

Supporting Statement for Paperwork Reduction Act Submission
OMB Control Number 3245-0018
SBA Form 5C, Disaster Home Loan Application

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 home 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.

This paper collection consists of the SBA Form 5C, "Disaster Home Loan Application." This application is used by individuals to request assistance.

The ELA incorporates the information requested in the paper form. Attached are the printed screens that make up the ELA. 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 home 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
- *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 (attached), 15 U.S.C. 636, as amended, authorizes SBA to make loans to victims of Federally-declared disasters. Homeowners and renters are eligible for physical disaster loans. The loan application and supporting documentation is a basic document for any lending function.

The requirement for the use of the 5C is found in the Standard Operating Procedure (SOP) for Disaster Assistance, SOP 50 30, paragraph 63 (see attached).

2. How, by whom, and for what purpose information will be used. SBA's Office of Disaster Assistance (ODA) personnel analyze the information from the application to determine if the applicant is eligible for a disaster loan and has repayment ability. The eligibility analysis is necessary to determine whether the applicant qualifies for Federal assistance. The credit analysis is necessary to determine whether or not a loan is an acceptable risk to the Government.

3. Technological collection techniques. The SBA's Disaster Credit Management System (DCMS) is Disaster'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 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. There is no duplication with other SBA programs because home loans are not made by any other program within SBA. ODA actively participates with the Federal Emergency Management Agency (FEMA) in a joint Federal effort to avoid the duplication of information gathering from disaster victims.
5. Impact on small businesses or other small entities. There is no impact on small businesses or other small entities as this collection does not involve them.
6. Consequence if collection is conducted less frequently or is not conducted. This information cannot be conducted less frequently because we only collect it once from each individual. The consequence of not collecting this information would be an inability to determine which disaster victims are eligible for assistance and an inability to begin the credit/financial analysis necessary to make loan decisions.

The SBA could not conduct the program without the collection of this information.

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 the 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. No gifts or payments are provided 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. Through this proposed collection, SBA collects sensitive 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 make an informed credit and eligibility determination and to assess whether there is a reasonable assurance of loan repayment.

This proposed 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.

The annual average is based on the number of loan applications

accepted for processing per fiscal year for the past 4 fiscal years (FY04 – FY07). However, for this submission, 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. Number of respondents is computed based on home loan approvals, then divided by the approval rate, to obtain the number of applications processed (number of respondents). The computation is below:

<u>FY</u>	<u>Home Loan Approvals</u>
03	20,235
04	25,024
05	52,677
07	<u>11,760</u>
Total	109,696

109,696 divided by 4 = 27,424 average home loan approvals per year
 27,424 divided by 55% (55% approval rate) = **49,862 annual average applications processed (number of respondents)**. We estimate that about 50% of respondents will use the ELA based on the online registration experience of FEMA during the 2006 Gulf Coast Hurricanes.

ODA estimates that the home loan application (both paper and ELA) takes approximately 1.5 hours to complete based on initial testing of the ELA and based on feedback received from applicants and observation for paper forms.

49,862 respondents x 1 response per applicant x 1.5 hours = 74,793

Total annual hour burden = 74,793

Cost to respondent for hour burden for this collection.
 Average cost is based on GS 1-1 (\$9.24 per hour) which reflects the level of expertise (minimal) that is required to respond.

74,793 hour burden x \$9.24 = **\$691,087 total cost to respondent.**

13. Estimate of total annual cost burden. There are no additional costs that have not been identified and explained in 12 above.

14. Estimated annualized cost to the Federal Government. Estimated annualized cost to the Federal Government:

It takes ODA personnel approximately 2 hours per loan application to evaluate the information provided, perform a credit analysis, and process the ELA to a decision, and approximately 3 hours to process the paper application form.

Typically, expertise equivalent to a GS-9, Step 1 (\$21.58 per hour) is required to process these applications using either method.

Using ELA:

24,931 responses (50% of total respondents for ELA) at 2 hours per response = 49,862 x \$21.58 = \$1,076,022 plus an additional 30% for overhead (printing, supplies, fringe benefits, leased equipment, etc.). = **\$1,398,828 estimated cost to Federal Government for ELA method.**

Using paper form:

24,931 responses (50% of total respondents for paper processing) at 3 hours per response = 74,793 x \$21.58 = \$1,614,033 plus an additional 30% for overhead (printing, supplies, fringe benefits, leased equipment, etc.). = **\$2,098,242 estimated cost to Federal Government for paper method.**

\$1,398,828 + \$2,098,242 = \$3,497,070 TOTAL ESTIMATED COST TO THE FEDERAL GOVERNMENT.

15. Explanation of program changes or adjustments in Items 13 and 14 on OMB Form 83-I. Both public burden and cost increased slightly (by 7,366 and \$96,381, respectively) due to slight increase in applications processed (number of respondents) with this submission as compared to the last submission. Government burden slightly decreased (decrease of \$110,788) due to the projected decrease in processing time using ELA method (2 hours to process versus 3 hours).
 16. Collection of information whose results will be published. No publication is anticipated.
 17. Expiration date for collection of information. Expiration date will be displayed.
 18. Exceptions to certification statement in Block 19 on OMB Form 83-I. There are no exceptions.
- B. Collections of Information Employing Statistical Methods
N/A