CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

May 22, 2018

S. 2283
Small Business 7(a) Lending Oversight Reform Act of 2018

As reported by the Senate Committee on Small Business and Entrepreneurship on March 19, 2018

S. 2283 would direct the Small Business Administration (SBA) to establish the Office of Credit Risk Management (OCRM), which would supervise certain entities that issue loans guaranteed under the SBA's 7(a) loan program, develop risk analysis reports, and perform on-site reviews of those entities' operations. The bill also would direct the SBA to establish the Lender Oversight Committee, which would review the OCRM's recommendations for enforcement action and fulfill other responsibilities. The SBA's existing OCRM and Lender Oversight Committee perform functions similar to those required under S. 2283.

S. 2283 would require the OCRM to conduct additional risk analyses for the SBA 7(a) loan program portfolio, allow that office to impose new sanctions and civil penalties on lenders for certain prohibited actions, and require the SBA to report on enforcement actions taken by the Lender Oversight Committee. Using information from the SBA, CBO estimates that implementing those provisions would require about 10 new employees (at an average annual cost of about $120,000) and cost $6 million over the 2019-2023 period for the agency to meet additional reporting and enforcement requirements and to revise and write new regulations. That spending would be subject to the availability of appropriated funds.

S. 2283 also would require the SBA to supervise on-site reviews of 7(a) loan program lenders. Using information from the SBA, CBO estimates that implementing that provision would require about 10 new employees and would have a gross cost of $5 million over the 2019-2023 period. However, the SBA has the authority to recover the examination and review costs of the 7(a) loan program through fees imposed on lenders; therefore, CBO estimates that the net cost of those provisions would be negligible, assuming agency actions consistent with that authority.

Enacting S. 2283 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 legislation would not affect direct spending.

CBO estimates that enacting S. 2283 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

S. 2283 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

On May 22, 2018, CBO transmitted a cost estimate for H.R. 4743, the Small Business 7(a) Lending Oversight Reform Act of 2018, as passed by the House of Representatives on May 8, 2018. The pieces of legislation are similar, and CBO's estimates of their budgetary effects are the same.

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