

H.R. 4531, 7(a) Loan Agent Oversight 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	0	0
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	0	0
Spending Subject to Appropriation (Outlays)	0	46	not estimated
Statutory pay-as-you-go procedures apply?	No	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

H.R. 4531 would require the Small Business Administration (SBA) to report annually to the Congress on 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. Agents include attorneys, consultants, and accountants that assist small businesses during the 7(a) loan application process. The report would include the number of agents assisting 7(a) loan applicants, the dollar amount of fees paid to agents, and the risk created by agents.

The costs of the legislation, detailed in Table 1, fall within budget function 370 (commerce and housing credit).

Table 1.
Estimated Increases in Spending Subject to Appropriation Under H.R. 4531

	By Fiscal Year, Millions of Dollars						
	2022	2023	2024	2025	2026	2027	2022-2027
Estimated Authorization	0	9	9	10	10	10	48
Estimated Outlays	0	8	9	9	10	10	46

Using information from the SBA, CBO expects that the annual report would cost about \$1 million a year. However, the SBA does not currently collect the information that it would need to write the report specified in the legislation. Thus, CBO expects that the SBA would need to establish and maintain a registration system to track agents working on 7(a) loans in order to complete a full and accurate report. On that basis, CBO estimates that implementing H.R. 4531 would cost the agency \$46 million over the 2022-2027 period, assuming appropriation of the estimated amounts. Those estimated amounts include:

- \$19 million to establish and maintain a system to register and track agents working on 7(a) loans,
- \$22 million to hire contractors to administer the registration program, and
- \$5 million to report annually to the Congress.

On August 30, 2022, CBO transmitted an estimate for H.R. 4481, the Small Business 7(a) Loan Agent Transparency Act, as passed by the House of Representatives on November 2, 2021. That legislation would require the SBA to register such agents but would not require an annual report to the Congress. CBO's estimated costs for registering agents and keeping that information up to date are the same for both estimates.

The CBO staff contact for this estimate is David Hughes. The estimate was reviewed by H. Samuel Papenfuss, Deputy Director of Budget Analysis.