

SUPPORTING STATEMENT – 0570-0021

7 CRF 4274-D – Intermediary Relending Program (IRP)

A. Justification for Renewal of OMB Approval Number.

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1. Explain the circumstances that make the collection of information necessary.

This renewal of the collection of information will discuss the paperwork burden for the existing regulation implementing the Intermediary Relending Program (IRP). All information requirements and paperwork listed represent the current operation of the program.

The Community Economic Development Act of 1981 (42 U.S.C. 9812(a)), section 623(a) provides for the Secretary of Agriculture to make loans to nonprofit entities who will in turn provide financial assistance to rural businesses to improve business, industry and employment opportunities as well as provide a diversification of the economy in rural areas.

Subpart D contains regulations for filing applications for loans made by Rural Development business programs under the IRP to eligible intermediaries and applies to borrowers and other parties involved in making such loans.

2. Indicate how, by whom, and for what purpose the information is to be used. Except for a new collection, indicate the actual use the agency has made of the information received from the current collection.

The various forms and narrative requirements contained within the regulations which are requested from the intermediary are no more than what a prudent commercial lender would require in the private sector if they processed an application without governmental assistance. The information requested is necessary and vital in order for 'Rural Development business programs to be able to make prudent credit and financial analysis decision.

Rural Development business programs has reviewed the program needs versus the burden placed on the public and is of the opinion that the program is necessary and will be beneficial to all parties involved.

Rural Development business programs, through its respective Specialty Lenders Division (SLD) in Washington, D.C. and its staff located in 47 State Offices throughout the untied States, will be the primary user of the information collected. Under the Freedom of Information Act, the general public can request the majority of the data requested of the intermediaries by Rural Development business programs except data that is confidential. Rural Development business programs will release only limited data during the processing of an application up to the period of time the loan is closed. Based on recent activity and projected funding levels, it is estimated

that an average of approximately 106 entities per year will apply for an IRP loan and 64 entities will be approved per year.

Specifically the burden associated with 7CFR 4274-D to be cleared with this docket is as follows:

REPORTING REQUIREMENTS – NO FORMS

Operating plans for revolving lines of credit

Intermediaries are authorized to use IRP loans, under certain conditions, to provide revolving lines of credit to ultimate recipients. The conditions are needed to help ensure that this authority is used in a responsible way and only by intermediaries that have sufficient expertise in this specialized and risky credit field. One of the conditions is that, if an intermediary wants to use the authority to provide revolving lines of credit, the intermediary must provide a detailed description of how the revolving lines of credit will be operated and managed. We estimate that about 35 percent of IRP applications will include proposals to use the authority and the required material to justify it.

Assignments of security

The Agency reserves the right to require intermediaries to turn their promissory notes receivable over to the Agency and provide documents for the assignment of promissory notes and collateral documents. This is required only from intermediaries that are in default or determined to be in danger of defaulting on their loans from the Agency and then only on demand if the Agency determines it is needed to protect the Government's interest.

Justification for amount of reserve

This requirement is needed to allow borrowers to request an exception from the general requirements for maintaining loan loss reserves and to give Rural Development business programs sufficient information upon which to approve or disapprove the requests.

Intergovernmental review comments

This requirement is needed to comply with Executive Order 12372, which requires intergovernmental consultation with State and local Officials.

Request for advance of funds

This requirement is needed to help document and control the multiple advances of loan funds to the borrowers.

Evidence of fidelity bond coverage

This is needed to provide a means for Rural Development business programs to monitor compliance with the coverage requirements. Fidelity bond coverage is required to protect the borrower and Rural Development business programs from potential losses due to illegal activities on the part of borrower staff.

Work plan

The work plan is a very important part of an application, which helps Rural Development business programs evaluate need and support for the applicant's program in the proposed service area and the applicant's eligibility and ability to operate successfully. The work plan also documents how the applicant will operate the revolving loan fund after the Rural Development business programs loan is approved, and provides a basis for servicing the Rural Development business programs loan.

Certification of lack of financing

This is needed to help Rural Development business programs determine whether an applicant meets eligibility requirements. Applicants that can obtain adequate financing elsewhere are not eligible for the IRP.

Low income counties

This is a criterion for establishing funding priority among applications. In order to determine that an applicant qualifies for the priority points, Rural Development business programs must have information about the applicant's service area.

Ultimate recipients certification of low income workforce

This is a criterion for establishing funding priority among applications. Applicants to become intermediaries can receive priority points by agreeing to require their ultimate recipients to hire workers from low-income families. The certifications put the ultimate recipients on record as agreeing to comply.

Letter of conditions

This is needed to document and inform the applicant as to the conditions and requirements Rural Development business programs intends to impose if a loan is approved.

Loan closing certifications

These certifications put the borrower on record as claiming to have met major conditions of the loan approval, before funds are advanced.

Certification to make loans to ultimate recipients

These certifications by the borrower are made in connection with a request for Rural Development business programs concurrence in approval of a loan to an ultimate recipient, Rural Development business programs accepts the intermediary's certifications that certain requirements have been met, in lieu of requiring complete information regarding the proposed ultimate recipient be submitted to and analyzed by Rural Development business programs.

Request for appeal

This requirement provides a mechanism for applicants and borrowers to obtain review and additional consideration of Rural Development business programs decisions of an adverse nature.

FORMS APPROVED WITH THIS DOCKET

Form RD 4274-1, "Application for loan (Intermediary Relending Program)"

This form provides a convenient and consistent way to record basic information needed for all applications to determine eligibility.

Form RD 4274-4, "Intermediary Relending Program Loan Agreement"

This agreement serves as a contract between the intermediary and Rural Development business programs. This contract is necessary to address the intermediary's responsibilities for loans under the provisions of 7 CFR 4274-D.

Form RD 4274-5, "Supplemental Loan Agreement"

This form is used in lieu of Form RD 4274-4, for subsequent loans to borrowers that have previously executed Form RD 4274-4. This shorter form will amend or supplement the original Loan Agreement rather than completely duplicating it.

Form RD 4274-3, "Intermediary Relending Program Promissory Note"

This form is executed as the evidence of indebtedness for an IRP loan.

REPORTING REQUIREMENTS – FORMS APPROVED UNDER OTHER OMB NUMBERS

Form RD 1940-20, “Request for Environmental Information”

This form is required of intermediaries and ultimate recipients in order to assess the potential cumulative impacts of the projects as well as any environmental concerns or problems that are associated with individual projects than can be identified at the earliest planning stages.

Form RD 1951-4, “Report of IRP/RDLF Lending Activity”

This form is required in the event the intermediary becomes delinquent in repayment of its loan or otherwise fails to fully comply with the provisions of its work plan or Loan Agreement, or the Agency determines that the intermediary’s IRP revolving fund is not adequately protected by the current sound worth and paying capacity of the ultimate recipients. It includes information on the intermediary’s lending activity, income and expenses, financial condition and a summary of names and characteristics of the ultimate recipients the intermediary has financed, ultimate recipient payment history, and jobs created and/or saved.

Form RD 400-4, “Assurance Agreement”

This form is provided to assure that the recipient is in compliance and will continue to comply with Title VI of the Civil Rights Act of 1964.

3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g. permitting electronic submission of responses, and the basis for the decision for adopting this means of collection.

In some cases, this collection of information involves the review and signing of documents and original signatures are needed for legal purposes. In other cases the respondent must complete a paper form or provide a written narrative. The nature and volume of the material involved and the need for a “paper trail” record of the basis for Agency actions make it difficult to use information technology extensively. The estimates of burden contained in this request are based on the manual completion of paper forms. It is estimated that electronic signatures will be accepted by the Agency within 2 years. The Department has not given the clearance to accept digital records at this time. However, the USDA E-gov initiative has afforded applicants an opportunity to access application forms and material electronically. Specific program information can be obtained at www.sc.egov.usda.gov via service centers located in rural areas of the states. Approximately 40 percent of existing applicants are accessing application material electronically. This includes fillable forms associated with quarterly reporting of financial activities. The Agency is encouraging its IRP borrowers to embrace the information technology and use it as a means of submitting, collecting, and reporting program information. The Agency anticipates that the usage will grow tremendously as the technology is fully enhanced.

4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in Item 2 above.

Rural Development business programs, whenever possible, tries to utilize existing data of the intermediary. Much of the information requested is generally available, but the manner in which it is maintained, in many instances, does not lend itself to adequate organization. The forms Rural Development business programs uses consolidate information in a meaningful manner which enables Rural Development business programs to more expeditiously review and analyze the material in order to make an appropriate decision. Rural Development business programs' role is primarily one of monitoring the intermediary's actions. Unfortunately, monitoring requires considerable analysis and verification to assure compliance with Rural Development business programs requirements. Numerous Rural Development business programs requirements involve certifications from the intermediary as well as other third parties involved in the project. Without these verifications, Rural Development business programs could not comply with its legislative requirements (i.e., helping low-income persons). Rural Development business programs does not believe there is a duplication of effort in the collection of information under this program. Consequently, there is no known way to utilize existing information.

5. If the collection of information impacts small businesses or other small entities (item 5 of OMB Form 83-I), describe any methods used to minimize burden.

The information is to be collected from nonprofit entities and public organizations; therefore, there will be little probability that small businesses will provide information as the result of this program.

6. Describe the consequence to Federal program or policy activities if the collection is not conducted or conducted less frequently, as well as any technical or legal obstacles to reducing burden.

The information collected under this program is considered to be the minimum necessary to conform to the requirements of existing program regulations that are already established by law such as the requirement for intergovernmental consultation and environmental review. The information collected is considered to be the minimum necessary to ensure that the intent of the statute is achieved while maintaining consistency with OMB circulars such as A-133 and other requirements.

7. Explain any special circumstances that would cause an information collection to be conducted in a manner:

a. Requiring respondents to report information more than quarterly.

There are no information collection requirements that require specific reporting on more than a quarterly basis.

b. Requiring written responses in less than 30 days.

There are no specific information collection requirements that require less than 30 days response. However, in many cases it is to the applicant's or borrower's benefit to provide Rural Development business programs with information as soon as possible because Rural Development business programs cannot provide required program benefits until supporting documentation is received.

c. Requiring more than an original and two copies.

There are no specific information collection requirements that require more than an original and two copies.

d. Requiring respondents to retain records for more than 3 years.

There are no requirements for respondents to retain records for more than three years.

e. Not utilizing statistical sampling.

There are no requirements in connection with a statistical survey.

f. Requiring use of statistical sampling which has not been reviewed and approved by OMB.

There are no requirements for the use of a statistical data classification that has not been reviewed and approved by OMB.

g. Requiring a pledge of confidentiality.

There are no information collection requirements that include a pledge of confidentiality not supported by statute or regulation, not supported by consistent disclosure and data security policies, or which unnecessarily impedes sharing of data with other agencies.

h. Requiring submission of proprietary trade secrets.

There are no requirements for submission of proprietary trade secrets or other confidential information.

8. If applicable, identify the date and page number of publication in the Federal Register of the agency's notice soliciting comments on the information collection. Summarize public comments received and describe actions taken by the agency in response to these comments. Describe efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and

recordkeeping, disclosure, reporting format (if any), and on data elements to be recorded, disclosed, or reported.

In accordance with the Paperwork Reduction Act of 1995, the agency published a Notice in the Federal Register on June 20, 2006, [71 FR 35410]. No comments were received.

We have consulted with the following individuals regarding this information collection:

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The applicants consulted regarding this information collection felt that this reporting is indicative of their experience when applying for assistance under the program. The applicant expressed an overall comfort with the application process and thought the forms were easy to understand and complete. They don't feel there is an excessive number of forms to complete. The applicant indicated that the forms required for the application packet were accessed electronically. Overall, the applicant was satisfied with the whole experience.

9. Explain any decision to provide any payment or gift to respondents, other than re-enumeration of contractors or grantees.

No gifts or payments of any kind will be made to respondents.

10. Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or agency policy.

The information collected under the provisions of the program is not considered to be of a confidential nature. The data is collected from organizations that ordinarily are required to make their activities available for public scrutiny, such as nonprofit entities.

11. Provide additional justification for any question of a sensitive nature, such as sexual behavior or attitudes, religious beliefs, and other matters that are commonly considered private.

The information collected does not contain any sensitive information such as sexual behavior and attitudes, religious beliefs or other matters commonly considered private.

12. Provide estimate of the hour burden of the collection of information.

The estimated total burden on the public is 17,959 hours. The wage class is more comparable to what eligible nonprofit employee compensation would be to process this information. Estimated hour burden is unchanged from the previous burden package as the public interest and response is virtually the same.

13. Provide an estimate of the total annual cost burden to respondents or recordkeepers resulting from the collection of information.

The estimated total cost burden on the public is \$1,077,480. Estimated total cost burden on the public is unchanged from the previous burden package as the public interest and response is virtually the same.

14. Provide estimates of annualized cost to the Federal Government.

Rural Development business programs estimates the cost to the Federal Government to administer the activities of this program to be \$1,786,176 per year, broken down as follows:

Salaries and benefits:	\$1,541,176
Travel:	\$ 140,000
Other Administrative:	\$ 105,000

The State Office Specialists average GS 12/5 salaries and spend an average of 20 hours per week performing outreach activities, processing loans, etcetera. There are approximately 47 State Offices. The cost to the Federal Government to administer the activities of this program is unchanged from the previous burden package as the public interest and response is virtually the same.

15. Explain the reasons for any program changes or adjustments reported in items 13 or 14 of the OMB Form 83-I.

There are no program changes associated with this request. The breakdown of burden is virtually unchanged from what was previously reported.

16. For collection of information whose results will be published, outline plans for tabulation and publication.

This collection of information will not be published for statistical purposes.

17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.

It is not cost effective for the Agency to display the expiration date on the forms due to the large volume of forms used by these offices.

18. Explain each exception to the certification statement identified in item 19 on OMB 83-I.

There are no exceptions requested.

19. How is this information collection related to the Service Center Initiative (SCI)? Will the information collection be part of the one stop-shopping concept?

This program will utilize the Service Center Initiative to authenticate applicants and for electronic submission of the forms and written documentation.