CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 19, 2016

S. 2992
Small Business Lending Oversight Act of 2016

As reported by the Senate Committee on Small Business and Entrepreneurship on June 9, 2016

CBO estimates that implementing S. 2992 would cost $13 million over the 2017-2021 period, assuming appropriation of the necessary amounts.

S. 2992 would direct the Small Business Administration (SBA) to establish an Office of Credit Risk Management to be responsible for reviewing certain entities that issue loans guaranteed by the SBA; developing risk analysis reports; and performing on-site reviews of such entities' operations. The SBA already has an Office of Credit Risk Management that performs similar functions. The bill would grant the office the authority to impose new sanctions and civil penalties against lenders for certain prohibited actions and would expand its reporting and review responsibilities. Based on an analysis of information from the SBA about the current activities of the office, CBO estimates that implementing this provision would require 17 new employees at an annual cost of about $120,000 each to perform additional on-site reviews and to meet additional reporting and enforcement requirements. Total cost would amount to $10 million over the 2017-2021 period, CBO estimates.

S. 2992 also would direct the SBA to conduct additional analyses of the loan portfolios of certain lenders and would restrict those lenders' ability to approve loans under certain conditions, such as if their portfolios contain loans that were concentrated in any one industry that exceeds thresholds in the bill. The SBA also would be required to conduct annual risk analyses of some of its loan portfolios and to issue an annual report on its findings, beginning in 2018. On the basis of information from the SBA, CBO estimates that implementing those provisions would cost $3 million over the 2017-2021 period for SBA to conduct additional analyses, issue reports to the Congress, and revise and write new regulations.

Enacting S. 2992 could increase revenues from new civil penalties; therefore, pay-as-you-go procedures apply. However, CBO estimates that those revenue increases would not be significant. Enacting the bill would not affect direct spending.

CBO estimates that enacting S. 2992 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

S. 2992 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

The CBO staff contact for this estimate is Stephen Rabent. The estimate was approved by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.