

Supporting Statement for Paperwork Reduction Act Submission  
OMB Control Number 3245-0017  
SBA Form 5, Disaster Business Loan Application  
Form 1368, Additional Filing Requirements, Economic Injury Disaster Loan Supplement

The purpose of this submission is to request emergency authorization of the Small Business Administration (SBA) Office of Disaster Assistance (ODA) Electronic Loan Application (ELA) for business loans. This submission is to supplement the currently approved collection in paper format. Both methods for information collection (the paper forms and the ELA) will be used at this time.

The following forms are currently in the paper collection:

1. SBA Form 5, “Disaster Business Loan Application.” This is the loan application used for the Small Business Administration’s (SBA’s) three business loan programs, physical disaster loans, economic injury loans and Military Reservist economic injury loans. The form is used to collect the basic information necessary to support a loan application from all business applicants.
2. SBA Form 1368, “Additional Filing Requirements, Economic Injury Disaster Loan Supplement.” This form is used for economic injury disaster loans as a supplement to the Business application form to establish the cause and extent of eligible economic injury resulting from a physical disaster.

The ELA incorporates the information requested in these paper forms. Printed screen shots of the ELA are attached. Many of the differences between the paper forms and the ELA are procedural in nature due to the need for electronic registration, etc. that would not be needed with the traditional paper method. Other questions are re-worded to make them more suitable in the electronic method. The more substantive differences between the paper business loan application and the ELA version are outlined below:

- *FEMA Registration Number, state information* – This is needed in order to determine if appropriate referral from FEMA has been made
- *Gross Revenue determination* – Requested by the loss verification department in order to assist with expedited file assignment
- *Personal Property location questions* – Questions are asked in order to assist with eligibility determination for location of damaged property
- *Type of insurance question* – we ask for additional detail in order to make an eligibility determination
- *Note Regarding insurance* - we ask for additional detail in order to make an eligibility determination

- *Economic Injury questions* – This is needed for expediting the processing of economic injury loans
- *Real Estate Mortgage Page* – Line of Credit Question is asked and is used for determining the method for securing a loan
- *Association/Co-Op Contact Information* – This information assists in assignment of files in Loss Verification
- *Notice of Criminal Penalties for False Statements and Material Omissions* – Language has been added to provide the necessary notice as required by Title 18 U.S.C. §1040

Where necessary, changes will be made to the paper version for consistency.

A. Justification

1. Circumstances that make the collection of information necessary. Section 7(b) of the Small Business Act, 15 USC 636, as amended, authorizes the Small Business Administration to make disaster loans to businesses. Three separate programs are authorized: 7(b)(1) physical disaster loans, 7(b)(2) economic injury disaster loans, and 7(b)(3) Military Reservist Economic Injury loans. Copies of all citations are attached.
2. How, by whom, and for what purpose information will be used. Applicants for disaster business loans must supply the information in this collection in order to receive benefits from these programs. All applicants subject to this request are business entities. SBA's Office of Disaster Assistance (ODA) loan officers and others use the collected information to make eligibility and credit decisions in order to approve or disapprove a loan.
3. Technological collection techniques. The SBA's Disaster Credit Management System (DCMS) is ODA's loan processing system and has been in use since November 2004. In May 2008, ODA will implement a new module to allow the public to complete a disaster loan application on-line and submit it electronically.

The use of the ELA portal will allow disaster loan applicants the ability to retrieve and modify existing data records allowing some reduced data entry on their part as well as a significant reduction of data entry on the part of ODA staff. In addition, ODA envisions a more streamlined process end-to-end to using the ELA. ODA estimates that the overall time savings will result in faster loan processing and disbursement times – to the benefit of the applicants.

4. Efforts to identify duplication. The information required on the application is applicant and time specific and is not otherwise available. No other application form or format is required. Some minimal duplication is necessary in order to verify and/or update information on file, such as corporate names, addresses, phone numbers, etc.

5. Impact on small businesses or other small entities. This information collection will not have a significant impact on small businesses or other small entities.
6. Consequence if collection is conducted less frequently or is not conducted. If this information were not collected, ODA could not process any loan requests because there would be no basis upon which to make eligibility or credit decisions. Since this information is only collected once, it cannot be collected less frequently.
7. Existence of special circumstances. No special circumstances exist. No confidential information is required that is not protected to the extent permitted by law including the Privacy Act and Freedom of Information Act.
8. Solicitation of public comment. SBA is requesting an emergency clearance and a waiver of the solicitation of public comment; therefore, no Federal register notice was published. Provided that the emergency clearance is approved, SBA will prepare justification with the normal public comment period when obtaining clearance after the emergency authorization period expires.
9. Payments or gifts to respondents. There are no payments made or gifts given to respondents.
10. Assurance of confidentiality. The information collected is protected to the extent permitted by law, including the Privacy Act and the Freedom of Information Act and becomes a part of SBA's System of Records (SBA 20). Notice of the rights afforded loan applicants regarding disclosure of or access to confidential information is part of the loan application.
11. Questions of a sensitive nature. Questions of a "sensitive" nature are solicited in this collection. This information is asked so that ODA can make an informed credit and eligibility determination.

SBA requests information such as birth date and financial and criminal records information. This information is required in order for an applicant to receive a benefit under SBA's Disaster Loan Program. This information helps SBA to assess whether there is a reasonable assurance of loan repayment.

This collection also requests Social Security Numbers. Providing Social Security Numbers is purely voluntary on the paper form, however, it is required for the ELA for security purposes due to the significant amount of sensitive data contained online about the applicant, and will be used to ensure the identity of the person who received access to federal systems. This requirement is in keeping with the National Institute of Standards Technology (NIST), level III security standards. If the applicants do not wish to share their Social Security Numbers, they have the option of completing the paper form instead of the ELA. Social Security Numbers will be used to distinguish between people with the same or similar name and to conduct investigations, as necessary, to determine whether a

recipient of SBA assistance is engaged in or about to engage in any practices which violate the Small Business Act. (15 U.S.C. 634(b)).

12. Estimates of the hourly burden. Estimates are broken down by specific loan program and are based on an average of loan applications filed during the last four fiscal years for the business loan program, and actual approvals of the past four fiscal years for the Military Reservist EIDL program (MREIDL). The most recent four fiscal years are FY04-FY07, however, we have omitted FY06 (and included FY03 in order to obtain 4 FY's worth of information) because the majority of the loan applications submitted during FY06 were for the Gulf Coast Hurricanes, which was an aberration and does not allow us to reflect normal activity. The computation is below:

**For Physical Business and EIDL loan program:**

<u>Fiscal Year</u>	<u>Business/EIDL Loan Approvals</u>
03	5,621
04	3,486
05	9,398
07	<u>2,254</u>
Total:	20,759

20,759 divided by 4 = 5,190 average loan approvals per year.

5,190 divided by 55% (approval rate) = **9,436 respondents for the physical business and EIDL loan program (both paper and ELA)**. ODA estimates that approximately 50% of respondents will use the ELA method based on the online registration experience of FEMA during the Gulf Coast Hurricanes.

**For MREIDL program:**

<u>Fiscal Year</u>	<u>MREIDL Loan Approvals</u>
3	77
4	73
5	43
07	<u>20</u>
Total:	213

213 divided by 4 = 53 average loan approvals per year.

53 divided by 72% (approval rate) = **74 respondents for MREIDL program (paper and ELA)**. ODA estimates that approximately 50% will use the ELA based on the online registration experience of FEMA during the 2006 Gulf Coast Hurricanes.

**TOTAL RESPONDENTS (for both programs) = 9,436 + 74 = 9,510**

## PUBLIC BURDEN-Hours

The SBA Form 5 (regardless of format) is filled out by 100 percent of disaster business loan applicants and takes an estimated 2 hours to complete. 9,510 respondents x 2 = **19,020 public burden hours for both programs.**

The SBA Form 1368 is filled out by 33 percent of applicants who complete the Form 5 (regardless of format) for the business and EIDL loan program (approximate percentage of those who request economic injury assistance) and takes 1 hour to complete. SBA Form 1368 is filled out by 100% of applicants for the MREIDL program.

3,114 (33% of 9,436 respondents for Business/EIDL loans) x 1 = 3,114  
74 (100% of 74 respondents for MREIDL loans) x 1 = 74  
3,114 + 74 = **3,188 hours for SBA Form 1368**

**19,020 + 3,188 = 22,208 TOTAL PUBLIC BURDEN HOURS**

## PUBLIC BURDEN-Cost

The cost estimate for a respondent is based on GS 9, step 1 (\$21.58 per hour), which is the level of expertise (minimal) that is required to respond. The annual hourly cost estimate is calculated below:

SBA Form 5 (paper and ELA): 19,020 burden hours x 21.58 + 20 percent overhead = **\$492,542**

SBA 1368: 3,188 burden hours x \$21.58 + 20 percent overhead = \$82,556

**\$492,542 + \$82,556 = \$575,098 TOTAL COST TO RESPONDENT**

13. Estimate of total annual cost burden. No additional annual costs beyond that identified in #12 above are anticipated.
14. Estimated annualized cost to the Federal Government.

## AGENCY BURDEN

9,510 respondents at approximately 5 hours on average for direct processing (which takes into consideration both economic injury applications that may require more processing time as well as simple business applications that require less processing time). Agency burden hours are as follows:

9,510 respondents x 5 hours per application = **47,550 Agency burden hours.**

The annual cost estimate for the Agency is based on a GS 11, Step 1 at \$26.11 per hour (typical expertise required for processing applications) and is calculated as follows:

47,550 hours x \$26.11 per hour = \$1,241,531 plus 30 percent for printing supplies, fringe benefits, leased equipment, etc. = **\$1,613,990 cost to Agency.**

15. Explanation of program changes or adjustments in Items 13 and 14 on OMB Form 83-I. Public burden hours and cost as well as burden to the Government all decreased by approximately 50% as compared to the previous submission. These decreases are due to the substantial decrease in disaster activity and corresponding decrease in respondents.
16. Collection of information whose results will be published. Not applicable because no publication is anticipated.
17. Expiration date for collection of information. SBA will display the expiration date of OMB approval.
18. Exceptions to certification statement in Block 19 on OMB Form 83-I. There are no exceptions to the certification statement.

B. Collections of Information Employing Statistical Methods

Not Applicable