORCEMENT ACTIONS.—The deci-
19 sion to take an enforcement action against a
20 certified development company under subpara-
21 graph (A) shall be based on the severity or fre-
22 quency of the violation and may include assess-
23 ing a civil monetary penalty against the com-
24 pany in an amount that is not greater than
25 \$250,000.

1 “(3) FAILURE TO SUBMIT ANNUAL REPORT.—

2 With respect to a certified development company
3 that, as of the date that is 60 days after the date
4 on which the company is required to submit any re-
5 port, fails to submit that report, the Director may—

6 “(A) suspend the company from partici-
7 pating in the program established under this
8 title for a period that is not longer than 30
9 days; or

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

14 “(f) PORTFOLIO RISK ANALYSIS OF 504 LOANS.—

15 “(1) IN GENERAL.—The Director shall annually
16 conduct a risk analysis of the portfolio of the Ad-
17 ministration with respect to all loans guaranteed
18 under section 504.

19 “(2) REPORT TO CONGRESS.—On December 1,
20 2025, and every December 1 thereafter, the Director
21 shall submit to Congress a report containing the re-
22 sults of each portfolio risk analysis conducted under
23 paragraph (1) during the fiscal year preceding the
24 submission of the report, which shall include—

1 “(A) an analysis of the overall program
2 risk of projects and loans approved under sec-
3 tion 504;

4 “(B) an analysis of the program risk, set
5 forth separately by industry concentration;

6 “(C) without identifying individual cer-
7 tified development companies by name, a con-
8 solidated analysis of the risk created by the in-
9 dividual companies responsible for not less than
10 1 percent of the gross project approvals set
11 forth separately for the year covered by the re-
12 port by—

13 “(i) the dollar value of the loans made
14 by such companies; and

15 “(ii) the number of loans made by
16 such companies;

17 “(D) steps taken by the Administrator to
18 mitigate the risks identified in subparagraphs
19 (A), (B), and (C);

20 “(E) the number of certified development
21 companies, the number of projects undertaken,
22 the number of unique third party lenders par-
23 ticipating in the program, and the gross and
24 net dollar amount of debentures guaranteed
25 and approved projects;

1 “(F) the number and dollar amount of
2 total losses, the number and dollar amount of
3 total purchases, and the percentage and dollar
4 amount of recoveries at the Administration;

5 “(G) the number and type of enforcement
6 actions recommended by the Director;

7 “(H) the number and type of enforcement
8 actions approved by the Lender Oversight Com-
9 mittee established under section 48 of the Small
10 Business Act (15 U.S.C. 657u);

11 “(I) the number and type of enforcement
12 actions disapproved by the Lender Oversight
13 Committee; and

14 “(J) the number and dollar amount of civil
15 monetary penalties assessed.

16 “(g) FEE AUTHORITY REGARDING CERTIFIED DE-
17 VELOPMENT COMPANIES.—

18 “(1) IN GENERAL.—On and after the date that
19 is 1 year after the date of enactment of the 504
20 Credit Risk Management Improvement Act of 2025,
21 the Office may collect from each certified develop-
22 ment company a fee as necessary to reduce to zero
23 the cost to the Administration of examinations, re-
24 views, rulemakings, and other lender oversight ac-
25 tivities in this Act, the amount of which—

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

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

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

12 **SEC. 3. RULES RELATING TO OBLIGATIONS OF CERTIFIED**
13 **DEVELOPMENT COMPANIES UNDER THE NA-**
14 **TIONAL ENVIRONMENTAL POLICY ACT.**

15 (a) ELIGIBLE CERTIFIED DEVELOPMENT COMPANY
16 DEFINED.—In this section, the term “eligible certified de-
17 velopment company” means a certified development com-
18 pany, within the meaning under title V of the Small Busi-
19 ness Investment Act of 1958 (15 U.S.C. 695 et seq.), that
20 receives assistance pursuant to that title.

21 (b) REQUIREMENT TO ISSUE RULES.—Not later
22 than 180 days after the date of enactment of this Act,
23 the Administrator of the Small Business Administration
24 shall issue rules to clarify the procedures necessary for an
25 eligible certified development company to comply with the

1 applicable requirements under the National Environ-
2 mental Policy Act of 1969 (42 U.S.C. 4321 et seq.).

3 (c) 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.).