

**Supporting Statement for SBA Form 1244
Application for Section 504 Loan
(3245-0071)**

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.

Terms and conditions of clearance

The previous PRA submission for Form 1244 was conditionally approved for eighteen months. Specifically, OMB requested that SBA analyze the burden required for this collection and ensure that such burden accurately reflects the burden related to the exhibits as well. SBA has reviewed each of the exhibits and note that current estimate of 2.08 per response already accounts for the time it takes to complete the questions on the form, as well as the time to compile, and duplicate the information requested in the exhibits. However, in analyzing this collection the Agency recognized that the 2.08 estimate erroneously assumed that submissions of this collection would be done through an Abridged Streamlined Method (ASM) only. Under this method, CDCs retain in its files (for later review by SBA on request) most of the information requested in the exhibits and provide to SBA sufficient information to allow SBA to review the loan applicant's creditworthiness and repayment ability. However, in reality the Agency receives this collection of information through both the ASM and standard method. The latter method requires more time. Accordingly, as is noted, in number 12 of this Supporting Statement, SBA has adjusted the burden.

The Small Business Investment Act authorizes SBA to guarantee a debenture issued by Certified Development Company (CDC), the proceeds of which the CDC uses to fund a loan to an SBC. 15 U.S.C. §697(a). CDCs are permitted to issue debentures to investors that are 100 percent guaranteed by SBA. The proceeds of each of the debentures are used to make an SBA-approved loan to an SBC. The Small Business Act and the Small Business Investment Act mandate that all loans provided by the Small Business Administration (SBA) to small business concerns (SBCs) must have a reasonable assurance of ability to repay. *See* 15 U.S.C. §§636(a) (6) and 687(f); *see also* 13 C.F.R. §120.150. In general the information requested on Form 1244 helps SBA to assess compliance with this statutory requirement and facilitate the 504 loan financing process, including the guarantee of the CDC's request for guarantee of the debentures.

There has been one change which is as follows:

- Part B, page 2, box III, added question regarding exporting in order for SBA to better determine the number of businesses assisted by a 504 loan that export and the amount of export sales the loan will support. The addition of time required to add this item is de minimis and as such would not increase burden hours.

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.

SBA uses the information collected on the SBA Form 1244 to review the creditworthiness and repayment ability of the SBC, the eligibility of the SBC for SBA financial assistance, and the terms and conditions of the 504 loan for which the SBC is applying, and to determine whether there is a reasonable assurance of the SBC's ability to repay the loan. The form is also used by CDCs, which are regulated by SBA to request debenture guarantee.

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.

SBA Form 1244 is available to the public in electronic form, on SBA's website at "www.sba.gov/banking". The updated form will be posted as soon as OMB approves this modified collection. The form can be downloaded and completed electronically. SBA currently collects all 504 application materials in a paper form only (although submission of some documents can be made by facsimile). However, SBA is considering ways in which SBA can collect some or all of this information in electronic format. At such time as SBA is able to receive electronic submissions of loan application materials, SBA will inform the public.

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.

SBA personnel, CDCs and NADCO (the trade association for CDCs) have determined that the data being requested is not obtainable through other means.

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 involves information about the SBC to be assisted with 504 loan financing, and about the terms of the 504 loan and the project to be financed. Only the minimum information necessary for the SBA to make an eligibility determination as well as to ensure that the loan meets SBA's credit standards is required. The financial data required should be readily available from the SBC's bookkeeping or accounting systems.

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.

The collection involves information on the applicant wishing to receive financial assistance. SBA has the statutory obligation to ensure that SBA's eligibility and credit criteria are met. The data requested is necessary to determine the viability and eligibility of the SBC applicant. If the information were not collected, SBA could not fulfill its statutory duties and, therefore, could not provide financial assistance to the applicant.

7. Existence of special circumstances.

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

There are no special circumstances.

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.

Notice for public comment was published in the Federal Register dated June 26, 2006, (71 FR 36382-36383). No comments were received.

9. Payment or gifts.

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

Not applicable. There were no payments or gifts to 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.

Part C, "Statements Required by Law and Executive Order," is part of this form. This form advises each respondent of, among other things, the protections against disclosure of sensitive and confidential information under the "Freedom of Information Act" (5 U.S.C. 552), "Privacy Act" (5 U.S.C. 555a), the "Right to Financial Privacy Act of 1978" (12 U.S.C. 3401), and other significant executive orders or legislation related to financial assistance from the Federal government. SBA protects the information collected to the extent permitted by law. We also note that SBA has a Privacy Act System of Records that covers this information. See Federal Register at 69 FR 58598 (September 30, 2004).

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.

SBA is required to ensure the credit worthiness of all loan applicants; the sensitive financial and personal information is collected as part of the 504 loan application process is essential for SBA to make that assurance. However, that information is collected under SBA Form 912, *Personal History Statement* (OMB Control #3245-0178), and Form 413, *Personal Financial Statement* (OMB Control Number 3245-0188), which are currently approved by OMB for use in these matters.

12. Estimates of hourly burden of the collection of information.

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.

The estimate (based on the experience of the CDCs and SBA field offices) of the burden hours imposed by use of this form, including exhibits, is as follows:

The average number of annual respondents during the past eighteen months has remained at approximately 10,000 based on the average submission of applications submitted from CDCs annually over the past eighteen months using both the ASM and non-ASM methods. Burden hours previously were estimated at a maximum of 2.08 hours per response for ASM and will remain at 2.08 hours per response. However, the burden hours for non-ASM submissions is slightly higher due to the fact that these respondents must provide duplicates of information requested in the exhibits, most of which ASM respondents do not have to submit.

Annual Burden Hours

Total burden hours = 21,310

Submission through the ASM - 7,000 respondents x 2.08 hours = 14,560 burden hours

Submission through non-ASM (standard method) - 3,000 x 2.25 hours = 6,750 burden hours

Annual Cost Burden

Total annualized cost to respondents is approximately: \$1,060,850

ASM - \$35.00/hour x 2.08 hours x 7,000 applicants = \$509,600

Non-ASM - \$35.00/hour x 2.25 hours x 3,000 applicants = \$551,250

(SBA estimates that the information in this form is collected and compiled by CDC employees whose annual salaries are equivalent to Federal employment grades of a GS-12/GS-13, averaged at approximately \$35.00 per hour).

13. Estimate of total annual cost burden for submission.

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

There are no start-up costs to the respondents but there are duplication and shipping costs associated with this collection. Based on cost information that the National Association of Certified Development Companies (NADCO) has provided to SBA the copying and shipping costs using the ASM ranges from \$15-\$50 and for non-ASM from \$25-\$60.00. This variance in the costs depends on the complexity of the loan application and whether the application is submitted through the ASM or non-ASM Method.

14. Estimated annualized costs 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 following is the estimated annual cost to the Federal Government/SBA:

SBA Form 1244 requires an average of 1.75 hours to review (approximately 1.6 hours to review an application submitted using the ASM, of which SBA estimates it will receive about 7,000 annually, and approximately 1.9 hours to review an application submitted not using the ASM, of which SBA estimates it will receive about 3,000 annually).

$$10,000 \text{ applications} \times 1.75 \text{ hrs.} \times \$35/\text{hr.} = \$612,500$$

(The form is reviewed by employees with average grades of a GS-12/GS-13 whose salaries are averaged at approximately \$35.00 per hour.)

15. Explanation of program changes in Items 13 or 14 on Form 83-I.

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

Annual responses have remained the same at 10,000 from the last PRA package submission over the last eighteen months. However, the total burden hours have been adjusted to reflect the inclusion of the burden for non-ASM submissions, which was previously omitted.

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.

Not applicable. The results of this collection of information will not be published for statistical use.

17. Expiration date for collection of information.

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; no such approval sought.

18. Exceptions to certifications 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; no such exceptions sought.

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.

This collection of information does not employ statistical methods.