

SUPPORTING STATEMENT  
U.S. Small Business Administration  
**Gulf Opportunity Pilot Loan Program (GO Loan Pilot)**

**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 applicable section of each statute and regulation that mandates or authorizes the collection of information.*

In November 2005, the U.S Small Business Administration initiated, on an emergency basis, a 1-year Gulf Opportunity Pilot Loan Program (the “GO Loan Pilot”) which provides expedited small business financing to those communities severely impacted by Hurricanes Katrina and Rita (see attached 15 U.S.C. 636(a)(25)(B)). Under this unique initiative, the Agency provides its full (85%) guaranty on loans not exceeding \$150,000 to small businesses located in, locating to or relocating in the parishes/counties that have been Presidentially-declared disaster areas resulting from Hurricanes Katrina or Rita, plus any parishes/counties contiguous to those parishes/counties.

As a result of this GO Loan Pilot, SBA requested and received expedited approval for the information collection associated with the pilot. The initial approval for the forms expired on May 31, 2006. SBA requested an extension of OMB’s approval which OMB granted through December 31, 2006. The purpose of the current submission is to extend OMB’s approval of this collection through September 30, 2007. There have been no changes since the previous extension was approved by OMB. Since the previous OMB approval of the extension of the forms, the program, which originally was due to expire on September 30, 2006, has been extended to September 30, 2007. This extension was accomplished through the Federal Register and a series of SBA Procedural Notices (copies attached).

Existing Forms subject to the PRA: (None of the forms have been changed since OMB’s last review.)

Form 2276: Gulf Opportunity Pilot Loan Program (GO Loan Pilot) Guaranty Request (Part A), Supplemental Information for Gulf Opportunity Pilot (Part B), and Eligibility Information Required for Gulf Opportunity Pilot Loan Program Submission (Part C). The purpose of this form is to collect applicant/borrower, loan, and eligibility information.

Form 2281: Gulf Opportunity Pilot Loan Program Borrower Information Form. This form remains unchanged. It facilitates borrower background checks and is authorized by the Small Business Act Section 7(a)(1)(B). The form also consolidates statutorily required information collected on OMB approved collection #3245-0178 – Statement of Personal History and key provisions of other forms including OMB approved collection #3245-0016, Application for Business Loans and its “Statements Required by Law or Executive Order.”.

Form 2282: Gulf Opportunity Pilot Loan Program Servicing Checklist. The form remains unchanged. The purpose of this form is to allow lenders and borrowers to modify significant loan terms as needed. This form also helps facilitate workouts for troubled loans. The approval that lenders seek in submitting this form has the potential to significantly modify SBA’s position and potential for loss. Consequently, it is necessary that SBA receive this information.

**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.*

The information collected will be used by SBA program managers, top Agency management, and government entities with oversight authority over SBA. These groups will use the data for SBA's loan monitoring, portfolio risk management, and lender oversight. They will also use the data to determine the efficiency and effectiveness of SBA loan programs, the safety and soundness of SBA's loan policies and procedures, and to set program fees consistent with the subsidy rate model. In addition, SBA will use the information to identify the number and dollar volume of GO Loans approved, the applicants/recipients of those loans and the number of jobs created and assess the effectiveness of this pilot program in providing financial assistance to the small businesses affected by hurricanes.

### **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.*

Lenders will submit the forms to the Agency's centralized and highly automated Sacramento Loan Processing Center, via the Internet and SBA's e-Tran process or fax. The Agency's electronic submission system, which was developed in conjunction with the interagency eLoans initiative (one of the OMB sponsored 24 E-Government projects referenced in the President's Management Agenda), functions as follows:

- Lender A, with a high level of technological capability, will be able to extract data from its indigenous origination systems and transfer an XML data package electronically to SBA via the Internet.
- Lender B, less sophisticated but with Internet capability, will be able to enter data directly into an electronic application provided through the Internet.
- Lender C, unwilling or unable to transmit electronically, would continue to fax the streamlined applications to the processing center.

### **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.*

The information collected under this program is unique to the individual applicant and the circumstances and conditions of its business operation, as well as to the lenders participating in the program; so there are no other sources of the information. In developing the forms, SBA sought to minimize burdens by primarily considering for collection, data that the lenders already collect. One of the cornerstones of the GO Loan Pilot concept is for the program to fit as seamlessly as possible with lenders' normal business practices and data collection. This reduces lender processing costs, particularly for very small loans. The Agency, therefore, went to great lengths to minimize data collection and to avoid duplicate data collection. We note that the private sector's development of electronic data transfer software also reduces duplication of effort.

### **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 83-1), describe any methods used to minimize burden.*

There are two broad constituencies impacted by this data request, 7(a) lenders and prospective small business borrowers located, or locating in the Presidentially-declared disaster counties and

parishes as a result of Hurricanes Katrina and Rita. While the major portion of SBA's loan volume accrues from large lenders, the Agency does have a number of small lenders that participate in SBA's loan programs. The Agency is highly aware that data collection affects the cost of processing loans, particularly for very small loans, and on a per dollar basis can be as prohibitive for large lenders as it is for small lenders. SBA worked very carefully with large and small lenders to minimize and streamline data collection without sacrificing function. These same efforts have also reduced the collection of data from the Agency's principal constituency, small business borrowers.

## **6. Consequences If Information Is Not Collected**

*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.*

SBA is responsible for providing small business access to capital in an efficient and timely manner, while maintaining its fiduciary responsibility to the taxpayer. This collection of information will facilitate SBA's ability to fulfill those responsibilities by providing the critical information needed by SBA to monitor and analyze loan and lender data trends and risks. Real-time monitoring allows for early warning triggers that indicate an increase in risks. This minimal reporting is a critical means of controlling the additional risk that SBA assumes in delegating authorities and expediting processing. In essence, failure to collect the information contained in the forms may compromise the effectiveness of the programs, SBA's recoveries, and the program's contribution to improving the nation's economy.

## **7. Existence Of Special Circumstances**

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

SBA 7(a) lenders submit to SBA loan data for SBA's loan guaranty approval on a loan by loan basis. Because lenders want SBA to approve loans on a rolling basis, they submit this information more than once a quarter. Some of the data collected includes business information. SBA has procedures to protect the information's confidentiality to the extent permitted by law. This information can be accessed only with the approval of the Office of Financial Assistance Technology Project Manager.

## **8. Solicitation of Public Comment**

*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.*

The Federal Register notice for comments was published on September 20, 2006, at 71, FR 55046 (a copy of this notice is attached). Comments were to be submitted on or before November 20, 2006. No comments were received. SBA continues to work with its lending partners to further revise, streamline, and expedite its general 7(a) loan processing procedures, the associated forms and data collections required, and the technology and procedures used to transmit that data to the SBA.

## **9. Payments or Gifts**

*Explain any decision to provide any payment or gift to respondents, other than remuneration of contractors or grantees.*

No gifts or payments are provided to any respondents.

#### **10. Assurance of Confidentiality**

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

SBA has incorporated “Statements Required by Law and Executive Orders” into Form 2281 to advise each respondent of among other things, the protections against disclosures of sensitive and confidential information under the “Freedom of Information Act” (5 U.S.C Section 552), “Right to Financial Privacy Act of 1978” (12 U.S.C. Section 3401), and other significant executive orders or legislation governing federal financial assistance.

#### **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, specific uses to be made of the information, explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their consent.*

SBA collects social security numbers and information on a borrower’s ethnicity, race, and criminal records. This data collection of sensitive material has not been expanded beyond that which is currently collected via OMB approved Forms # 3245-0016 – Application for Business Loan and #3245-0178 – Statement of Personal History. The social security number is the unique identifier associating a person with a loan under the GO Loan Pilot program. SBA also uses social security numbers to facilitate critical credit searches in the federal databases listing defaulted loans, in consumer credit databases and in fraud detection systems. SBA collects demographic information to assess the extent to which SBA’s loan programs assist all demographics. We also note that SBA has a Privacy Act System of Records, Loan System – SBA 21, that covers this information. See attached Federal Register notice at 69 FR 58598 (September 30, 2004).

#### **12. Estimate of the Hourly Burden of the Collection of Information**

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

During the year that the GO Loan Program has been available, approximately 40 7(a) lenders have participated in this program approving approximately 465 loans. SBA believes that this is due to the narrow geographic area where the program is available and the availability of disaster loan funds to many of those same businesses.

Since this collection of information was based on OMB-approved SBAExpress forms, SBA used the time estimates already established for those forms for this information collection. It is estimated that Form 2276 (Parts A, B and C) and the remaining forms takes an estimated 45 minutes processing time.

As of November 24, 2006, there have been 467 GO Loan submissions and approvals. This represents slightly more than 12 months of loan activity. The GO Loan Pilot program has been extended to September 30, 2007. This information collection has a current expiration date of December 31, 2006. If the collection is extended, there would be approximately 9 months of loan activity left under the pilot. For October, 2006, 27 loans were approved. For November, 2006, 28

loans have been approved. Based on this level of activity, SBA estimates that approximately 250 loans will be approved between January 1, 2007 and September 30, 2007. Since each submission takes an average of 45 minutes, the total estimated burden hours = 187.50 hours.

The following is an estimated breakdown of the total burden for each form in this information collection. (There have been no changes since the previous OMB approval.)

- Form 2281 - Gulf Opportunity Pilot Loan Program Borrower Information Form —10 minutes
- Form 2276 (Parts A, B, and C) - Gulf Opportunity Pilot Loan Program Guaranty Request (Part A); Supplemental Information for Gulf Opportunity Pilot Loan Program (Part B); Eligibility Information Required for Gulf Opportunity Pilot Loan Program Submission (Part C) –30 minutes
- Form 2282 – Gulf Opportunity Pilot Loan Program Servicing Checklist—5 minutes (Estimate that a borrower will require term changes in a loan at least once in the life of a loan)

Based on a loan officer's annual salary of \$20,850, broken down to an hourly rate of \$10 per hour, the annual cost to respondents would be 187.50 hours x \$10 per hour = \$1,875. The \$20,850 is based on statistics from the Department of Labor Occupational Outlook Handbook Earning Survey.

### **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. Do not include hour cost burden from above.*

There is only de minimis startup or operational costs associated with this collection.

### **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, including a 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 cost to government is de minimis because the forms are transmitted electronically and the lenders have delegated authority to approve the credit.

### **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*

There has been a significant reduction in the burden-hours originally estimated when the forms were first approved. The program was designed to principally be an interim step for business disaster loan victims until the disaster loan funds that they were eligible for were received. However, the original estimated interim financing need by these small businesses was over-estimated. Either businesses re-located to non-affected areas or the disaster loan funds applied for were received instead. When the forms were renewed as of May 31, 2006, SBA had actual loan volume information. Based on that information, the annualized number of respondents was reduced to approximately 42 respondents per month or 500 annualized. Based on an analysis of recent loan activity, monthly approvals have declined further from an average of approximately 42 per month to 28 per month. On an annualized basis this would be approximately 335 respondents. However, since the program is due to expire in 9 months, the number of estimated respondents over the next nine months is estimated to be 250.

**16. Collection of Information whose 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...*

No publication is planned. Summary data, e.g., percentage of loans processed using this form, may be published on an ad hoc basis, or as part of various Agency reports. However, data other than that allowed under FOIA (5 U.S.C. Section 552) and RFPA of 1978 (12 U.S.C. Section 3401) and as set forth on the "Statements Required by Laws and Executive Orders," or other applicable laws will not be published.

**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; expiration date will be displayed.

**18. Exceptions to the Certification in Block 19 on OMB Form 83-I**

*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*

Not applicable.