

Supporting Statement for Paperwork Reduction Act Submissions
Reporting and Recordkeeping Requirements – Small Business Lending Companies
3245-0077

A. Justification

1. Circumstances necessitating the collection of information.

Explain the circumstances that make the collection of information necessary. Identify any legal or administrative requirements that necessitate the collection. Attach a copy of the appropriate section of each statute and regulation mandating or authorizing the collection of information.

According to 13 CFR 120.472, Small Business Lending Companies (SBLC) are required to submit audited financial statements within three months after the close of each fiscal year and interim financial reporting when requested by SBA. This regulation also requires that SBLCs submit a report on any legal or administrative proceeding for an alleged breach of official duty involving an SBLC or one of its officers and directors; copies of stockholder materials and publications; summaries of changes in organizational or financial structure, personnel and program eligibility; notice of a ten percent stock pledge; and other reports as requested by SBA. A copy of 13 CFR 120.472 is attached (2006). Failure to comply with this regulation may be sufficient cause for SBA to take enforcement action.

2. How, by whom and for what purpose information will be used.

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.

Financial statement information is analyzed by program management to assess the financial viability of the SBLC and its compliance with relevant program regulations. Other program submissions are provided to update program management on the operational status of the SBLC and to notify SBA of structural or personnel changes made by the SBLC to maintain its viability.

3. Technological collection techniques.

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. Also describe any consideration of using information technology to reduce the burden.

Each SBLC is free to select the method for collecting pertinent information used in preparing its financial statements. There are currently no barriers to prevent transmission of this information to SBA via e-mail, data diskette, or facsimile with a paper copy trailer sent via regular mail. All audited financial report filings are to be prepared in accordance with Generally Accepted Accounting Principles (GAAP), and must include an opinion from the independent accounting firm engaged in the audit.

This form of presentation is determined by the accounting profession and does not lend itself to technological applications centered on data delivery.

4. Avoidance of duplication.

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.

SBLCs operate as independent privately-held concerns or as subsidiaries of larger parent organizations. While financial data from SBLCs may be collected when preparing consolidated financial statements of the parent organization, SBA confines its collection and data analysis to the financial statements of the SBLC entity. No other report format is available that would provide the relevant financial information presented in the audited financial statements.

5. Impact on small businesses or other small entities.

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 collection of information referenced here does not impact any small businesses or entities other than the 14 firms involved in this segment of the 7(a) program. The information requested is largely already maintained by the SBLCs for operational and financing purposes, thus, the collection burden is minimized.

6. Consequences if collection of information is not conducted.

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

Failure to collect this information as codified would greatly diminish the Agency's capability to provide sufficient program management and oversight of these special purpose entities. This loss of program management and oversight would increase the risk of losses and have an adverse impact on the costs of operating this federal financial assistance program. Less frequent collection of this information subjects the Agency to greater ambiguity and lessens our understanding of the true operating conduct of the regulated entities.

7. Existence of special circumstances.

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

No special circumstances exist, however if it is determined that an SBLC is operating in a state of financial distress, SBA may require more frequent reporting of its financial condition. This could include monthly financial reporting, however, this option should be considered on an exceptions basis.

The financial information required in this data collection describes the operating condition of each regulated entity. Disclosure of the information could create a

condition of competitive harm to entities with comparatively less resources or profitability. The Agency is obligated to avoid circumstances which would give rise to a class of competitive harm and seeks to limit its collection of financial data in order to preserve the level of program participation. The information collected will be protected to the extent permitted by law.

8. Solicitation of public comments.

If applicable, provide a copy and identify the date and page number of publication in the Federal Register of the agency's notice, required by 5 CFR 1320.8(d), soliciting comments on the information collection prior to submission to OMB. Summarize public comments received. 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, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.

SBA published the required notice in the Federal Register on April 11, 2006 (71 FR 18402). No comments were received (copy attached).

9. Payments or Gifts.

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

No payment or gift to respondents is permissible for purposes of this collection.

10. Assurance of Confidentiality.

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

Provisions of the Freedom of Information Act (FOIA) are followed according to Agency policy. The information collected will be protected to the extent permitted by law.

11. Questions of a Sensitive Nature.

Provide additional justification for any questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private. This justification should include the reasons why the agency considers the questions necessary, the specific uses to be made of the information, the explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their consent.

No personal financial information or information of a sensitive nature, as described in these instructions, is required.

12. Estimate of the Hourly Burden of the Collection of Information The estimated burden hours imposed by use of this form is as follows:

Provide estimates of the hour burden of the collection of information. Indicate the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated.

Annual burden of 1,120 hours is based on each of 14 respondents needing 80 hours, on average, each year to collect the relevant information, subject the information to audit processes at year-end, review, approve and release the financial statements to SBA. The hour burden is an SBA estimate based on inquiries made to selected SBLCs.

(14 respondents x 80 hours = 1,120)

The estimate of the total annual cost burden is based on an average annual outside audit fee of \$8,000 per respondent, plus an additional \$2,000 per respondent for staff involvement in the independent audit engagement. A total cost burden of \$140,000 is reduced by \$20,000 to reflect the smaller size of 4 of the 14 respondents.

$\$8,000 + 2,000 = \$10,000 \times 14 \text{ responses} = \$140,000 - 20,000 = \$120,000$

13. Estimate of Total Annual Cost.

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

There are no additional costs resulting from the collection of information.

14. Estimated Annualized Cost to the Federal Government.

Provide estimates of annualized costs to the Federal Government. Also provide a description of the method used to estimate cost, which should include quantification of hours, operational expenses (such as equipment, overhead, printing, and support staff), and any other expense that would not have been incurred without this collection of information.

The estimated annual cost to the Federal government for this information collection is approximately \$5,500, and is based on a 5% annual utilization, or an estimate of 100 hours of time, of a GS-14 step 5 employee at a fully-loaded annual cost of \$110,000. A salary of \$88,699 with a 24% increase to cover overhead such as salary and this incorporates employee benefits and allocated office supplies, equipment, etc.

15. Explanation of Program Changes in Items 13 or 14 on OMB Form 83-I.

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

No changes.

16. Collection of Information Who's Results will be Published.

For collection of information whose results will be published, outline plans for tabulation and publication. Address complex analytical techniques. Provide time schedules for the entire project.

There are no plans to publish data from this collection of information.

17. Expiration Date for Collection of this Data.

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

Not applicable, SBA has no plans to restrict display of an OMB approval date.

18. Exceptions to the Certification in Block 19 on OMB Form 83-I Not applicable.

Explain each exception to the certification statement identified in Item 19, "Certification for Paperwork Reduction Act Submission," of OMB Form 83-I.

Not applicable.

B. Collection of Information Employing Statistical Methods.

Describe (including a numerical estimate) the potential respondent universe and any sampling or other respondent selection method to be used.

N/A

Small Business Administration

Reports to SBA

ACTION: Notice of Reporting Requirements

SUMMARY: Under the provisions of the Paperwork Reduction Act (44 U.S.C. Chapter 35), agencies are required to submit proposed reporting and recordkeeping requirements to OMB for review and approval, and to publish a notice in the Federal Register notifying the public that the agency has made such a submission.

DATE: Comments should be submitted within 60 days of this publication in the Federal Register. If you intend to comment but cannot prepare comments promptly, please advise the OMB Reviewer and the Agency Clearance Officer. Submit comments to the Agency Clearance Officer and the OMB Reviewer.

FOR FURTHER INFORMATION CONTACT:

AGENCY CLEARANCE OFFICER:

OMB REVIEWER:

Title: Reports to SBA

Form #: N/A

Frequency: Annual

Respondents: Small Business Lending Companies (SBLC)

Annual Responses: 14

Annual Burden: 1120 hours