

### At a Glance

## H.R. 1651, Small Business 7(a) Loan Agent Transparency Act

As ordered reported by the House Committee on Small Business on May 23, 2023

By Fiscal Year, Millions of Dollars	2023	2023-2028	2023-2033
Direct Spending (Outlays)	0	*	1
Revenues	0	*	1
Increase or Decrease (-) in the Deficit	0	*	*
Spending Subject to Appropriation (Outlays)	*	43	not estimated

Increases <i>net direct spending</i> in any of the four consecutive 10-year periods beginning in 2034?	No	Statutory pay-as-you-go procedures apply?	Yes
<b>Mandate Effects</b>			
Increases <i>on-budget deficits</i> in any of the four consecutive 10-year periods beginning in 2034?	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.**

See also

[CBO's Cost Estimates Explained](#), [CBO Describes Its Cost-Estimating Process](#), [Glossary](#)

## Bill Summary

H.R. 1651 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 bill 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. 1651 is shown in Table 1. The costs of the legislation fall within budget function 370 (commerce and housing credit).

<b>Table 1.</b>							
<b>Estimated Increases in Spending Subject to Appropriation Under H.R. 1651</b>							
	By Fiscal Year, Millions of Dollars						2023-2028
	2023	2024	2025	2026	2027	2028	
Estimated Authorization	*	8	9	9	9	9	44
Estimated Outlays	*	8	8	9	9	9	43

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

## Basis of Estimate

CBO assumes that H.R. 1651 will be enacted near the end of 2023. The bill would take effect six months after enactment.

### Spending Subject to Appropriation

The bill 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 \$20 million over the 2023-2028 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 \$23 million over that same period. In total, CBO estimates, implementing H.R. 1651 would cost \$43 million over the 2023-2028 period, assuming appropriation of the estimated amounts.

### Revenues and Direct Spending

H.R. 1651 would increase revenues and direct spending by about \$1 million over the 2024-2033 period.



**Registration Fees.** H.R. 1651 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. 1651 would increase fee collections, which are treated as revenues, by \$1 million over the 2024-2033 period. Because the bill 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. 1651. As a result, CBO estimates that the bill would increase direct spending by about \$1 million over the 2024-2033 period and that the net effect on the deficit would be negligible.

**Civil Penalties.** H.R. 1651 would authorize the SBA to take enforcement actions 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 2024-2033 period.

### **Pay-As-You-Go Considerations**

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. Over the 2023-2032 period, CBO estimates that enacting the bill would increase both direct spending and revenues by \$1 million.

**Increase in Long-Term Net Direct Spending and Deficits:** None.

**Mandates:** None.



### **Estimate Prepared By**

Federal Costs: David Hughes

Mandates: Rachel Austin

### **Estimate Reviewed By**

Justin Humphrey

Chief, Finance, Housing, and Education Cost Estimates Unit

Kathleen FitzGerald

Chief, Public and Private Mandates Unit

Ann E. Futrell

Senior Adviser for Budget Analysis

### **Estimate Approved By**

A handwritten signature in black ink that reads "Phillip L. Swagel". The signature is written in a cursive style with a long, sweeping tail.

Phillip L. Swagel

Director, Congressional Budget Office