



U.S. SMALL BUSINESS ADMINISTRATION  
WASHINGTON, D.C. 20416

February 25, 2016

Wendy Liberante  
SBA Desk Officer  
Office of Information and Regulatory Affairs  
Office of Management and Budget  
725 17<sup>th</sup> Street, N.W.  
Washington, DC 20503

Re: OMB Control Numbers: 3245-0071(504 Loan Application) and 3245-0346 (Quarterly Loan Loss Reserve Report)

Dear Ms. Liberante:

The Small Business Administration (SBA) requests emergency processing of the subject revised collections of information for the 504 loan program. The Agency has determined that the revised collections are needed prior to the expiration of the regular processing time and therefore asks that OMB approve the collections within 10 days of submission.

To further facilitate the SBA's implementation of these updated collections of information under emergency processing, the Agency asks that OMB exercise its authority to waive the 60-day comment notice required under 5 C.F.R. § 1320.8(2)(d)(1). Under that provision, OMB may at its discretion shorten the 60-day period or waive it completely. SBA is requesting a complete waiver.

If this request for emergency processing is approved, SBA will shortly thereafter take the necessary steps to obtain approval through the regular process that would enable the Agency to continue to use the collections of information beyond the emergency approval period.

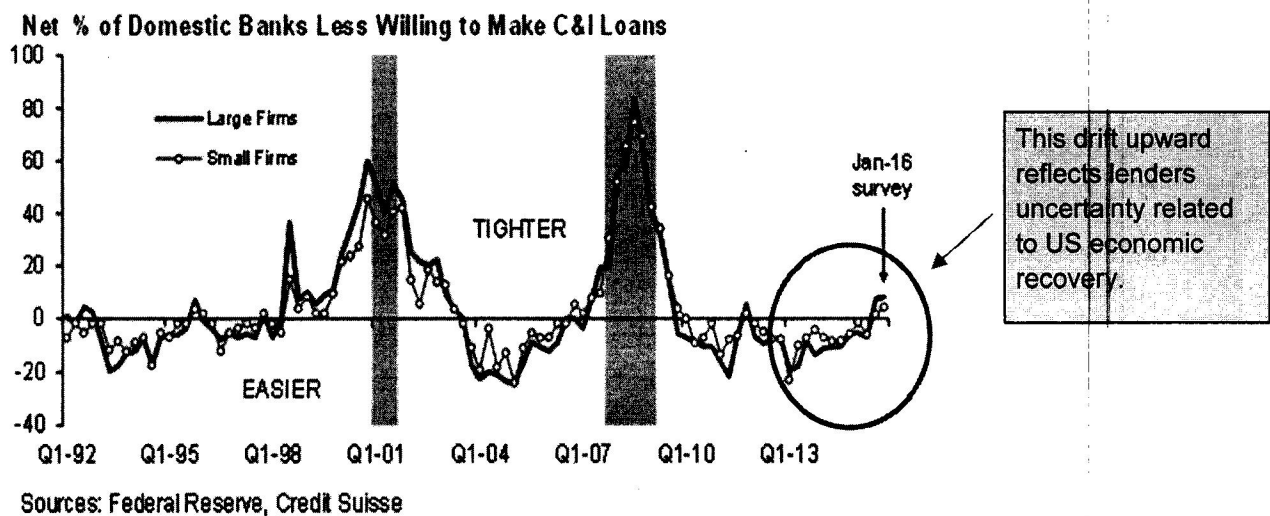
**Summary of Debt Refinancing Program**

Debt refinancing under the 504 Loan Program was temporarily authorized under the Jobs Act of 2010; however, that authority expired on September 27, 2012. Post-expiration, SBA submitted the information collections to OMB to remove the requirements related to the debt refinancing program. That action was necessary to avoid creating confusion for the public as to the program's availability. A statutory change on December 22, 2015, in the Consolidated Appropriations Act, 2016, re-established debt refinance authority as a permanent part of the 504 Loan Program. As a result, the reporting requirements previously removed must be restored to implement the reauthorized program. The revision would reinsert the identical debt refinance-

related language that was deleted from Forms 1244, 2450, 2234B, and 2234C after the temporary Jobs Act authority expired. In addition, the debt refinancing program is required to operate at zero subsidy.

### **Justification for Emergency Processing**

In order to meet the immediate debt refinancing needs of small businesses, it is essential to be able to move forward with the revised collections of information as expeditiously as possible. In the last few months, lenders have tightened their credit standards at the same time that interest rates were raised for the first time in nearly nine years. The chart below was presented to the Federal Open Market Committee (FOMC) before its January 2016 meeting. It illustrates a concerning trend toward tighter credit sentiment by bank officers since SBA's temporary 504 debt refinancing program expired in 2012:




The combination of tighter credit sentiment and the recent increase in interest rates has made it increasingly difficult for small businesses to find lenders willing to refinance small business commercial loans. SBA's new permanent 504 debt refinance program will fill that gap by providing an affordable refinancing product that lenders and the small business community are eagerly awaiting. In addition to a low, long-term fixed interest rate, the 504 debt refinancing loan program offers a lower loan-to-value (LTV) requirement for the small business (90% LTV) than is standard in the conventional debt market (70% LTV). The lower cost of funds at a fixed rate is especially significant in a rising interest rate environment. In a competitive refinance market, where small businesses must compete with large companies for refinancing dollars, the 504 loan program can help small businesses more effectively obtain more affordable refinancing.

SBA is concerned that any delay caused by conducting the regular review process for this information collection would have an immediate adverse impact on small businesses that urgently need to refinance their debt to capitalize on this more favorable financing opportunity as

quickly as possible. Industry research has indicated that more than \$205 Billion in commercial loans will mature **in the next 18 months**. Of those eligible commercial loans under \$10 million in 2016, we anticipate that as many as 4,519 loans totaling \$17.7 Billion would potentially qualify for refinance in the 504 loan program, and slightly more the following year. A reasonable monthly estimate of current demand is \$1.5 Billion, or \$9 Billion over 6 months. SBA estimates that this high demand for refinancing will have a more immediate adverse impact on small businesses that need to arrange for long-term financing long before their current debt matures. In addition, because the interest rate on 504 loans is lower than the current conventional small business interest rate, businesses with outstanding debt are looking to refinance as quickly as possible in order to lower their cost of funds. A few weeks could make a big difference to some small businesses, especially those that are facing balloon payments. Therefore, the earlier that SBA is able to re-establish the debt refinancing program, the more businesses that can be served by the program. However, the debt refinancing program cannot be re-established without restoring the needed information in the information collections.

The Agency appreciates your prompt attention to this matter and looks forward to receiving your approval for the collections of information within the next 10 days.

Sincerely,

  
Ann Marie Mehlum  
Associate Administrator  
Office of Capital Access