

SUPPORTING STATEMENT  
U.S. Small Business Administration  
Microloan Program

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.*

Information collection is necessary to ensure that program activity meets the statutory goals of assisting women, low-income, veteran, and minority entrepreneurs, and business owners, and other such individuals possessing the capability to operate successful small business concerns in those areas suffering from a lack of credit due to economic downturn. (See, section 7(m)(1)(A) of the Small Business Act, 15 U.S.C. 636(m)(1)(a).

Information collection is not specifically mandated in the statute. However, reporting is necessary to ensure that the goals of the program are met, that loan funds are appropriately managed, that grant funds are appropriately utilized, and to answer questions posed by Members of Congress.

2. How, by whom, and for what purposes 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.*

Information is used by:

- Reporting participants (Microloan program intermediary lenders), to assist them in managing their microloan portfolios, including risk management, loan servicing and collections, and fund flow; And,
- SBA staff, to ensure that appropriate populations are being reached by-
  - o Counting targeted groups, maintaining data regarding target penetration, looking for trends over time;
  - o Maintaining records of loan amounts and average loan amounts;
  - o Monitoring use of funds for loan purpose, loan size, average interest rates;
  - o Ensuring interest rate and portfolio compliance;
  - o Manage information regarding agency loan production goals; and
  - o Educating at seminars and conferences.

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.*

The Microloan Program Electronic Reporting system (MPERsystem) is totally automated using an internet based system and providing data directly to an SBA data base from the point of entry at the intermediary's lending site. It requires electronic submission of response. This method of reporting was adopted to ease reporting burdens, improve information management, improve portfolio management, reduce cost to the reporting entities, and increase efficiencies within the SBA. The electronic collection method is also consistent with SBA's goal to comply with GPEA and the President's E-gov initiative.

With the institution of the upgrade from the original electronic reporting system eliminated a full paper based report that often required sheets per report, many hours of repetitive work for the reporters, and much manpower to review and finalize data. It allows the reporting entity to enter information only once and reuse basic information each quarter-changing only portfolio activity data. It automatically compares key data that used to be manually compared. And, it keeps a statistical record that once required human compilation on a quarter by quarter basis-thus increasing oversight, without increasing FTEs. The only consideration at the time of decision making was an electronically based system.

#### 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 MPERsystem is designed and is used to eliminate duplication. Under the old reporting system, Portfolio ID data was reported electronically while some of the same information was duplicated on paper to create a Portfolio Status Report. Now, the Portfolio Status Report is automatically based on Portfolio ID data. This eliminates duplication of data entry.

#### 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 the burden.*

The information collection does not directly impact small businesses. It does impact participating entities-known as intermediary lenders-some of which are small. It is through the intermediary lenders that SBA's microlending program is facilitated.

The entire MPERsystem upgrade design is based on reduction of burden. The system eliminates duplicative data entry. It automates reporting that was formerly submitted on paper. It saves money and time by reducing paper based reports. It eliminates production and shipping costs for the reporting entity. It eliminates the

processing of hundreds of pieces of in-coming Agency mail each month. It allows a portfolio management tool to double as a portfolio status report with no additional work on the part of the reporting entity so that the submission of data is almost transparent to the user. It is fast and efficient due to the elimination of duplicative work and paper based production.

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.*

Microloan Program data is divided into two groups for data collection purposes.

- The first group is the portfolio identification data. This is reported within seven days of the closing of a microloan. It is the basis on which all other data is built. If it were collected less frequently, it would cause the reporting entity to be unable to manage its portfolio in an appropriate manner because the portfolio status grid would be incomplete. Reporting the data at the time of loan closing would be ideal but it might cause a burden in instances where loans are closed off-site. This set of data also identifies collateral against debt owed to the SBA by the reporting entity, thereby reducing risk to the taxpayer.
- The second group of data is the portfolio status report. This data is built directly from the portfolio identification data. It is generally required on a quarterly basis. Infrequent reporting and failure to meet the quarterly schedule is generally indicative of an organization that is having difficulty with fund management issues. Consistent reporting and the quarterly schedule help organizations, and the SBA, maintain strong records and reduce risk.

7. Existence of special circumstances

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

*\* requiring respondents to report information to the agency more often than quarterly;*

In the event an organization is out of compliance and risk is heightened, SBA may-at times-impose a monthly reporting schedule to assist the participant in organizing its data, bringing its internal workings into an efficient state, and understanding the position of their portfolio. After several months, and the correction of weaknesses, organizations are returned to the quarterly schedule.

*\* No other sub-categories are applicable.*

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 60 day comments notice was published in 68 FR 6982 (January 17, 2007, Vol 72. No. 10). SBA received no comments.

9. Payment of gifts

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

No payments or gifts will be provided.

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 collection of business and personal information may implicate the Trades Secret Act and Privacy Act respectively. However, the information collected will be kept confidential 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 heir consent.*

Questions of a sensitive nature include identifiers such as name, address, and social security or employee identification number regarding the borrowers of each microloan. Social security or employee identification numbers are voluntarily provided by the borrowers as part of the loan application. These questions are necessary because the microloans are collateral against federal debt and the information is essential to the agency's ability to enforce its debt collections rights. Pre-loan income information is also collected in order to determine the extent to which the Microloan Program meets the statutory goal of serving low-income individuals.

The purpose of the Microloan Program is to assist women, low-income, veteran, and minority entrepreneurs and small business owners and other such individuals (see section 7(m)(1)(A) of the Small Business Act, attached). 13 CFR 124.103-copy attached-provides a general indication of the meaning of the words minority entrepreneurs and encompasses members of ethnic groups listed in this collection.

Data collected under the Microloan Program is not all inclusive of these categories but is broad enough to provide a general sense of whether the groups identified in the statute are being reached. Essentially, gender and ethnicity questions are asked to ensure that the Program meets its statutory purpose. Responses are also voluntary.

Such sensitive information is available only at the source, and to Agency personnel with appropriate security protections. Reports include summary data only. And, the sensitive information is protected by pre-existing statute including the Privacy Act and the Freedom of Information Act.

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

*Provide estimates of the hour burden of the collection of information. The statement should:*

*\* Indicate the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated. Unless directed to do so, agencies should not conduct special surveys to obtain information on which to base hour burden estimates. Consultation with a sample (fewer than 10) of potential respondents is desirable. If the hour burden on respondents is expected to vary widely because of differences in activity, size, or complexity, show the range of estimated hour burden, and explain the reasons for the variance. Generally, estimates should not include burden hours for customary and usual business practices.*

There are approximately 170 respondents at any given time, each providing a range of from 1 to 240 responses per year. Over the period of a single year, the respondents collectively enter up to 2500 sets of raw data. Via discussion with a number of respondents, it has been estimated that the total reporting requirement is from 8 to 15 minutes per response. Utilizing the total response set of 2500, and the highest estimate per response time of 15 minutes, the total amount of time spent submitting reports for the Microloan Program equates to 625 hours per year for the entire group of respondents. (2500 responses times 15 minutes equals 625 hours).

Because the reporting system works through a portfolio management system, loan activity is transparent and adds no extra time. Because quarterly fund reports have been described by respondents as involving less than 15 minutes per quarter, they are included in this estimate.

\* If this request for approval covers more than one form, provide separate hour burden estimates for each form and aggregate the hour burdens in Item 13 of OMB Form 83-I.

N/A

\* Provide estimates of annualized cost to respondents for the hour burdens for collections of information, identifying and using appropriate wage rate categories. The cost of

contracting out our paying outside parties for information collection activities should not be included here. Instead, this cost should be included in Item 13.

Via discussions regarding compensation costs with management level personnel at the respondent level, a cost estimate was arrived at using the average level of total compensation for respondent personnel performing data input. This amount is approximately \$14.72 per hour per participant.

The range of responses per participant is from 1 to 240. At an average rate of \$14.72 per hour, this translates to between \$4 and \$883 per respondent per year. The annual cost burden for the total pool of respondents is approximately \$9,200 (625 hours X \$14.72=9,200)

13. Estimate the total annual cost burden for submission

*Provide an estimate for the total annual cost burden to respondents or record keepers resulting from the collection of information. (Do not include the cost of any hour burden shown in Items 12 and 14).*

*\* The cost estimate should be split into two components. (a) a total capital and start-up cost component (annualized over its expected useful life) and (b) a total operation and maintenance and purchase of services component. The estimates should take into account costs associated with generating, maintaining, and disclosing or providing the information. Include descriptions of methods used to estimate major costs factors including system and technology acquisition, expected useful life of capital equipment, and discount rate(s), and the time period over which costs will be incurred. Capital and start-up costs include, among other items, preparations for collecting information such as purchasing computers and software; monitoring, sampling, drilling and testing equipment; and record storage facilities.*

Capital and start-up costs are not considered because respondents must have the capability to report in order to be considered qualified to enter the group of respondents.

14. 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. Agencies may also aggregate cost estimates from Items 12, 13, and 14 in a single table.*

Costs to the government were reduced by the introduction of this reporting upgrade. No new equipment or personnel were required as a result of the reporting upgrade. On a per participant basis, less mail is delivered and processed. Personnel have been reduced by ten percent with no negative impact on program operations or data collection. Introduction and use of this system resulted in a negative cost. Therefore, no estimate of annualized costs is provided.

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.*

Not applicable

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

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

Not applicable.

18. Exceptions to 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 Submissions," of OMB Form 83-I.*

Not applicable.

B. Collection of Information Employing Statistical Methods

Not applicable.