

Paperwork Reduction Act Submission
SBA Standard 7(a) and PLP Loan Programs
(OMB Control No. 3245-0016)

JUSTIFICATION

Introduction

This SBA Form 4 submission includes the following forms:

- Form 4-I, Lender's Application for Guaranty or Participation
- Form 4, Application for Business Loan
- Form 4, Schedule A, Schedule of Collateral

With this submission, SBA has made additional minor changes to the forms to assist in clarifying what information is being requested. The changes do not add any additional burden hours attributable to the forms.

Form 4, Application for Business Loan: This form must be completed by the applicant for a standard 7(a) loan (including loans submitted by a lender under its PLP status). This form asks for information concerning the applicant's other Government debt. The instructive language is re-phrased to provide clearer guidance to the applicant that any student loans and/or disaster loans are also to be reported.

This form also requests (but does not require) the reporting of veteran, gender, race and ethnicity of each proprietor, partner, officer, director, or holder of any stock. This portion was modified to clarify the questions about veteran status.

Form 4-I, Lender's Application for Guaranty or Participation: This form must be completed by the lender for each standard 7(a) loan application (including PLP processing). There are no changes to this form.

Form 4, Schedule A, Schedule of Collateral:
(This is an optional form.) There are no changes to this form.

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 authorizes the Small Business Administration to guaranty loans made by banks or other financial institutions to qualified small businesses for the purposes of plant acquisition, construction, conversion, or expansion, and/or for the acquisition of land, materials, supplies, equipment, or working capital. (See attached.)

The Federal Managers Financial Integrity Act (FMFIA) codified at 31 U.S.C. 3512 *et. seq.*, and OMB Circulars A-123 (Management Responsibility for Internal Controls) and A-129 (Policies for Federal Credit Programs and Non-tax Receivables) require a federal agency to evaluate the character and performance of individuals participating in federal credit programs. (See attached.)

13 CFR 120.191 pertains to the contents of a business loan application. (See attached.)

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 SBA loan officer and the participating lender require the requested information from these forms to determine eligibility and to properly evaluate and consider the merits of each loan request based on criteria such as character, capacity, credit, collateral, etc. The statutory provisions regarding SBA financial assistance programs could not be implemented without this information.

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 25 percent of PLP loan transactions are submitted electronically using E-tran. The balance of the 7(a) loan requests using Form 4 and Form 4-I are electronically submitted via fax or mailed. 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 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 requested on the Form 4 and Form 4-I is necessary for proper loan application evaluations and is not available by other means or from other sources. If there is any duplication, it would be very minimal and only for a few cases where a second 7(a) loan is requested. Even if the applicant has received SBA financial assistance in the past, the information provided on the form needs to be current and verified with each application. The minimum information necessary is being requested. The information collected on the application is unique to the individual applicant and the circumstances and conditions of its business operation, so there are no other sources of the information that could suffice.

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 respondents to this collection of information are small businesses and lenders. However, there will be no significant economic impact. SBA minimizes the impact on small businesses and lenders by reviewing and simplifying the forms whenever possible. The forms request the minimum information necessary to determine eligibility and properly evaluate the credit risk associated with the loan request.

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.

This information is necessary each time a small business applies for a loan. We would not have the necessary information on which to base a credit or eligibility decision without this collection. The collection of data enables the Agency to provide small business with ready access to capital and failure to collect the information requested in these forms may compromise the effectiveness of the program. Federal financial assistance to small businesses can not be extended without the requested information.

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 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 notice was published in the Federal Register on October 16, 2007, Vol 72, Number 199, Page 58713. No comments were received.

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. Various statements required by law and executive orders are provided to each respondent as part of the application 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, gender, 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.

Total estimated annual responses are 21,000. This figure was based on the number of projected 7(a) loans for FY 2008 processed either through the Standard 7(a) Loan Processing Center or submitted as PLP loans. As of March 31, 2008, approximately 10,000 loans have been submitted through these two centers. The balance of SBA’s 7(a) loan activity has been SBA Express, Community Express, and Patriot Express which use other OBM-approved forms.

The estimated number of users for the various Form 4s is as follows:

Forms 4 and 4I are used by 25% of 7(a) customers. As stated above, for FY 2008, the estimate is 21,000 7(a) loans will use these forms.

Form 4-Schedule A is optional. A lender may use its own format to list personal property with a value of \$5,000 for each item that is securing the loan. SBA estimates that not more than 10 percent of 7(a) loans using Form 4 and 4-I use this form or their own form to meet this purpose.

Burden hours for each form listed below are the estimated maximum. The aggregate burden hours are an estimated average that considers all of the forms.

Annual Hour Burden

Form 4	21,000 responses x 12.00 hours =	252,000
Form 4-I	21,000 responses x 2.00 hours =	42,000
Form 4-Schedule A	2,100 responses x 0.5 hours =	1,050
	Total burden hours	295,050

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 295,050 hours x \$26 per hour = \$7,671,300.

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.

For Standard 7(a) Loan Processing, the forms are reviewed by an employee with an average grade of a GS-12 whose salary is approximately \$31.00 per hour. Approximately 4,200 applications are submitted annually through the Standard 7(a) Loan Processing Center where the applications are reviewed by SBA employees for eligibility and creditworthiness.

Forms 4 and 4-I together require an average of 4 hours to review (must be submitted together). –

$$4,200 \text{ applications} \times 4 \text{ hrs.} \times \$31/\text{hr.} = \$520,080$$

Form 4-Schedule A is part of the package but does not require a review by SBA. It is a listing of collateral valued at \$5,000 or more. SBA must depend on the lender to correctly identify collateral that should be listed.

The balance of the loans using Forms 4 and 4-I are submitted using the PLP process. When a lender is designated as a PLP lender by SBA, the lender makes the credit decision and initial eligibility determination. The lender submits to SBA only Page 1 of Form 4 and a copy of the front of Form 4-I. This is reviewed by a Grade 7 whose salary is approximately \$17 per hour. The review takes approximately 5 minutes.

$$16,800 \times 5 \text{ minutes} \times \$17/\text{hr.} = \$23,800$$

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.

Annual responses have decreased from 51,000 to 21,000 due to the sharp increase in the use of SBA Express and the Community Express and Patriot Express Pilot Programs whose forms require much more abbreviated information.

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.