

Proposed Rules

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This section of the FEDERAL REGISTER contains notices to the public of the proposed issuance of rules and regulations. The purpose of these notices is to give interested persons an opportunity to participate in the rule making prior to the adoption of the final rules.

SMALL BUSINESS ADMINISTRATION

13 CFR Part 120

Business Loan Program

AGENCY: Small Business Administration (SBA).

ACTION: Proposed rule.

SUMMARY: SBA proposes to implement changes in the microloan program required by the Small Business Reauthorization Act of 1997, enacted on December 2, 1997. The proposed rule would terminate the designation of the microloan program as a "demonstration," add a welfare-to-work microloan initiative, allow a nonprofit child care business to qualify for the microloan program, and authorize a microloan intermediary to use up to 25 percent of grant funds for technical assistance to prospective microloan borrowers. The proposed rule would also establish procedures for SBA to suspend or revoke the status of an intermediary lender or non-lending technical assistance provider from the microloan program for its failure to meet certain minimum performance standards.

DATES: Submit comments on or before September 10, 1999.

ADDRESSES: Comments should be mailed to Small Business Administration, 409 Third Street, SW, Washington, DC 20416.

FOR FURTHER INFORMATION CONTACT: Jody Raskind, 202-205-6497.

SUPPLEMENTARY INFORMATION: Section 201 of Pub. L. 105-135, enacted on December 2, 1997, (1997 legislation) amends SBA's microloan program in section 7(m) of the Small Business Act (15 USC 636(m)) (Act). Section 202 of the 1997 legislation adds a welfare-to-work microloan initiative. These proposed rules would implement the statutory changes.

The 1997 legislation terminated the designation of the microloan program as a "demonstration." This proposed rule deletes that designation wherever it was

in SBA's rules, including the heading for subpart G of this part.

SBA proposes to amend § 120.706 of its regulations (13 CFR 120.706) to increase the aggregate amount which a microloan intermediary may borrow from SBA from the previous statutory limit of \$2.5 million to the new statutory limit of \$3.5 million.

Generally, microloan borrowers must engage in for profit activities. However, SBA proposes to amend § 120.707(a) of its regulations to implement the 1997 legislation authorizing microloan assistance to a borrower to establish a nonprofit child care business.

The 1997 legislation increases, from 15 percent to 25 percent, the amount of grant funds a microloan intermediary may use for technical assistance to prospective microloan borrowers. This proposed rule would amend § 120.712 to reflect the increased percentage. SBA will also implement a new provision in the 1997 legislation by amending § 120.712 to allow an intermediary to use up to 25 percent of the grant funds it receives from SBA to contract to enable third parties to provide technical assistance to microloan borrowers.

Under section 7(m) of the Act, SBA may give grants to a maximum of 25 non-lending technical assistance providers. Under prior rules, SBA could provide the 25 grants for a maximum of 5 annual terms. The proposed rule would amend § 120.714 of SBA's regulations to reflect the changes in the 1997 legislation that authorize SBA to provide the annual grants without any maximum term limits.

Section 7(m)(12) of the Act authorizes SBA, on a pilot basis, to guarantee loans made to microloan intermediaries. Currently, § 120.715 of SBA's regulations incorrectly places a limit on the number of loans to intermediaries which SBA may guarantee. SBA proposes to amend § 120.715 of its regulations to clarify that there is no statutorily prescribed limit on the number of loans which SBA is authorized to guarantee to microloan intermediaries.

SBA proposes to add § 120.716 to its regulations to implement the 1997 legislation's welfare-to-work initiative. The initiative will give supplemental technical assistance grants to existing program participants for low-income individuals who get assistance under a State program funded under part A of

title IV of the Social Security Act, or under any comparable State funded means tested program ("State Program"). The supplemental grants would be used to help new small businesses eliminate their dependence on State Programs. SBA would obtain funds to provide these supplemental grants from other departments and agencies of the federal government. To get such funds, SBA would enter into memoranda of understanding with the departments and agencies specifying the terms and conditions of the supplemental grants and providing for monitoring of expenditures by each grantee and each recipient.

Under the welfare-to-work initiative, SBA would select from its participating intermediaries and non-lending technical assistance providers up to 20 grantees in fiscal year 1998, 25 grantees in fiscal year 1999, and 30 grantees in fiscal year 2000. Each selected intermediary and non-lending technical assistance provider would be eligible to receive a supplemental grant from SBA of up to \$200,000 a year, which SBA has the sole authority to determine.

A grantee who gets a supplemental grant under this initiative would not have to match the grant. A grantee could use the supplemental grant to pay or reimburse a portion of child care and transportation costs of the recipients of State Programs if the recipients certify that they are not being paid for such costs under state block grants under the Child Care Development Block Grant Act of 1990 or under part A, title IV of the Social Security Act. A grantee also could use the supplemental grants for marketing, management, and technical assistance to recipients of State Programs. SBA may use up to 5 percent of the grant amounts it provides under the welfare-to-work microloan initiative in any fiscal year for technical assistance to the grantees to ensure that they have the knowledge, skills, and understanding of making microloans and operating a welfare-to-work microloan program.

SBA also proposes to add a new § 120.717 to authorize the SBA Associate Administrator for Financial Assistance (AA/FA) to terminate or otherwise act regarding an intermediary lender or non-lending technical assistance provider that fails to meet certain minimum performance standards. This authority is similar to that held by the

AA/FA regarding the termination or suspension of lenders or pool assemblers in the agency's 7(a) business loan program. It is important for SBA to be able to terminate the services of, or impose other sanctions on, a microloan entity which operates to bring discredit on the program. SBA must be able to discipline an intermediary or non-lending technical assistance provider whose failure to operate properly may adversely affect microloan borrowers or imperil the safety and soundness of the microloan program.

Compliance With Executive Orders 12612, 12988, and 12866, the Regulatory Flexibility Act (5 U.S.C. 601-612), and the Paperwork Reduction Act (44 U.S.C. Ch. 35)

SBA certifies that this proposed rule is not a significant rule within the meaning of Executive Order 12866 and does not have significant impact on a substantial number of small entities within the meaning of the Regulatory Flexibility Act, 5 U.S.C. 601-612. It is not likely to have an annual economic effect of \$100 million or more, result in a major increase in costs or prices, or have a significant adverse effect on competition or the United States economy.

For purposes of the Paperwork Reduction Act, 44 U.S.C. Ch 35, SBA certifies that this proposed rule requires the microloan intermediaries and technical assistance providers to formally count, and account for, welfare clients and expenditures for those clients.

For purposes of Executive Order 12612, SBA certifies that this proposed rule has no federalism implications requiring a Federalism Assessment.

For purposes of Executive Order 12988, SBA certifies that this rule is drafted, to the extent practicable, in accordance with the standards set forth in section 3 of that Order.

(Catalog of Federal Domestic Assistance Programs, Nos. 59.012 and 59.013)

List of Subjects in 13 CFR Part 120

Loan programs—business, Small businesses.

For the reasons stated in the preamble, SBA proposes to amend 13 CFR part 120 as follows:

PART 120—BUSINESS LOANS

1. The authority citation for part 120 continues to read as follows:

Authority: 15 U.S.C. 634(b)(6) and 636 (a) and (h).

2. Revise the heading for subpart G of part 120, title 13, Code of Federal Regulations to read as follows:

Subpart G—Microloan Program

3. In 120.700, revise the first sentence to read as follows:

§ 120.700 What is the Microloan Program?

The Microloan Program assists women, low income individuals, minority entrepreneurs, and other small businesses which need small amounts of financial assistance. * * *

4. In 120.706, revise the section heading and last sentence to read as follows:

§ 120.706 What are the terms and conditions of an SBA loan to an Intermediary?

(a) * * * In later years, the Intermediary's obligation to SBA may not exceed an aggregate of \$3.5 million, subject to statutory limitations on the total amount of funds available per state.

* * * * *

5. In § 120.707(a), remove the first sentence and add two new sentences in its place to read as follows:

§ 120.707 What conditions apply to loans by Intermediaries to Microloan borrowers?

(a) *General.* An intermediary may make Microloans to any small business eligible to receive financial assistance under this part. A borrower may also use Microloan proceeds to establish a nonprofit child care business. * * *

* * * * *

6. In § 120.712, revise paragraphs (b)(1) and (e) to read as follows:

§ 120.712 How does an Intermediary get a grant to assist Microloan borrowers?

* * * * *

(b) * * *

(1) Up to 25 percent of the grant funds may be used to provide information and technical assistance to prospective Microloan borrowers; and

* * * * *

(e) *Third party contracts for technical assistance.* An Intermediary may use no more than 25 percent of the grant funds it receives from SBA for contracts with third parties for the latter to provide technical assistance to Microloan borrowers.

7. In § 120.714, revise the section heading, add an introductory text, and revise paragraph (b) to read as follows:

§ 120.714 How are grants made to non-lending technical assistance providers?

SBA selects non-lending technical assistance providers (NTAP) to receive grant funds for technical assistance to Microloan borrowers.

* * * * *

(b) *Number and amount of grants.* In each year of the Microloan Program,

SBA may make no more than 25 grants to NTAPs. A grant may not exceed \$125,000.

* * * * *

8. In § 120.715, revise paragraph (a) to read as follows:

§ 120.715 Does SBA guarantee any loans an Intermediary obtains from another source?

(a) SBA may guarantee not less than 90 percent of loans made by for-profit or nonprofit entities (or an alliance of such entities) to no more than 10 Intermediaries in urban areas and 10 Intermediaries in Rural Areas (as defined in section 120.10).

* * * * *

9. Add § 120.716 to read as follows:

§ 120.716 Welfare-to-work initiative.

(a) *Purpose.* The purpose of the welfare-to-work initiative is to supplement the technical assistance grants provided under the microloan program for the purpose of helping low-income individuals who receive assistance under a State program funded under Part A of title IV of the Social Security Act (42 U.S.C. 601), or under any comparable State funded means tested program of assistance (State Program). These supplemental grants are to be used to help the individuals to establish small businesses and eliminate their dependence on such State Programs.

(b) *Supplemental grant.* SBA may accept funds transferred to it from other agencies or departments of the Federal government to make the supplemental grants under the welfare-to-work initiative. SBA will make such grants to microloan Intermediaries and NTAPs (as defined in § 120.714) in order to provide technical assistance and related services to individuals receiving State Program aid at the time they initially apply for a microloan.

(c) *Number of Intermediaries and NTAPs.* SBA may give supplemental grants to no more than 20 participating microloan Intermediaries and NTAPs in fiscal year 1998, no more than 25 grantees in fiscal year 1999, and no more than 30 grantees in fiscal year 2000.

(d) *Amount of supplemental grant.* Each of the selected Intermediaries and NTAPs may receive a supplemental grant from SBA of no more than \$200,000 a year.

(e) *Supplemental grant needs no matching.* A supplemental grant made by SBA under this initiative does not have to be matched by the grantee Intermediary or NTAP.

(f) *Use of supplemental grant.* A grantee may use the supplemental grant:

(1) To pay or reimburse a portion of child care and transportation costs of recipients of State Programs, if the recipients certify that they are not being paid for such costs under State block grants under the Child Care Development Block Grant Act of 1990 (42 U.S.C. 9858) or under part A, title IV of the Social Security Act (42 U.S.C. 601); and

(2) For marketing, management, and technical assistance to the recipients of State Programs.

(g) *Memorandum of understanding.* Before SBA accepts a transfer of funds from an agency or department of the Federal government, under this initiative, it must enter into a memorandum of understanding with the agency or department which will specify the terms and conditions of the supplemental grants, including monitoring of expenditures.

(h) *Additional condition for welfare-to-work supplemental grant.* SBA may use up to 5 percent of the grant amounts it provides under the welfare-to-work microloan initiative in any fiscal year for technical assistance to the grantees to ensure that the grantees have the knowledge, skills, and understanding of making microloans and operating a welfare-to-work microloan program.

10. Add § 120.717 to read as follows:

§ 120.717 Suspension or revocation of an Intermediary or NTAP.

(a) The AA/FA may suspend or revoke the participation status of an Intermediary or NTAP from the Microloan Program, or may impose other sanctions in the best interests of the program, if it fails to comply with the laws, regulations, and policies governing the program or if it fails to meet any one of the following minimum performance standards.

(1) For Intermediaries only—An Intermediary must:

(i) Close and fund a minimum of four microloans per year; and

(ii) Satisfactorily provide in-house technical assistance to microloan clients and prospective microloan clients.

(2) For NTAPs only—An NTAP must show that, for every thirty clients for which it provided technical assistance, one client received a loan from the private sector.

(3) For Intermediaries and NTAPs—An Intermediary and an NTAP must:

(i) Cover the service territory assigned by SBA, including honoring the SBA determined boundaries of neighboring Intermediaries and NTAPs;

(ii) Fulfill reporting requirements;

(iii) Manage program funds and matching funds in a satisfactory and financially sound manner;

(iv) Communicate and file reports via the internet within six months after beginning participation in the program;

(v) Maintain a currency rate of 85 percent or more (that is loans that are no more than 30 days late in scheduled payments);

(vi) Maintain a default rate of 15 percent or less of the cumulative dollars loaned under the program; and

(vii) Attend Microloan Program training conferences offered by SBA, or such substitute training as may be approved by SBA on a case-by-case basis.

(b) The AA/FA, on a case by case basis, may impose pre-suspension or revocation sanctions which may include, but are not limited to, the following:

(1) Accelerated reporting requirements;

(2) Accelerated loan repayment requirements for outstanding program debt to SBA; and

(3) Imposition of a temporary lending and/or training moratorium.

(c) Revocation from the Microloan Program will include:

(1) Removal from the program;

(2) Liquidation of MRF and LLRF accounts, by SBA, and application of liquidated funds to any outstanding balance owed to SBA;

(3) Payment of outstanding debt to SBA by the Intermediary;

(4) Forfeiture or repayment of any unused grant funds by the Intermediary or NTAP; and

(5) Debarment of the organization from receipt of Federal funds until loan and grant repayment requirements are met.

(d) An Intermediary or NTAP may appeal a suspension or revocation under procedures found in part 134 of this chapter. The action of the AA/FA remains in effect pending resolution of the appeal.

Dated: July 30, 1999.

Aida Alvarez,

Administrator.

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BILLING CODE 8025-01-P

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. 99-SW-08-AD]

Airworthiness Directives; Robinson Helicopter Company (Robinson) Model R44 Helicopters

AGENCY: Federal Aviation Administration, DOT.

ACTION: Notice of proposed rulemaking (NPRM).

SUMMARY: This document proposes the adoption of a new airworthiness directive (AD) applicable to Robinson Model R44 helicopters. The AD would require inspecting the wire harness for contact with the fuel line assembly, removing and replacing the fuel line assembly if chafing has occurred, and installing spiral wrap tubing on the fuel line assembly. This proposal is prompted by four incidents of contact between the wire harness and the fuel line assembly. The actions specified by the proposed AD are intended to prevent contact between the wire harness and the fuel line, which could result in chafing of the wire harness and a potential fire hazard.

DATES: Comments must be received on or before October 12, 1999.

ADDRESSES: Submit comments in triplicate to the Federal Aviation Administration (FAA), Office of the Regional Counsel, Southwest Region, Attention: Rules Docket No. 99-SW-08-AD, 2601 Meacham Blvd., Room 663, Fort Worth, Texas 76137. Comments may be inspected at this location between 9 a.m. and 3 p.m., Monday through Friday, except Federal holidays.

FOR FURTHER INFORMATION CONTACT: Elizabeth Bumann, Aerospace Engineer, FAA, Los Angeles Aircraft Certification Office, 3960 Paramount Blvd., Lakewood, California 90712-4137, telephone (562) 627-5265; fax (562) 627-5210.

SUPPLEMENTARY INFORMATION:

Comments Invited

Interested persons are invited to participate in the making of the proposed rule by submitting such written data, views, or arguments as they may desire. Communications should identify the Rules Docket number and be submitted in triplicate to the address specified above. All communications received on or before the closing date for comments, specified above, will be considered before taking action on the proposed rule. The proposals contained in this notice may be changed in light of the comments received.

Comments are specifically invited on the overall regulatory, economic, environmental, and energy aspects of the proposed rule. All comments submitted will be available, both before and after the closing date for comments, in the Rules Docket for examination by interested persons. A report summarizing each FAA-public contact concerned with the substance of this proposal will be filed in the Rules Docket.