

AMENDMENT NO. _____ Calendar No. _____

Purpose: In the nature of a substitute.

IN THE SENATE OF THE UNITED STATES—119th Cong., 1st Sess.

S. 300

To improve accountability in the disaster loan program of the Small Business Administration, and for other purposes.

Referred to the Committee on _____ and
ordered to be printed

Ordered to lie on the table and to be printed

AMENDMENT IN THE NATURE OF A SUBSTITUTE intended
to be proposed by Ms. ERNST

Viz:

1 Strike all after the enacting clause and insert the fol-
2 lowing:

3 SECTION 1. SHORT TITLE.

4 This Act may be cited as the “Disaster Loan Ac-
5 countability and Reform Act” or the “DLARA”.

6 SEC. 2. TABLE OF CONTENTS.

7 The table of contents for this Act is as follows:

- Sec. 1. Short title.
- Sec. 2. Table of contents.
- Sec. 3. Definitions.
- Sec. 4. Monthly disaster loan reports.
- Sec. 5. Budget request relating to disaster loans.
- Sec. 6. Limitations on disaster loans.
- Sec. 7. GAO report on SBA disaster loan account.
- Sec. 8. GAO report on disaster loan changes.
- Sec. 9. SBA Inspector General review.
- Sec. 10. Budget and forecasting report regarding the cost of direct disaster loans.

1 **SEC. 3. DEFINITIONS.**

2 In this Act—

3 (1) the terms “Administration” and “Adminis-
4 trator” mean the Small Business Administration
5 and the Administrator thereof, respectively;

6 (2) the term “appropriate committees of Con-
7 gress” means the Committee on Small Business and
8 Entrepreneurship and the Committee on Appropria-
9 tions of the Senate and the Committee on Small
10 Business and the Committee on Appropriations of
11 the House of Representatives; and

12 (3) the term “SBA disaster loan” means a di-
13 rect loan authorized by section 7(b) of the Small
14 Business Act (15 U.S.C. 636(b)), other than a loan
15 that was authorized under section 1110 of the
16 CARES Act (15 U.S.C. 9009).

17 **SEC. 4. MONTHLY DISASTER LOAN REPORTS.**

18 Section 12091(a) of the Small Business Disaster Re-
19 sponse and Loan Improvements Act of 2008 (15 U.S.C.
20 636k(a)) is amended—

21 (1) in paragraph (1), by striking “during the
22 applicable period for a major disaster”;

23 (2) in paragraph (2)—

24 (A) in subparagraph (E), by striking “how
25 long the available funding for such loans will
26 last” and inserting “the date at which available

1 funding for such loans will reach 10 percent of
2 the most recent appropriation and the date at
3 which the funds will be depleted”;

4 (B) in subparagraph (H), by striking
5 “and” at the end;

6 (C) in subparagraph (I), by striking the
7 period at the end and inserting “; and”; and

8 (D) by adding at the end the following:

9 “(J) a summary detailing any changes to
10 estimates or assumptions on obligations and ex-
11 penditures, including data supporting these
12 changes.”; and

13 (3) by adding at the end the following:

14 “(3) PROHIBITION ON OFFICIAL TRAVEL.—If
15 the Administrator does not submit a report required
16 to be submitted under paragraph (1) by the required
17 date, no funds may be obligated for official travel by
18 the Administrator until the Administrator submits
19 the report.”.

20 **SEC. 5. BUDGET REQUEST RELATING TO DISASTER LOANS.**

21 Section 1105 of title 31, United States Code, is
22 amended—

23 (1) in subsection (a), by adding at the end the
24 following:

25 “(39) separate statements of—

1 “(A) the amount of appropriations re-
2 quested for the fiscal year for which the budget
3 is submitted for the cost of SBA disaster loans,
4 the 10-year average of the cost of SBA disaster
5 loans, and an explanation for any difference be-
6 tween the amount requested and the 10-year
7 average cost; and

8 “(B) the amount of appropriations re-
9 quested for the fiscal year for which the budget
10 is submitted for the cost of COVID-EIDL
11 loans, the 10-year average of the cost of
12 COVID-EIDL loans, and an explanation for
13 any difference between the amount requested
14 and the 10-year average cost.

15 “(40) separate statements of—

16 “(A) the amount of appropriations re-
17 quested for the fiscal year for which the budget
18 is submitted for administrative costs relating to
19 SBA disaster loans, the 10-year average of such
20 administrative costs, and an explanation for any
21 difference between the amount requested and
22 the 10-year average costs; and

23 “(B) the amount of appropriations re-
24 quested for the fiscal year for which the budget
25 is submitted for administrative costs relating to

1 COVID-EIDL loans, the 10-year average of
2 such administrative costs, and an explanation
3 for any difference between the amount re-
4 quested and the 10-year average costs.”; and

5 (2) by adding at the end the following:

6 “(j) In paragraphs (39) and (40) of subsection (a)—

7 “(1) the term ‘COVID-EIDL loan’ means a di-
8 rect loan under section 7(b) of the Small Business
9 Act (15 U.S.C. 636(b)) that was authorized under
10 section 1110 of the CARES Act (15 U.S.C. 9009);
11 and

12 “(2) the term ‘SBA disaster loan’ means a di-
13 rect loan authorized by section 7(b) of the Small
14 Business Act (15 U.S.C. 636(b)), other than a loan
15 that was authorized under section 1110 of the
16 CARES Act (15 U.S.C. 9009).”.

17 **SEC. 6. LIMITATIONS ON DISASTER LOANS.**

18 (a) LOW FUNDING.—Section 7(b) of the Small Busi-
19 ness Act (15 U.S.C. 636(b)) is amended—

20 (1) by redesignating the second paragraph des-
21 ignated as paragraph (16), relating to statute of lim-
22 itations, as added by the COVID–19 EIDL Fraud
23 Statute of Limitations Act of 2022 (Public Law
24 117–165; 136 Stat. 1363), as paragraph (18); and

1 (2) by inserting after paragraph (16), relating
2 to disaster declarations in rural areas, as added by
3 the Disaster Assistance for Rural Communities Act
4 (Public Law 117–249; 136 Stat. 2350), the fol-
5 lowing:

6 “(17) REQUIREMENTS WHEN FUNDING IS
7 LOW.—

8 “(A) IN GENERAL.—Not later than 24
9 hours after the unobligated balance of amounts
10 available for the cost of direct loans authorized
11 by this subsection is less than 10 percent of the
12 10-year average annual cost provided in the
13 most recent Presidential budget request re-
14 quired under section 1105(a)(39)(A) of title 31,
15 United States Code, or, if unavailable, the 10-
16 year average annual cost for the immediately
17 preceding 10-year period of SBA disaster loans
18 (as defined in section 1105(j) of such title), the
19 Administrator shall notify the Committee on
20 Appropriations and the Committee on Small
21 Business and Entrepreneurship of the Senate
22 and the Committee on Appropriations and the
23 Committee on Small Business of the House of
24 Representatives.

1 “(B) LIMITATION ON OBLIGATING
2 FUNDS.—During the period beginning on the
3 first business day occurring on or after the date
4 by which the Administrator is required to notify
5 Congress under subparagraph (A) and ending
6 on the date on which additional amounts are
7 appropriated for such costs, the Administrator
8 may limit the obligation of funds for a direct
9 loan authorized under this subsection to the
10 amount of such a loan for which collateral is re-
11 quired.

12 “(C) AUTHORITY TO LIMIT OBLIGATION OF
13 FUNDS.—In carrying out the authority to enact
14 a limitation under (B), the Administrator shall
15 apply that limitation with respect to amounts
16 obligated for all direct loans authorized under
17 this subsection during the period described in
18 subparagraph (B).

19 “(D) REQUIREMENT TO DISBURSE WITHIN
20 14 DAYS.—If the Administrator exercises the
21 authority under (B), the Administrator shall,
22 not later than 14 days after the date on which
23 additional amounts are appropriated under sub-
24 paragraph (B), obligate and disburse on a reg-
25 ular schedule any remaining amount out-

1 standing on a direct loan authorized under this
2 subsection.”.

3 (b) SUNSET.—Effective on the date that is 4 years
4 after the date of enactment of this Act, section 7(b) of
5 the Small Business Act (15 U.S.C. 636(b)) is amended—

6 (1) by striking paragraph (17); and

7 (2) by redesignating paragraph (18) as para-
8 graph (17).

9 (c) REPORT.—Not later than 1 year after the date
10 of enactment of this Act, in the event that the Adminis-
11 trator exercises the authority described in paragraph (17)
12 of section 7(b) of the Small Business Act (15 U.S.C.
13 636(b)), as added by subsection (a), the Comptroller Gen-
14 eral of the United States shall submit to the appropriate
15 committees of Congress a report assessing the actual and
16 potential impact of the amendments made by subsection
17 (a) during the period covered by the report.

18 **SEC. 7. GAO REPORT ON SBA DISASTER LOAN ACCOUNT.**

19 (a) REPORT.—Not later than 180 days after the date
20 of enactment of this Act, the Comptroller General of the
21 United States shall submit to the Administrator and the
22 appropriate committees of Congress a report on—

23 (1) the average weekly rate at which the Ad-
24 ministration obligates the unobligated balance of

1 amounts available for the cost of SBA disaster
2 loans;

3 (2) the average amount, during the periods be-
4 ginning on October 1, 2015 and ending on July 31,
5 2023 and beginning on July 31, 2023 and ending on
6 the date of enactment of this Act, respectively, dis-
7 bursed to a borrower each week, during the initial
8 12-week period in which a borrower receives
9 amounts from an SBA disaster loan, beginning the
10 day after the borrower accepts their loan, separated
11 by home SBA disaster loan borrowers, business SBA
12 disaster loan borrowers, and economic injury dis-
13 aster loan borrowers; and

14 (3) the average amount of fully disbursed SBA
15 disaster loans, originated during the period begin-
16 ning on July 31, 2023 and ending on the date of en-
17 actment of this Act, with separate averages for SBA
18 disaster loans delineated by home, business, and eco-
19 nomic injury disaster loans.

20 (b) RESPONSE.—Not later than 90 days after the
21 date on which the Comptroller General of the United
22 States submits the report under subsection (a), the Ad-
23 ministrator shall submit to the appropriate committees of
24 Congress a response to the report, including an implemen-
25 tation plan for any recommendations in the report.

1 **SEC. 8. GAO REPORT ON DISASTER LOAN CHANGES.**

2 (a) DEFINITION.—In this section, the term “covered
3 final rule” means—

4 (1) the final rule entitled “Disaster Assistance
5 Loan Program Changes to Maximum Loan Amounts
6 and Miscellaneous Updates” (88 Fed. Reg. 39335
7 (June 16, 2023); RIN 3245–AH91); or

8 (2) the final rule entitled “Disaster Assistance
9 Loan Program Changes to Unsecured Loan
10 Amounts and Credit Elsewhere Criteria” (89 Fed.
11 Reg. 59826 (July 24, 2024); RIN 3245–AI08).

12 (b) REPORT.—Not later than 1 year after the date
13 of enactment of this Act, the Comptroller General of the
14 United States shall submit to the appropriate committees
15 of Congress a report on—

16 (1) the cost (as defined in section 502 of the
17 Federal Credit Reform Act of 1990 (2 U.S.C.
18 661a)) of the increase in the home loan lending lim-
19 its for, the extension of the deferment period for, the
20 expansion of mitigation options for, the modifica-
21 tions to the criteria for determining whether appli-
22 cants can obtain credit elsewhere with respect to, the
23 changes to collateral requirements for, and other
24 changes to the terms and conditions of loans under
25 section 7(b)(1) of the Small Business Act (15 U.S.C.
26 636(b)(1)) made by the covered final rules; and

1 (2) the effect on the subsidy for such loans of
2 the changes contained in the covered final rules.

3 **SEC. 9. SBA INSPECTOR GENERAL REVIEW.**

4 (a) DEFINITIONS.—In this section—

5 (1) the term “covered amounts” means
6 amounts made available for the cost of direct loans
7 authorized by section 7(b) of the Small Business Act
8 (15 U.S.C. 636(b)); and

9 (2) the term “Inspector General” means the In-
10 spector General of the Administration.

11 (b) REVIEW.—

12 (1) IN GENERAL.—The Inspector General shall
13 conduct a review of the circumstances surrounding
14 the funding shortfall with respect to covered
15 amounts, as described in—

16 (A) the letter from President Joseph R.
17 Biden, Jr. entitled “Letter to Congress on Dis-
18 aster Needs”, dated October 4, 2024; and

19 (B) the letter from the Administrator sub-
20 mitted to the Chair and Ranking Members of
21 the Committees on Appropriations of the Sen-
22 ate and the House of Representatives, dated
23 October 10, 2024.

24 (2) CONTENTS.—The review required under
25 paragraph (1) shall include the following with re-

1 spect to the funding shortfall described in that para-
2 graph:

3 (A) The identification of any reporting or
4 notification requirements in statute that the
5 Administration failed to provide to Congress
6 with respect to the funding shortfall.

7 (B) The reason for any obligation or ex-
8 penditure of covered amounts for a purpose
9 that significantly diverged from the purpose for
10 which the covered amounts were made available.

11 (C) An analysis of the accuracy of projec-
12 tions and estimates relevant to the divergences
13 described in subparagraph (B).

14 (D) The identification and description of
15 any internal controls in place to manage cov-
16 ered amounts.

17 (E) An analysis of the impact that any re-
18 organization of the Administration, including
19 the transfer of administrative authority for the
20 program carried out under section 7(b) of the
21 Small Business Act (15 U.S.C. 636(b)) to the
22 Office of Capital Access of the Administration,
23 may have had with respect to the funding
24 shortfall.

1 (F) The identification of actions that the
2 Administration can take to—

3 (i) improve the accuracy of informa-
4 tion submitted by the President under sec-
5 tion 1105(a) of title 31, United States
6 Code, with respect to the Administration;

7 (ii) prevent any future funding short-
8 fall with respect to any account of the Ad-
9 ministration; and

10 (iii) improve the report submitted to
11 the appropriate committees of Congress
12 under section 12091(a) of the Small Busi-
13 ness Disaster Response and Loan Improve-
14 ments Act of 2008 (15 U.S.C. 636k(a)).

15 (G) Any other matter determined relevant
16 by the Inspector General.

17 (c) REPORT.—Not later than 180 days after the date
18 of enactment of this Act, the Inspector General shall sub-
19 mit to the appropriate committees of Congress a report
20 that contains the findings of the review carried out under
21 subsection (b).

22 **SEC. 10. BUDGET AND FORECASTING REPORT REGARDING**
23 **THE COST OF DIRECT DISASTER LOANS.**

24 (a) BUDGET FORMULATION AND FORECASTING.—
25 Not later than 30 days after the date of enactment of this

1 Act, the Administrator shall submit to the appropriate
2 committees of Congress a report detailing corrections the
3 Administration will make to improve forecasting, data
4 quality, and budget assumptions relating to budget sub-
5 missions relating to amounts made available for the cost
6 of SBA disaster loans.

7 (b) UPDATES.—Not later than 90 days after the date
8 of enactment of this Act, and every 90 days thereafter
9 until the date that is 90 days after the date on which all
10 the corrections described in subsection (a) have been im-
11 plemented, the Administrator shall submit to the appro-
12 priate committees of Congress a report—

13 (1) detailing the actions the Administration has
14 taken to implement the corrections described in sub-
15 section (a); and

16 (2) explaining how each action detailed under
17 paragraph (1) is directly related to implementing 1
18 or more corrections described in subsection (a).