

believes this increased awareness in the 504 Program can benefit small and rural CDCs even if they do not have the resources to increase their own marketing and outreach efforts. SBA also believes having multiple CDCs in the area improves the service provided by the CDCs, which also makes the 504 Program more useful to the local lending communities. As more and more lenders successfully use the program, they discuss it and provide information about it to other lenders which increases the impact of the marketing efforts of all CDCs serving the area. A similar phenomenon occurred in the lending industry. Over the years, lenders participating in SBA's 7(a) program have always been willing to come to lenders' meetings to describe their activity with other lenders. They do this because they recognize that as more people are aware of the program, the size of the market will increase, resulting in more overall loan activity for the lender.

This rule also permits new CDCs the opportunity to market in areas that may produce more 504 loans sooner. This in turn should permit the new CDC the ability to reach a breakeven point sooner in its operations and continue to meet the required 504 activity of two 504 approvals per year. Currently it is estimated that it takes a CDC at least two years at a cost of \$200,000 or more to reach the 504 activity level where the 504 fee income covers the CDC's expenses. Very few of the new CDCs that SBA has certified in recent years have been able to remain viable. Allowing CDCs to market in multiple areas increases their ability to obtain customers.

To summarize, the expected results of this final rule are that CDCs (and existing and future 504 loan borrowers) will benefit because small, rural CDCs that currently struggle to meet the volume requirement will be retained, awareness of the 504 program among lenders will increase, new CDCs will have a greater opportunity to succeed, and borrowers will have more choice among CDCs.

In addition, SBA expects this rule will result in a reduction in the overall paperwork burden for CDCs since CDCs will no longer have to apply to SBA to expand their area of operations within their State of incorporation. SBA received and approved approximately 11 expansion requests during 2002. All were for CDCs requesting expansions into neighboring counties within the CDC's State of incorporation. The burden hours for a new CDC or a CDC wishing to expand to complete an application is estimated to be 10 hours.

None of the applications for an expansion would have been necessary under this rule. In addition, applicants requesting to become CDCs also will be permitted to establish their optimal area of operations within their State of incorporation without being excluded from areas that currently have one or more CDCs. The SBA receives one or two applications to become a CDC per year. The burden hours for an application will be reduced by approximately one hour due to the changes in the general membership requirements that will allow an applicant more flexibility in meeting this requirement. The SBA believes that the economic impact of the reduction in paperwork, if any, will be minimal to small entities.

SBA also received comments expressing concern about the enforcement provisions and the perceived increased authority SBA would derive from the provisions. SBA disagrees that the new enforcement provisions will result in significant economic impact. Although SBA had proposed allowing the use of fees that CDCs receive to compensate SBA from financial losses resulting from improper CDC conduct, the final rule deletes this provision. SBA also has a history of fair and evenhanded use of enforcement authority in all of our lending, procurement, grant, and other assistance programs. CDCs are protected from unfair or biased enforcement of the rules through the notice and appeal procedures in the regulations.

Accordingly, SBA determines that this rule will not have a significant economic impact on a substantial number of small entities within the meaning of the Regulatory Flexibility Act, 5 U.S.C. 601–612.

Paperwork Reduction Act: For the purposes of the Paperwork Reduction Act, 44 U.S.C. Chapter 35, SBA has submitted two different reporting requirements to OMB for review: (1) the PCLP application and (2) the PCLP Loan Loss Reserve Fund (LLRF) reporting requirements. SBA received no comments from the public regarding these two information collections. SBA makes no changes to either of these information collections in this rule.

A. Application

The PCLP application form is for the use of the 26 PCLP CDCs as provided in § 120.848(d). The application will allow SBA to collect the information it needs from the PCLP in order to extensively analyze the borrower's financing proposal, including information on the borrower's personal and business financial statements, cash flow

projections, and related information to support an eligibility determination. Analysis of the application is activities are designed to control and limit the risk associated with the 504 Program and SBA's guaranty, but they do require significant SBA resources. SBA estimates the burden of this collection of information as follows: A PCLP CDC will complete these forms for each PCLP loan it processes. SBA estimates that the time needed to complete this collection is 45 minutes. SBA estimates that the cost to complete this collection will be approximately \$20 per hour due to the clerical nature of most of the completion. Total estimated aggregated burden per annum is estimated to be approximately 700 hours per annum costing an aggregated \$14,000 per year.

B. LLRF Compliance Information

The LLRF Compliance form is for the use of the 26 PCLP CDCs as provided in § 120.847(f). The LLRF compliance information will document the PCLP CDC's meeting of the LLRF deposit requirements. This will require the PCLP CDC to keep track of the face amount of each PCLP debenture and then determine and record the amount that must be contributed into its LLRF. SBA estimates the burden of this collection of information 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.

SBA created these information collections with the goal of collecting only the necessary information needed to successfully and efficiently operate the CDC program with minimal burden to the public.

List of Subjects in 13 CFR Part 120

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

■ For the reasons discussed in the preamble, SBA is amending 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).