

Supporting Statement for Paperwork Reduction Act Submission  
OMB Control Number 3245-0018  
SBA Form 5C, Disaster Home Loan Application

The purpose of this submission is to request reauthorization of an approved collection of information.

A. Justification

1. Circumstances that make the collection of information necessary. Section 7(b) of the Small Business Act (attached), 15 U.S.C. 636, as amended, authorizes SBA to make loans to victims of Federally-declared disasters. Homeowners and renters are eligible for physical disaster loans. The loan application and supporting documentation is a basic document for any lending function. The following forms are currently in this collection:

- a. SBA Form 5C, "Disaster Home Loan Application."  
This application is used by individuals to request assistance.

- b. SBA Form 739, "Verification of Real Property."  
Previous submissions have included this form, which is used by individuals to claim disaster losses to personal property.

The Form 5C was modified slightly, most noticeably, Section F, Question 11 where the phrase "unless I check here" and corresponding box were removed. In addition, changes were made to the Privacy Act statement in accordance with new guidelines.

The information captured by SBA Form 739 is largely redundant compared to information contained in the Form 5C. As a result of internal discussions, it has been determined that the SBA Form 739 is no longer needed for this information collection; therefore, this form will become obsolete once this collection is approved.

The requirement for the use of the 5C is found in the Standard Operating Procedure (SOP) for Disaster Assistance, SOP 50 30, paragraph 63 (see attached).

2. How, by whom, and for what purpose information will be used. SBA's Office of Disaster Assistance (ODA) personnel analyze the information from the application to determine if the applicant is eligible for a disaster loan and has repayment ability. The eligibility analysis is necessary to determine whether the applicant qualifies for Federal assistance. The credit analysis is necessary to determine whether or not a loan is an acceptable risk to the Government.
3. Technological collection techniques. The SBA's Disaster Credit Management System (DCMS) is Disaster's loan processing system and has been in use since November 2004. The DCMS project is currently in

the Operations and Maintenance phase. As a part of the DCMS project, disaster loan applications and related paperwork (including SBA Form 5C) will be made available to the public electronically for both downloading and printing or for on-line application submission. Planning for this enhanced capability of application intake through a public web site is currently underway, however, at this time the 5C is not available for electronic downloading.

Because the requirements are encountered by each borrower only once for each SBA loan, and records are unique to each borrower, no known technology can reduce the burden of application submission in some form. However, the use of a portal may enable disaster loan applicants the ability to retrieve and modify existing data records allowing some reduced data entry on their part as well as a significant reduction of data entry on the part of SBA staff.

4. Efforts to identify duplication. There is no duplication with other SBA programs because home loans are not made by any other program within SBA. ODA actively participates with the Federal Emergency Management Agency (FEMA) in a joint Federal effort to avoid the duplication of information gathering from disaster victims. As mentioned in question one, SBA will no longer use Form 739 because the Agency has determined that there are redundancies between Form 739 and Form 5C.
5. Impact on small businesses or other small entities. There is no impact on small businesses or other small entities as this collection does not involve them.
6. Consequence if collection is conducted less frequently or is not conducted. This information cannot be conducted less frequently because we only collect it once from each individual. The consequence of not collecting this information would be an inability to determine which disaster victims are eligible for assistance and an inability to begin the credit/financial analysis necessary to make loan decisions. The SBA could not conduct the program without the collection of this information.
7. Existence of special circumstances. No special circumstances exist. No confidential information is required that is not protected to the extent permitted by law including the Privacy Act and the Freedom of Information Act.
8. Solicitation of public comment. ODA field offices conduct a continuous review of this information collection based on applicants' comments and the ability of applicants to properly submit the information required. ODA has close and continuous contact with both applicants and their accounting and legal representatives. Comments were solicited by a Notice published in the Federal Register on April 11, 2006 in Volume 71, Number 69, Page 18403 (copy attached). The

comment period closed June 12, 2006 and no comments were received.

9. Payments or gifts to respondents. No gifts or payments are provided to respondents.
10. Assurance of confidentiality. The information collected is protected to the extent permitted by law, including the Privacy Act and the Freedom of Information Act and becomes a part of SBA's System of Records (SBA 20). Notice of the rights afforded loan applicants regarding disclosure of or access to confidential information is part of the loan application.
11. Questions of a sensitive nature. Through this proposed collection, SBA collects sensitive information such as birth date, and financial and criminal records information. This information is required in order for an applicant to receive a benefit under SBA's Disaster Loan Program. This information helps SBA make an informed credit and eligibility determination and to assess whether there is a reasonable assurance of loan repayment.

This proposed collection also requests Social Security Numbers. Providing Social Security Numbers is purely voluntary. Social Security Numbers will be used to distinguish between people with the same or similar name and to conduct investigations, as necessary, to determine whether a recipient of SBA assistance is engaged in or about to engage in any practices which violate the Small Business Act. (15 U.S.C. 634(b)).

12. Estimates of the hourly burden. Estimated number of burden hours for this collection:

The annual average is based on the number of loan applications accepted for processing per fiscal year for the past 4 fiscal years (FY01 – FY04). However, for this submission, we have omitted FY 05 because the majority of the loan applications submitted during this fiscal year was for the multiple Florida Hurricanes, which was an aberration and does not allow us to reflect normal activity. Number of respondents is computed based on home loan approvals, divided by the approval rate, to obtain the number of applications processed (number of respondents). The computation is below:

<u>FY</u>	<u>Home Loan Approvals</u>
01	43,519
02	10,114
03	20,235
04	<u>25,024</u>
Total for last 4 FYs	98,892

98,892 divided by 4 = 24,723 average home loan approvals per year  
24,723 divided by 55% (55% approval rate) = **44,951** annual average

applications processed (**number of respondents**)

The SBA Form 5C takes approximately 1.5 hours to complete based on feedback received from applicants and observation.

44,951 respondents x 1 response per applicant x 1.5 hours = 67,427

**Total annual hour burden = 67,427**

**Cost to respondent for hour burden for this collection.** Average cost is based on GS 1-1 (\$8.82 per hour) which reflects the level of expertise (minimal) that is required to respond.

67,427 hour burden x \$8.82 = **\$594,706 total cost to respondent.**

13. Estimate of total annual cost burden. Total annual cost:

There are no additional costs that have not been identified and explained in 12 above.

14. Estimated annualized cost to the Federal Government. Estimated annualized cost to the Federal Government:

As with number 12 above, the number of respondents is based on an annual average for the past 4 fiscal years.

It takes ODA personnel approximately 3 hours per loan application to evaluate the information provided, perform a credit analysis, and process the loan application to a decision.

Typically, expertise equivalent to a GS-9, Step 1 (\$20.58 per hour) is required to process these forms.

44,951 responses at 3 hours per response = 134,853 x \$20.58 = \$2,775,275 plus an additional 30% for overhead (printing, supplies, fringe benefits, leased equipment, etc.). = **\$3,607,858 total estimated cost to Federal Government.**

15. Explanation of program changes or adjustments in Items 13 and 14 on OMB Form 83-I. The decreases in total annual burden hours and estimated cost to respondent are as a result of a slight decrease in disaster activity and consequent decrease in the number of respondents during the most recent 4 fiscal years.

16. Collection of information whose results will be published. No publication is anticipated.

17. Expiration date for collection of information. Approval to omit

display of expiration date for OMB approval of the information collection is requested. Display of expiration date would be inappropriate because large quantities of forms are printed in order to take advantage of reduced printing costs for volume orders. Because disasters are difficult to predict, SBA may have a large quantity in stock at the time of expiration and it would be excessively costly to the Government to reprint these forms just to change the approval date.

18. Exceptions to certification statement in Block 19 on OMB Form 83-I.  
There are no exceptions.

- B. Collections of Information Employing Statistical Methods  
N/A