

At a Glance

H.R. 4481, Small Business 7(a) Loan Agent Transparency Act

As passed by the House of Representatives on November 2, 2021

By Fiscal Year, Millions of Dollars	2022	2022-2027	2022-2032
Direct Spending (Outlays)	0	*	*
Revenues	0	*	1
Increase or Decrease (-) in the Deficit	0	*	*
Spending Subject to Appropriation (Outlays)	0	41	not estimated
Statutory pay-as-you-go procedures apply?	Yes	Mandate Effects	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2033?	No	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

* = between -\$500,000 and \$500,000.

The bill would

- Require the Small Business Administration (SBA) to establish a registration system for agents assisting small businesses with applying for loans under the SBA's 7(a) loan program

Estimated budgetary effects would mainly stem from

- Spending subject to appropriation to establish and maintain a registration system for agents working on 7(a) loans
- Collections of annual registration fees and civil monetary penalties, both of which are classified as revenues
- Direct spending of annual registration fees

Detailed estimate begins on the next page.

Bill Summary

H.R. 4481 would require the Small Business Administration (SBA) to supervise agents that help small businesses to secure loans of up to \$5 million that are guaranteed by the SBA under the 7(a) loan program and to take enforcement action against any of those agents that are found to violate the Small Business Act. Agents include attorneys, consultants, and accountants that assist small businesses during the 7(a) loan application process. Those agents would be required to register with the SBA and to pay annual registration fees. Finally, the act would require the SBA to establish and maintain a database of services provided by agents working on 7(a) loans.

Estimated Federal Cost

The estimated budgetary effect of H.R. 4481 is shown in Table 1. The costs of the legislation fall within budget function 370 (commerce and housing credit).

Table 1.							
Estimated Increases in Spending Subject to Appropriation Under H.R. 4481							
	By Fiscal Year, Millions of Dollars						2022-2027
	2022	2023	2024	2025	2026	2027	
Estimated Authorization	0	8	8	9	9	9	43
Estimated Outlays	0	7	8	8	9	9	41

Basis of Estimate

CBO assumes that H.R. 4481 will be enacted near the end of 2022.

Spending Subject to Appropriation

The act would require the SBA to establish and maintain a system to register agents that help businesses secure 7(a) loans. Using information from the SBA, CBO estimates that it would cost \$19 million over the 2022-2027 period to build and maintain that system. The SBA also would need contractors to administer the registration program and compile the database. CBO estimates that cost at \$22 million over that same period. In total, CBO estimates, implementing H.R. 4481 would cost \$41 million over the 2022-2027 period, assuming appropriation of the estimated amounts.

Revenues and Direct Spending

H.R. 4481 would increase revenues by about \$1 million and increase direct spending by less than \$500,000 over the 2022-2032 period.

Registration Fees. H.R. 4481 would require the SBA to collect annual registration fees from agents. Using information about the number of agents working on 7(a) loans and assuming

that the fee would be similar to the \$40 fee levied by the Appraisal Subcommittee of the Federal Financial Institutions Examination Council, CBO estimates that enacting H.R. 4481 would increase fee collections, which are treated as revenues, by less than \$500,000 over the 2022-2032 period. Because the act would allow the SBA to set the fee amount, which would be done through the rulemaking process, revenues collected under the bill could be higher or lower than CBO estimates.

The SBA is authorized to retain and spend some fees, including the registration fee that would be collected under H.R. 4481. As a result, CBO estimates that the act would increase direct spending by less than \$500,000 over the 2022-2032 period and that the net effect on the deficit would be negligible.

Civil Penalties. H.R. 4481 would authorize the SBA to take enforcement action and levy civil monetary penalties of up to \$250,000 against agents working on 7(a) loans if they are found to violate the Small Business Act. CBO estimates that this new authority would increase collections of civil monetary penalties—which are treated as revenues—by an insignificant amount over the 2022-2032 period.

Increase in Long-Term Deficits: None.

Mandates: None.

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