

Paperwork Reduction Act Submission
(OMB Control # 3245-0348)

Note: On May 1, 2007 SBA submitted the Form 83-I for this information collection to OMB for review. This submission amends that PRA to include changes resulting from a new loan initiative, Patriot Express.

Introduction

The U.S. Small Business Administration (SBA) has traditionally required 7(a) loan applicants to complete and submit various OMB approved forms and other documentation as part of the Agency's review and analysis of loan guaranty requests. SBA loan officers have used these forms and their data to identify each loan applicant, to determine applicant/business eligibility, to evaluate the quality and repayment potential of the proposed loan, and to formulate the terms of the loan. However, as the demand for SBA loans increased in recent years, and in the context of diminishing resources, the Agency developed and implemented programs that delegated authority to lenders and Certified Development Companies. One such program is *SBAExpress*.

SBA is implementing a new 7(a) initiative, which will be known as Patriot Express, based on the *SBAExpress* loan program expedited processing procedures. This initiative is an outgrowth of SBA's discussions with the Department of Defense, the military community and the agency's lending partners. Through these discussions SBA has learned that military activations and extensions of tours of duty are having a profound adverse impact on the entrepreneurial sector of the military community. This initiative is one component of a comprehensive plan to provide financial, procurement and technical assistance to the existing or nascent small business owners within that community. SBA expects that providing this financing opportunity to the military community will further the agency's statutory directive to give special consideration to veterans and to make guaranteed loans to qualified veterans seeking to establish and operate a small business as well as the agency's desire to support small businesses owned by others in the military community.

Under the Patriot Express initiative approved lenders will use the *SBAExpress* forms to submit eligible Patriot Express loan applications. As explained in detail below, SBA has modified this information collection to accommodate this additional use. In order to have OMB approved forms available for use when this new initiative is implemented by the end of June 2007, the agency is requesting emergency review and approval of this collection of information. SBA would not seek waiver of the normal review process if the agency did not believe that there is a need to quickly launch the Patriot Express initiative. Emergency processing would greatly facilitate SBA's ability to fulfill its statutory responsibility by enabling the agency to expeditiously and effectively fill a gap in the services available to qualified members of the military community to help them sustain or grow a small business as they return to civilian life. If SBA were to wait until the end of the normal processing time required under the PRA, implementation of the Patriot Express initiative would be delayed to the detriment of this group.

Summary of Changes (including conditions of prior clearance)

As a condition of the prior approval of this collection of information OMB requested that SBA (1) provide respondents with the option to select one or more race categories; (2) revise the burden disclosure statement to list SBA's address for comments on the Paperwork Reduction Act, and not an OMB address; and (3) include instructions on the form regarding how and where to submit completed forms. In compliance with OMB's request and to facilitate use of the forms for Patriot Express, SBA has made the following modifications to this collection of information:

Form 1919: A statement informing loan applicants that one or more race categories may be chosen has been added. The form has also been revised to permit the borrower to identify if it qualifies for one of the eligible categories for the new pilot loan program, Patriot Express.

Form 1920SX (Part A): The title has been changed to add the new loan program, Patriot Express.

Form 1920SX (Part B): Changes have been made that (1) permit the lender to transfer the information from Form 1919 where an individual has selected more than one race to the Form 1920SX (Part B); (2) clarify that responses to the race, ethnicity and military status questions are voluntary and have no bearing on the credit decision and to indicate that because military status information is a qualification for the Patriot Express loan initiative, failure to answer the military status question would affect SBA's ability to determine the applicant's eligibility for the program; (3) expand the section on the uses of proceeds; and (4) permit the lender to identify whether the owners of the small business meet the requirements for the new loan program, Patriot Express.

Form 1920SX (Part C): This form has been modified to clarify certain requirements and to incorporate new eligibility criteria for the Patriot Express initiative. Specific changes include:

Page 1: (a) the size standard determination was clarified to explain that all affiliates must be included; and (b) the section titled "Principals of the Applicant" was re-written to be clearer. The content was not changed.

Page 2, (a) The "Terms of the Loan" section was updated to include the current maximums for *SBAExpress* (\$350,000), Patriot Express (\$500,000) and SBA total 7(a) loan guaranteed amount (\$1.5 million) to one borrower; (b) a question regarding the loan structure was added to ensure the structure was not a "piggyback" loan structure which have been ineligible since January 2004; (c) Under "Use of Proceeds," a section was added explaining that the requested loan could not be used to reduce the lender's existing credit exposure to the borrower; and (d) "a definition was added to "*SBAExpress* and Special Program Requirements," to clarify that a new business includes the purchase of an existing business (a change of ownership).

Form 2236 (Authorization): This form is not a collection of information as defined in the PRA and should not have been included in the initial submission. Form 2236 is therefore being removed from the approved collection.

Form 2237: This form has been revised to expand the use of the form for the period between post-approval but pre-closing requests for loan modifications from lenders with delegated authority. The previous version only covered post-loan closing actions by lenders.

Form 2238 (Eligibility Authorized): This is a streamlined version of the Form 1920SX. The Form 1920SX has 3 parts- A, B & C. Form 2238 eliminates Part C, Eligibility Checklist, from SBA's review since these lenders are "eligibility authorized" and condenses Parts A and B into one form. This form has been revised to include the new loan program, Patriot Express, in the title as well as to add the borrower eligibility criteria for Patriot Express.

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.

Consistent with Section 4(b)(3) of the Small Business Act (Risk Management Database), the Federal Managers Financial Integrity Act (FMFIA) codified at 31 U.S.C. Section 3512 et. seq., and OMB Circulars A-123 (Management's Responsibility for Internal Control) and A-129 (Policies for Federal Credit Programs and Non-tax Receivables), among other statutory or regulatory provisions, SBA will collect and use the revised forms and data to monitor, evaluate, and control the efficiency and effectiveness of the SBAExpress Program and the Patriot Express initiative. This collection of information facilitates SBA's ability to carry out these duties.

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 is used by program managers, top Agency management, and government entities with oversight authority over SBA primarily for loan monitoring, portfolio risk management, and lender oversight. These groups use the data to determine how effectively SBA's loan programs are meeting the needs of various geographical, demographical, and industry markets and segments; the safety and soundness of SBA's loan policies and procedures; and to set program fees consistent with the subsidy rate model. SBA also uses the information to report to its various oversight authorities regarding the number, dollar volume, and demographic characteristics of its 7(a) loan guaranty recipients.

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 submit the data collected via fax or E-Tran (an electronic submission application) to a centralized and automated SBA processing center. E-Tran was developed in conjunction with the interagency eLoans initiative, one of the E-Government projects referenced in the President's Management Agenda. Currently approximately 70 percent of SBAExpress loan transactions are submitted electronically using E-tran. The balance of the loan requests are electronically submitted via fax. Because lenders will be using the same process for Patriot Express submissions, SBA projects the use of E-Tran will continue to increase.

In general the process works as follows:

- Lender A with a high level of technological capability, extracts 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, enters data directly into an electronic application provided through the Internet.
- Lender C, unwilling or unable to transmit using the electronic electronically, continues 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 is unique to the individual applicant and the circumstances and conditions of its business operation, so there are no other sources of the information nor is it currently available electronically. In developing the forms, SBA sought to minimize burdens by primarily considering for collection, data that lenders already collect. One of the cornerstones of the SBAExpress concept was 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, SBAExpress and PLP lenders and prospective small business borrowers. 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.

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. 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 facilitates 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. This minimal reporting is a critical means of controlling the additional risk that SBA assumes in delegating authorities and expediting processing. SBA collects data to allow lenders and borrowers to modify significant loan terms as needed after the loan is approved, such changes can significantly modify SBA's position and increase the potential for loss. Real-time monitoring allows for early warning triggers that indicate an increase in risks, and assist the Agency to identify where its resources should be employed to mitigate risks and ultimately reduce potential loan losses.

7. Existence Of Special Circumstances

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

Lenders submit loan data to SBA for its 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.

A Federal Register Notice requesting comments from the public was published on September 18, 2006, 71 FR 54703. The comment period expired November 17, 2006. No comments were received. However, since publication of the notice SBA has determined that using the existing SBAExpress forms was the most efficient and least burdensome means to collect the information for the new initiative, Patriot Express. SBA's request for emergency processing also includes a request for waiver of the notice requirement as it relates to the new initiative. SBA will publish a

revised notice prior to submitting this information collection for regular processing before the emergency approval period ends.

SBA worked with its lending partners and the National Association of Government Guaranteed Lenders (NAGGL) to develop this streamlined collection of information, as well as the technology and procedures used to transmit that collection of information to 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.

The information collected is protected to the extent permitted by law. SBA has incorporated various statements required by law and executive orders into Form 1919 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 specific loan. 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 that covers this information. See attached Federal Register Notice at 69 FR 58598 (September 30, 2004), Loan System – SBA 21.

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.

Loan Approval Forms:

Approximately 1,600 SBA Lenders are *SBAExpress* lenders. In addition, approximately 640 SBA Lenders are PLP lenders. (Both *SBAExpress* lenders and PLP lenders are eligible to participate in the Patriot Express loan program.) Total estimated responses for *SBAExpress* loans based on historical rates are 66,000 per year. The average time spent completing the forms is 40 minutes for the non-eligibility authorized submissions and 25 minutes for the eligibility authorized submissions. These estimates are based on consultation with a sample of high-volume *SBAExpress* lenders. Approximately 8 percent are processed as “eligibility authorized” submissions. Therefore, the total estimated annual hourly burden for *SBAExpress* loan approval submissions is approximately 42,680 hours (40,480 for non-eligibility authorized and 2,200 for eligibility authorized) [$66,000 \times .92 \times 2/3 \text{ hour} = 40,480$. $66,000 \times .08 \times .417 \text{ hours} = 2,200$.]

Total estimated responses in the first 12 months for Patriot Express is estimated to be 8,000 based on the following: During FY 2006, there were approximately 7,320 7(a) business loans to small businesses owned and controlled by veterans. Of these, approximately 6,300 were to businesses that borrowed \$500,000 or less. SBA believes this number may have been under-reported since identifying a business as veteran-owned is voluntary on the part of the applicant and is not a qualifying factor for any 7(a) program other than *CommunityExpress*. In addition, Patriot Express will be available to small businesses owned and operated by not only a veteran, but also active duty military eligible for the military’s Transition Assistance Program, reservist or national guard or a current spouse of those individuals and of service members or veterans who died of a service-connected disability.

The estimate of 8,000 responses includes a projected shift of approximately 2,340 *SBAExpress* loans to the Patriot Express program. Therefore, the additional annual hourly burden for the forms for Patriot Express is $8,000 - 2,340 = 5,660$. Using the same percentages of submission for non-eligibility authorized (92 percent) and eligibility authorized (8 percent) as *SBAExpress*, the additional burden hours for Patriot Express is 3,470 hours (non-eligibility authorized) and 190 hours (eligibility authorized).

The total number of projected burden hours for the application forms is therefore 46,360 hours.

The following is a breakdown of the estimated total burden for each form in this information collection as revised.

- Form 1919 – *SBAExpress* & *CommunityExpress* Borrower Information Form —10 minutes
- Form 1920SX (Parts A, B, and C) – *SBAExpress* Guarantee Request (Part A); Supplemental Information for PLP/*SBAExpress* Processing (Part B); Eligibility Information Required for *SBAExpress* (Part C) –30 minutes
Or Form 2238 – *SBA Express* Guarantee Request (Eligibility Authorized) – 15 minutes

Based on a GS-11 loan officer’s annual salary, the hourly rate is \$26. The annual cost to respondents would be $46,150 \text{ hours} \times \$26 \text{ per hour} = \$1,199,900$. This number is far greater than the last PRA submission because of 1) the tremendous growth in the *SBAExpress* program (47 percent growth in the number of approvals between 2004 and 2006); 2) the hourly rate which

increased from \$10 per hour to \$26 per hour; and 3) the new Patriot Express loan program that will also use these forms.

Post-Approval Form:

- SBAExpress and PLP lenders have been delegated authority by SBA to approve the credit aspects of the loan request. These lenders are, therefore, permitted to use an abbreviated submission request for post-approval actions using Form 2237 – PLP/SBAExpress/Low Doc Servicing Checklist.

The SBA Servicing Centers estimate an annual rate of 20,000 submissions by lenders using Form 2237. The average time spent completing the forms is 5 minutes. Therefore, the total estimated annual hourly burden for SBAExpress, Low Doc and PLP servicing actions is 20,000 x 5 minutes or approximately 1,670 hours. Based on a GS-11 loan officer's annual salary, the hourly rate is \$26. The annual cost to respondents would be 1,670 hours x \$26 per hour = \$43,420.

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 are minimal start-up costs to our external partners.

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.

Loan Approval Forms:

For SBAExpress and Patriot Express loan applications using these forms, the cost to government would be approximately \$182,730 annually. This is based on the cost of a GS-7 clerk (\$17 per hour) taking approximately 30 minutes to review and input data for SBA systems that are not submitted using E-tran. Approximately 70 percent of SBAExpress loans are submitted using E-tran. (66,000 SBAExpress submissions x 30 percent x 30 minutes per application x \$17 per hour equals \$168,300 PLUS 5,660 Patriot Express submissions x 30 percent x 30 minutes per application x \$17 per hour equals \$14,430.)

For servicing actions using Form 2237, the cost to the government would be approximately \$580,000. This is based on a GS-11 reviewing the request and making a recommendation (plus updating the accounting system) which takes approximately 30 minutes and a GS-12 reviewing the recommendation and acting on it which takes approximately 30 minutes. The hourly rate for a GS-11 is \$26. The hourly rate for a GS-12 is \$32. (20,000 submissions x 30 minutes x \$26/hour equals \$260,000. 20,000 submissions x 30 minutes x \$32/hour equals \$320,000.)

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 an increase in the number of responses (loan applications) due to the increasing popularity of the SBAExpress loan product since the previous PRA submission. The burden information reported in this submission also reflects the estimated increase in additional loan volume that the agency expects as a result of the new loan initiative, Patriot initiative.

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.

Except for summary data that might be included in various agency reports (e.g., number or percentage of loans processed using this form) this information 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 published.

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.

In Section 19 of OMB Form 83-I, item I indicates the use of statistical survey methodology in the collection of information. Because each loan application is unique to the applicant and to the loan terms (maturity, interest rate, loan amount, etc.) SBA cannot employ a statistical survey methodology to obtain the required information for the loan program. A statistical survey for this area would not likely be representative and, therefore, would increase SBA's financial risk if relied upon.

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