

# Rules and Regulations

Federal Register

Vol. 89, No. 135

Monday, July 15, 2024

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## SMALL BUSINESS ADMINISTRATION

### 13 CFR Part 120

[Agency Docket Number: SBA-2024-0005]

#### 7(a) Working Capital Pilot Program

**AGENCY:** U.S. Small Business Administration.

**ACTION:** Notification of pilot program and request for comments.

**SUMMARY:** SBA is introducing a new pilot loan program within the 7(a) Loan Program called “7(a) Working Capital Pilot” (WCP) to provide SBA 7(a) guaranteed lines of credit up to \$5 million that may be used to support domestic and international transactions with SBA fees due from the Lender that operate as a function of time, charging a proportional amount for each year the facility is in use.

**DATES:**

*Effective date:* The WCP Program will be effective on August 1, 2024, and will remain in effect through July 31, 2027.

*Comment date:* Comments must be received on or before August 14, 2024.

**ADDRESSES:** You may submit comments, identified by SBA docket number SBA-2024-0005, through the Federal eRulemaking Portal: <https://www.regulations.gov/>. Follow the instructions for submitting comments.

SBA will post all comments on <https://www.regulations.gov/>. If you wish to submit confidential business information (CBI) as defined in the User Notice at <https://www.regulations.gov/>, please submit the information via email to [Ginger.Allen@sba.gov](mailto:Ginger.Allen@sba.gov). Highlight the information that you consider to be CBI and explain why you believe SBA should hold this information as confidential. SBA will review the information and make the final determination whether it will publish the information.

**FOR FURTHER INFORMATION CONTACT:** Specific WCP policy questions should be directed to [7aWCP@sba.gov](mailto:7aWCP@sba.gov). For

further information, contact Ginger Allen, Chief, 7(a) Loan Policy Division, Office of Financial Assistance, Office of Capital Access, Small Business Administration, at (202) 205-7110 or [Ginger.Allen@sba.gov](mailto:Ginger.Allen@sba.gov), or Daniel Pische, Director, International Trade Finance, Office of International Trade, Small Business Administration, at (202) 205-7119 or [Daniel.Pische@sba.gov](mailto:Daniel.Pische@sba.gov). The phone numbers above may also be reached by individuals who are deaf or hard of hearing, or who have speech disabilities, through the Federal Communications Commission’s TTY-Based Telecommunications Relay Service teletype service at 711.

**SUPPLEMENTARY INFORMATION:**

**I. Background Information**

As small businesses grow, they require access to working capital. Working capital is most economically delivered through a line of credit and allows businesses to take on new opportunities in a way that a term loan cannot. For example, manufacturers require a revolving line of credit to build a resilient inventory position, and a contractor requires access to a transaction-based project line to successfully secure a multi-year government contract. In both examples, the revolving nature of a line of credit provides the most efficient means for the business to control its cash flow and manage the associated interest expense in a dynamic rate environment. For example, for a permanent term (non-revolving) loan that provides working capital, the borrower receives one lump sum of money and interest immediately begins accruing on the entire sum. In contrast, with a revolving line of credit, the borrower only borrows money as needed and pays interest only on the time the funds are being used.

SBA’s flagship business loan program is the 7(a) Loan Program, which currently offers four delivery methods for making SBA 7(a) guaranteed lines of credit. These delivery methods are the 7(a) SBA Express, CAPLine, Export Express, and the Export Working Capital Program (EWCP) programs. While the existing 7(a) line of credit delivery methods serve a similar working capital function, each has its own unique rules and limitations. For example, 7(a) SBA Express and Export Express loans are limited to a maximum loan size of \$500,000, while CAPLines and EWCP

loans can be approved up to \$5 million. Lenders appreciate the flexibility offered by the CAPLines Program; however, the four subprograms within CAPLines can be confusing to administer, and the fee structure makes these types of loans expensive when compared to EWCP. Lenders find the EWCP Program to be more similarly structured to their conventional asset-based lending norms than the CAPLine Program, and Lenders prefer EWCP’s fee structure over CAPLine’s fee structure; however, EWCP loan proceeds may only be used to finance export transactions. The difference in rules creates a challenge for Lenders, who must learn and manage four separate programs for the delivery of their small business working capital, which negatively affects Lender participation while also reducing the availability of working capital for small businesses. For these reasons, SBA is establishing the new 7(a) Working Capital Pilot Program to allow participating 7(a) Lenders to make working capital loans more efficiently and effectively.

**II. 7(a) Working Capital Pilot Program Overview**

Per 13 CFR 120.3, SBA is establishing the WCP Program as a pilot program within the 7(a) Loan Program. The WCP will be effective August 1, 2024, and continue through July 31, 2027. The purpose of the WCP Program is to allow participating 7(a) Lenders to make working capital lines of credit through asset-based and transaction-based lines of credit. Lenders making WCP loans \$150,000 or less will have an 85 percent SBA guaranty, and WCP loans greater than \$150,000 will have a 75 percent SBA guaranty. WCP Program requirements will be built around established industry norms. SBA intends to make program enhancements based on Lender feedback during the duration of the pilot program.

WCP loans may be approved up to \$5 million and may be used to support domestic and international transactions. Lenders may authorize a loan term up to 60 months. Lenders set interest rates that must comply with 13 CFR 120.213 and 120.214.

In compliance with § 120.214(c), SBA is providing notice in this **Federal Register** Notice that for the WCP Program, SBA is allowing Lenders to use the Secured Overnight Financing

Rate (SOFR) plus 3 percent as a base interest rate in addition to Prime and SBA's Optional Peg Rate. SBA recognizes that financial institutions use a range of SOFR products to deliver an equivalent reference rate (e.g., 30-day term SOFR and 30-Day Average SOFR). Lenders may continue to use their established in-house SOFR reference rates of 30 days or less as these rates closely correlate with the daily SOFR rate. The amount of interest SBA will pay to a Lender following the default of a WCP loan will be calculated based on the daily SOFR rate as reported by the Federal Reserve Bank of New York.

Lenders must pay a guaranty fee to SBA for each loan made, and the guaranty fee due to SBA upon initial loan approval is called the SBA Upfront Fee. The SBA Upfront Fee for WCP is modeled after SBA's 7(a) EWCP Program, which has a guaranty fee that operates as a function of time, charging a proportional amount for each year the facility is in use. For example, a loan with a 36-month loan term pays an SBA Upfront Fee established for loans with a 36-month term, while loans with a 60-month loan term pay an SBA Upfront Fee that is proportionally higher based on the longer term.

SBA will publish the WCP Upfront Fee on SBA's website at <https://www.sba.gov/documents>. To provide an idea of how the WCP fee structure may look, the Upfront Fee for SBA's 7(a) EWCP Program in fiscal year (FY) 24 is: For loans of \$1 million or less: 0%. For loans greater than \$1 million with a maturity of 12 months or less: 0.25% of the guaranteed portion. For loans greater than \$1 million with a maturity of 13 up to 24 months: 0.525% of the guaranteed portion. For loans greater than \$1 million with a maturity of 25 up to 36 months: 0.8% of the guaranteed portion.

Lenders and Agents may collect fees from borrowers. Fees, including extraordinary servicing fees, are capped in accordance with 13 CFR 120.221 and Standard Operating Procedure (SOP 50 10). Extraordinary servicing fees are capped at 2 percent per year on the outstanding balance of the part requiring special servicing.

WCP loan proceeds may be used to provide a temporary advance against Federal and state tax credits and/or rebates in addition to certain other common uses for asset-based lines. The purpose for allowing WCP loan proceeds to be used to provide a temporary advance against Federal and or state tax credits and/or rebates is to provide immediate access to a portion of the funds once they are earned by the business and have been confirmed by the Lender.

More detailed guidance on the WCP will be provided in a 7(a) Working Capital Pilot Program Guide (Program Guide) published on SBA's website at <https://www.sba.gov/documents>. Except where the Program Guide provides other guidance, Lenders and loans must comply with the regulations outlined in parts 103, 105, 120, 121, and 134 of title 13 of the Code of Federal Regulations, and SOPs 50 10, "Lender and Development Company Loan Programs", which provides 7(a) loan origination policy, 50 56, "Lender Participation Requirements", which provides Lender participation and oversight requirements, and 50 57, "7(a) Loan Servicing and Liquidation". SBA will provide recorded training and downloadable slide decks on its Training on Demand page at <https://www.sba.gov/partners/lenders/training-demand>. SBA will also provide live training and one-on-one help from SBA subject matter experts. Lenders may sign up for notifications of training and ask WCP policy questions at [7aWCP@sba.gov](mailto:7aWCP@sba.gov).

### III. Eligible Lenders and Delegated Loan Processing

All participating 7(a) Lenders in good standing with a signed Loan Guaranty Agreement (Form 750) are eligible to participate in the WCP. The process for lenders to apply to participate with SBA as a 7(a) Lender is provided in SOP 50 56. If the 7(a) Working Capital Pilot is not extended, each Lender must continue to service and liquidate its WCP loans under the terms of the Pilot but will not be able to make any new WCP loans. If the WCP is extended or made permanent, each WCP Lender's authority to participate will be renewed based on the WCP Lender's compliance with the program requirements.

Under SBA's sole discretion, SBA may grant delegated authority to certain qualified Lenders with experience in asset-based lending to process, close, service, and liquidate WCP loans without prior SBA review. 7(a) Lenders with existing Preferred Lenders Program (PLP) delegated authority will *not* automatically have authority to make WCP loans using delegated authority. However, SBA will automatically approve Lenders in good standing that have PLP-EWCP delegated authority for PLP-WCP delegated authority with no action required by the PLP-EWCP Lender. Lenders in good standing with SBA that have delegated authority in the Export-Import Bank of the United States Working Capital Guaranty Program are immediately eligible for PLP-EWCP delegated authority. These Lenders should apply for PLP-EWCP status in

accordance with SBA's SOP 50 56. Other participating 7(a) Lenders may apply for PLP-WCP delegated authority based on criteria listed in SOP 50 56 as well as specific criteria found in SBA 7(a) Working Capital Pilot Program Guide published on SBA's website at <https://www.sba.gov/documents>. Lenders with delegated authority may elect on a case-by-case basis to process certain loans under non-delegated authority.

### IV. Budget Impact of WCP on 7(a) Loan Program

In FY25, SBA estimates it will approve approximately 270 WCP loans totaling \$337 million. Half of that volume will be from loans that would have otherwise been approved as an SBA 7(a) Export Working Capital Program loan or SBA 7(a) CAPLines loan, and the other half will be new volume. The WCP is included in the 7(a) Loan Program budget estimate. The performance of these loans will be considered when calculating budget costs and any need for appropriations.

SBA analyzed the budget impact of WCP loans on the 7(a) Loan Program. The current estimates for FY24 and FY25 support the continued execution of the 7a Loan Program without needing an appropriation, and this will be reassessed annually.

### V. Program Guide and Notices From SBA, Including Training

Inquiries on specific WCP policies may be sent to [7aWCP@sba.gov](mailto:7aWCP@sba.gov). SBA will publish detailed WCP requirements in a Program Guide, which will be available on SBA's website at <https://www.sba.gov/documents>. SBA may also provide additional guidance through SBA notices on the same website. Lenders, SBA staff, and interested stakeholders may sign up for notification of upcoming training and program updates by copying the following text into a web browser, which will then create an email that can be sent without any further text entry: [https://outlook.office365.com/mail/deeplink/compose?mailto=mailto%3AOFANotifications%40sba.gov%3Fsubject%3D%2520REQUEST%2520TO%2520SUBSCRIBE%3A%2520OFA%25207\(a\)%2520Working%2520Capital%2520Pilot%2520Program%2520%26body%3DPlease%2520add%2520me%2520to%2520this%2520newsletter](https://outlook.office365.com/mail/deeplink/compose?mailto=mailto%3AOFANotifications%40sba.gov%3Fsubject%3D%2520REQUEST%2520TO%2520SUBSCRIBE%3A%2520OFA%25207(a)%2520Working%2520Capital%2520Pilot%2520Program%2520%26body%3DPlease%2520add%2520me%2520to%2520this%2520newsletter).

### VI. Regulation Waivers

Pursuant to the authority provided to SBA under 13 CFR 120.3 to suspend,

modify or waive certain regulations in establishing and testing pilot loan initiatives for a limited period of time, for the WCP Program SBA will waive the following regulations. SBA is waiving the regulation at 13 CFR 120.130(c) that prohibits loan proceeds to be used for revolving lines of credit except under SBA's 7(a) CAPLines and EWCP delivery methods. Because WCP is a program for delivering revolving lines of credit, the program is not feasible without waiving this regulation.

SBA is also waiving 13 CFR 120.452(a)(2) that prohibits Lenders from making a PLP 7(a) loan that reduces its existing credit exposure for any Borrower to permit 7(a) Lenders to use their PLP-WCP delegated authority to refinance an existing same-institution SBA Express loan into a WCP loan to provide growing small businesses the ability to transition from an SBA Express line of credit to a monitored WCP line of credit.

## VII. Program Evaluation

SBA will evaluate the WCP Program periodically and prior to the initial end of the authorization period on July 31, 2027, to refine the program and to determine whether it should be made permanent. Evaluation criteria will include, but is not limited to, number of WCP loans approved, adoption rate (number of lenders making WCP loans), comparison of number of loans approved and adoption rate versus the same in 7(a) CAPLine and EWCP programs and among the top SBA Lenders, whether the costs (including losses) of the pilot are within an acceptable range, and portfolio performance as it relates to other 7(a) programs.

**Authority:** 15 U.S.C. 636(a)(25) and 13 CFR 120.3.

**Isabella Casillas Guzman,**  
*Administrator.*

[FR Doc. 2024-15313 Filed 7-12-24; 8:45 am]

**BILLING CODE 8026-09-P**

## DEPARTMENT OF TRANSPORTATION

### National Highway Traffic Safety Administration

#### 23 CFR Part 1300

**RIN 2127-AM65**

#### Uniform Procedures for State Highway Safety Grant Programs

**AGENCY:** National Highway Traffic Safety Administration (NHTSA), U.S. Department of Transportation (DOT).

**ACTION:** Final rule.

**SUMMARY:** This final rule amends the definition of "equipment" to conform with OMB's government-wide Guidance for Federal Financial Assistance affecting Federal grants.

**DATES:** This final rule is effective on October 1, 2024.

**ADDRESSES:** This document may be viewed online through the Federal eRulemaking portal at [www.regulations.gov](http://www.regulations.gov) using the RIN number listed above. Electronic retrieval help and guidelines are available on the website. It is available 24 hours each day, 365 days each year. An electronic copy of this document may be downloaded by accessing the Office of the Federal Register's website at: [www.federalregister.gov](http://www.federalregister.gov) and the U.S. Government Publishing Office's website at: [www.GovInfo.gov](http://www.GovInfo.gov).

**FOR FURTHER INFORMATION CONTACT:**

*Program issues:* Barbara Sauers, Associate Administrator, Regional Operations and Program Delivery, National Highway Traffic Safety Administration; Telephone number: (202) 366-0144; Email: [barbara.sauers@dot.gov](mailto:barbara.sauers@dot.gov).

*Legal issues:* Megan Brown, Attorney-Advisor, Office of the Chief Counsel, National Highway Traffic Safety Administration, 1200 New Jersey Avenue SE, Washington, DC 20590; Telephone number: (202) 366-1834; Email: [megan.brown@dot.gov](mailto:megan.brown@dot.gov).

**SUPPLEMENTARY INFORMATION:**

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#### I. Background

On February 6, 2023, NHTSA published in the **Federal Register** a final rule titled Uniform Procedures for State Highway Safety Grant Programs. 88 FR 7780 (Feb. 6, 2023). NHTSA promulgated this final rule in accordance with the Infrastructure Investment and Jobs Act (IIJA, also known as the Bipartisan Infrastructure Law or BIL), signed into law on November 15, 2021 (Pub. L. 117-58).

On April 22, 2024, after conducting notice and comment rulemaking, the Office of Management and Budget (OMB) published in the **Federal Register** revisions to its Guidance for Federal Financial Assistance, including the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Administrative

Requirements"). 89 FR 30046 (Apr. 22, 2024). OMB is tasked with providing guidance to Federal agencies to ensure consistent and efficient use of Federal financial assistance and to provide direction and leadership to Federal agencies on Federal financial assistance requirements. In its final rule, OMB increased the monetary threshold for "equipment" in 2 CFR 200.1 from \$5,000 to \$10,000. This increase in the monetary threshold affects the application of several OMB requirements, including 2 CFR 200.313(e), which provides additional regulatory requirements relating to use, management and disposition of equipment acquired under a Federal award, and 2 CFR 200.439(b)(2), which provides rules of allowability for equipment. DOT adopts the Uniform Administrative Requirements via 2 CFR part 1201.

The regulation implementing NHTSA's State highway safety grant program lays out requirements related to "equipment" in 23 CFR 1300.31(d) specific to the NHTSA's grant program. Among other things, 23 CFR 1300.31(d) requires States to seek prior written approval from the Regional Administrator before purchasing or disposing of equipment, unless the to-be-disposed-of equipment "exceeded its useful life" under State law. 23 CFR 1300.31(d) uses a \$5,000 monetary threshold to define "equipment," matching the prior OMB rules.

#### II. Technical Amendment Increasing Monetary Threshold for Equipment

In this rule, effective for fiscal year 2025 grants, NHTSA makes a technical amendment to update the monetary threshold for equipment in NHTSA's Uniform Procedures for State highway safety grant programs from \$5,000 to \$10,000 in 23 CFR 1300.31(d) to conform with the updated OMB rules. As a result of this threshold increase, States will no longer have to seek pre-approval to purchase or dispose of equipment between \$5,000 and \$9,999.99. In addition, States will no longer have to apply the heightened rules for use and management of equipment for items that fall under \$10,000. States should be aware, however, that they must continue to meet all State rules for equipment, as defined by the State. This rule will become effective on October 1, 2024, and will apply to fiscal year 2025 State highway safety grants and later.

#### III. Waiver of Notice and Comment

NHTSA concludes that it has good cause to issue without notice and comment this technical amendment