

Paperwork Reduction Act Submission
SBA Express and Pilot Loan Programs
(Export Express, Community Express and Patriot Express)
(OMB Control # 3245-0348)

JUSTIFICATION

Introduction

In June, 2007, the U.S Small Business Administration initiated, on an emergency basis, the Patriot Express Program, and modified this information collection to accommodate the new initiative. That emergency approval period expires 2/29/2008. This submission, under regular PRA review procedures, is therefore a revision of a currently approved collection (Forms 1919, 1920SX [Parts A, B, & C] 2237, and 2238).

With this submission SBA has made additional revisions to these forms:

(1) The use of the forms has been expanded to include Community Express so that the forms will now cover SBA Express and the Pilot Loan Programs (Export Express, Community Express, and Patriot Express) with one set of forms;¹

(2) The titles of each form have been changed to clearly and more accurately reflect the purpose of the form:

(i) Form 1919 – “SBA Express and Pilot Loan Programs (Export Express, Community Express, and Patriot Express) Borrower Information Form”

(ii) Form 1920SX:

(Part A) – “SBA Express and Pilot Loan Programs (Export Express, Community Express, and Patriot Express) Guaranty Request”;

(Part B) – “Supplemental Information for SBA Express, Pilot loans Programs and PLP Processing”;

(Part C) – “Eligibility Information for SBA Express and Pilot Loan Program Submissions”

(iii) Form 2237 – “7(a) Loan Post Approval Action Checklist”

(iv) Form 2238 – “SBA Express/Patriot Express Guaranty Request (Eligibility Authorized”

(3) Form 1920SX, Part C, section titled “Principals of the Applicant” and “Use of Proceeds” has been modified to clarify which small business owners are required to guarantee a loan, and to clearly set out eligible uses of loan proceeds.

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.

Section 7(a) of the Small Business Act (15 U.S.C. § 636(a) authorizes the Small Business Administration to guaranty loans made by certain banks or other financial institutions to

¹ SBA has been collecting information for this pilot program using forms, which, although patterned off of this information collection, were not OMB approved. This action therefore also rectifies that situation.

qualified small business for various purposes, including plant acquisition, construction, conversion, or expansion, land acquisition, materials, supplies, equipment, and working capital.

SBA Express, *Export Express*, *Community Express* and *Patriot Express* are loan programs established under this section 7(a) authority. SBA business loan regulations (13 CFR Part 120) lay out the requirements that must be met by the small business loan applicants as well as the participating lenders on a loan under these programs. This information collection sets forth the specific information that is necessary to fulfill those requirements.

This information collection is also necessary for SBA to meet requirements imposed by § 4(b)(3) of the Small Business Act (Risk Management Database), 15 U.S.C. 633(b); the Federal Managers Financial Integrity Act (FMFIA) 31 U.S.C. 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.

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 geographic, demograph, 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 the loan transactions in the SBA Express and Pilot Loan Programs are submitted electronically through E-tran.

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 Express 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.

This information collection impacts two broad constituencies: small business borrowers and SBA Express, Export Express, Community Express, and Patriot Express lenders. 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 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. SBA believes that this information collection does not have a significant economic impact on a substantial number of the affected small entities.

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 certain authorities and expediting loan processing. SBA also 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 June 19, 2007, 72 FR 54703. The comment period expired August 20, 2007. No comments were received. 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. The agency has published a Privacy Act System of Records notice 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 2,100 SBA Lenders are SBA Express lenders (this total includes lenders processing Export Express loans); approximately 300 lenders are Community Express lenders; and approximately 800 lenders are Patriot Express lenders. Total annual estimated responses for SBA Express is 67,700 and Community Express is 8,400 based on FY 2007 loan approval activity. The last full month of loan activity for Patriot Express (November, 2007) resulted in 163 loans. If that loan activity is annualized, the loan volume for Patriot Express is estimated to be approximately 2,100.

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 SBA Express lenders. Approximately 8 percent are processed as "eligibility authorized" submissions. Therefore, the total estimated annual hourly burden for SBA Express loan approval submissions is approximately 43,846 hours (41,584 for non-eligibility authorized and 2,262 for eligibility authorized) [$67,800 \times .92 \times 2/3 \text{ hour} = 41,584$. $67,800 \times .08 \times .417 \text{ hours} = 2,262$.] (Export Express is part of this calculation because those loans are submitted by SBA Express lenders.)

For Patriot Express, it is estimated that approximately 8 percent of the submissions use the "eligibility authorized" process as well. Therefore, the total estimated annual hourly burden for Patriot Express loan approval submissions is approximately 1,358 hours ($2,100 \times .92 \times 2/3 \text{ hour} = 1,288 \text{ hours}$. $2,100 \times .08 \times .417 \text{ hours} = 70 \text{ hours}$.)

For Community Express, all submissions use the "non-eligibility authorized" versions of the forms. Therefore, the total estimated annual hourly burden for Community Express loan approval submissions is approximately 5,600 hours ($8,400 \times 2/3 \text{ hour} = 5,600$).

The total number of projected burden hours for the application forms is therefore 50,804 hours.

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

- Form 1919 – Express Programs (SBA Express, Export Express, Community Express, and Patriot Express) Borrower Information Form —10 minutes
- Form 1920SX (Parts A, B, and C):
Express Programs (SBA Express, Export Express, Community Express, and Patriot Express) Guaranty Request (Part A);
Supplemental Information for Express Programs and PLP Processing (Part B);
Eligibility Information Required for Express Program Submissions (Part C) –30 minutes
- Form 2238 – SBA Express/Patriot Express Guarantee Request (Eligibility Authorized) – 15 minutes

SBA estimates that the average salary of the respondent to this information collection is equivalent to a GS-11 loan officer's salary, at an hourly rate of \$26. The annual cost to respondents would be 50,804 hours x \$26 per hour = \$1,320,904. This number is slightly larger than the last PRA submission because of the addition of Community Express.

Post-Approval Form:

- SBA Express, Pilot Loan Program lenders 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/Express/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 form is 5 minutes. Therefore, the total estimated annual hourly burden for SBA Express, 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 record keepers 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:

The cost to the government would be approximately \$199,410 annually for SBA Express and Pilot Loan Programs loan applications. This is based on the cost of a GS-7 clerk (\$17 per hour) taking approximately 30 minutes to review and input data for that are not submitted using E-tran. Approximately 70 percent of these loans are submitted using E-tran. (67,800 SBA Express submissions x 30 percent x 30 minutes per application x \$17 per hour equals \$172,890 PLUS 8,400 Community Express submissions x 30 percent x 30 minutes per application x \$17 per hour equals \$21,420 PLUS 2,100 Patriot Express submissions x .30 percent x 30 minutes per application x \$17 per hour equals \$5,355 equals \$199,665.)

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 addition of Community Express to this information collection.

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.