

that must be contributed into its LLRF. Pursuant to the proposed regulations (§ 120.847(e)) the PCLP CDC has several deadlines related to when those contributions relating to each PCLP debenture must be made. There are three relevant deadlines for each PCLP debenture. The PCLP CDC must also keep track of its contributions to the LLRF.

Description of Respondents: There are approximately 270 CDCs. Of those, there are approximately 26 PCLP CDCs, or less than 10 percent of all CDCs.

SBA estimates the burden of this collection of information as follows: one hour per PCLP debenture. PCLP debenture volume will vary significantly among participants. We expect that few PCLP CDCs will issue more than 50 PCLP debentures annually. That would mean an aggregate burden of no more than 50 hours per year. SBA estimates that the added cost would be minimal, because existing PCLP CDC support staff and ordinary bank records will cover the labor costs. At an estimate of \$10 per hour, the reporting requirements would not likely exceed \$500 per year for any PCLP CDC.

Executive Order 12988: For purposes of Executive Order 12988, SBA determines that this proposed rule is drafted, to the extent practicable, to accord with the standards set forth in paragraph 3 of that Order.

List of Subjects in 13 CFR Part 120

Loan Programs—business, Reporting and recordkeeping requirements, Small business.

For the reasons set forth in the preamble, SBA proposes to amend 13 CFR part 120 as follows:

PART 120—BUSINESS LOANS

1. The authority citation for part 120 continues to read as follows:

Authority: 15 U.S.C. 634(b)(6), 636(a) and (h), 696(3) and 697(a)(2).

2. Amend § 120.10 by adding a definition of “SOP” to read as follows:

§ 120.10 Definitions.

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SOPs are SBA Standard Operating Procedures, as issued and revised by SBA from time to time.

Subpart A—Policies Applying to All Business Loans

2. Revise the first sentence of the introductory text of § 120.140 to read as follows:

§ 120.140 What ethical requirements apply to participants?

Lenders, Intermediaries, and CDCs (in this section, collectively referred to as “Participants”), must act ethically and exhibit good character. * * *

Subpart H—Development Company Loan Program (504)

3. Revise the heading of § 120.800 to read as follows:

§ 120.800 The purpose of the 504 program.

4. Revise the heading of § 120.801 to read as follows:

§ 120.801 How a 504 Project is financed.

5. Amend § 120.802 by removing the definition of “Associate Development Company”; revising the definition of “Area of Operations”; adding definitions of “Designated Attorney”, “Lead SBA Office”, “Priority CDC”, and revising the first sentence of the definition of “Local Economic Area”, to read as follows:

§ 120.802 Definitions.

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Area of Operations is the geographic area where SBA has approved a CDC’s request to provide 504 program services to small businesses on a permanent basis. The minimum Area of Operations is the State in which the CDC is incorporated.

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Designated Attorney is the CDC closing attorney that SBA has approved to close loans under an expedited closing process for a Priority CDC.

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Lead SBA Office is the SBA District Office designated by SBA as the primary liaison between SBA and a CDC and with responsibility for managing SBA’s relationship with that CDC.

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Local Economic Area is an area, as determined by SBA, that is in a State other than the State in which an existing CDC (or an applicant applying to become a CDC) is incorporated, is contiguous to the CDC’s existing Area of Operations (or the applicant’s proposed Area of Operations) of its State of incorporation, and is a part of a local trade area that is contiguous to the CDC’s Area of Operations (or applicant’s proposed Area of Operations) of its State of incorporation. * * *

Priority CDC is a CDC certified to participate on a permanent basis in the 504 program (see § 120.812) that SBA has approved to participate in an expedited 504 loan and Debenture closing process.

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6. Revise § 120.810 to read as follows:

§ 120.810 Applications for certification as a CDC.

(a) An applicant for certification as a CDC must apply to the SBA District Office serving the jurisdiction in which the applicant has or proposes to locate its headquarters (see § 101.103 of this chapter).

(b) The applicant must apply for an Area of Operations. The applicant’s proposed Area of Operations must include the entire State in which the applicant is incorporated, and may include Local Economic Areas. An applicant may not apply to cover an area as a Multi-State CDC.

(c) The applicant must demonstrate that it satisfies the CDC certification and operational requirements in §§ 120.820, and § 120.822 through 120.824. The applicant also must include an operating budget, approved by the applicant’s Board of Directors, which demonstrates the required financial ability (as described in § 120.825), and a plan to meet CDC operational requirements (without specializing in a particular industry) in § 120.821, and §§ 120.826 through 120.830.

(d) The District Office will forward the application and its recommendation to the AA/FA, who will make the final decision. SBA will notify the CDC in writing of its decision, and, if the petition is declined, the reasons for the decision. The procedures of §§ 120.855 through 120.857 do not apply to the denial of an application.

§ 120.811 [Removed]

7. Remove § 120.811.

8. Revise § 120.812 to read as follows:

§ 120.812 Probationary period for newly certified CDCs.

(a) Newly certified CDCs will be on probation for a period of two years from the date of certification, at the end of which the CDC must petition the Lead SBA Office for:

- (1) Permanent CDC status; or
- (2) A single, one-year extension of probation.

(b) SBA will consider the failure to file a petition before the end of the probationary period as a withdrawal from the 504 program. If the CDC elects withdrawal, SBA will direct the CDC to transfer all funded and/or approved loans to another CDC, SBA, or another servicer approved by SBA.

(c) The Lead SBA Office will send the petition and its recommendation to the AA/FA, who will make the final decision. SBA will determine permanent CDC status or an extension of probation, in part, based upon the