



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 31, 2018

S. 3554

A bill to extend the effective date for the sunset for collateral requirements for Small Business Administration disaster loans

*As reported by the Senate Committee on Small Business and Entrepreneurship
on October 11, 2018*

Under current law, the Small Business Administration (SBA) does not require collateral for loans of \$25,000 or less under its disaster loan program. That threshold reverts to \$14,000 on November 25, 2018, for home or business loans for nonmajor physical disasters. S. 3554 would extend the \$25,000 threshold for those loans for one year.

Using information from the SBA, CBO expects that implementing S. 3554 could slightly increase the volume of loans made under the disaster loan program in 2019. However, the SBA generally does not deny a loan application if a borrower lacks the specified collateral, as long as the agency is reasonably sure that the loan can be repaid. For those reasons, CBO estimates that the bill would have an insignificant effect on the estimated subsidy cost of disaster loans; such spending would be subject to the availability of appropriated funds.¹ Using information from the SBA on the costs of similar activities, CBO estimates that implementing the bill would cost the agency less than \$500,000 to update program requirements.

Enacting S. 3554 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

CBO estimates that enacting S. 3554 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

S. 3554 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

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

1. The estimated subsidy cost is the estimated long-term cost to the government, calculated on a net-present-value basis. Present value is a single number that expresses a flow of current and future income (or payments) in terms of an equivalent lump sum received (or paid) at a specific time. That value depends on the rate of interest (called the discount rate) used to translate future cash flows into current dollars.