

Paperwork Reduction Act Submission
(OMB Control # 3245-0200)

Justification

This package is for SBA Form 1050, Settlement Sheet. This form is required to be completed by lenders and small business owners for all 7(a) loans that are closed and disbursed with the exception of SBAExpress and the Pilot Loan Programs (Patriot Express, Export Express and Community Express).

Form Changes:

First, SBA has changed the frequency with which lenders must complete the form. Currently, if a loan has multiple disbursements the lender completes the form for each of the disbursements. That requirement has been modified so that lenders only need to complete the form with the initial disbursement. SBA will still require that the lender provide evidence that the loan proceeds have been disbursed in accordance with the loan authorization on all disbursements. Second, the agency deleted the itemized list of amounts disbursed (from the middle of the page). That information is no longer relevant since SBA would only be getting it for the initial disbursement. Third, we also deleted the "amount of disbursement" at the top of the form. The SBA Form 1050 is no longer used for purposes of reporting/tracking disbursement; rather it is used to obtain the certifications by the lender and borrower that the proceeds will be disbursed and used in accordance with the Use of Proceeds section of the Authorization.

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.

SBA Form 1050, "Settlement Sheet," evidences the disbursements of loan proceeds and their use for all 7(a) loans except SBA Express and the Pilot Loan Programs. Under Agency regulations at 13 CFR 120.520, lenders may demand that SBA honor its guaranty on a loan. SBA's review of the form is part of the guaranty purchase process. According to 13 CFR 120.524 in order for SBA to honor that request, lenders must, among other things, disburse the loan proceeds in a prudent manner and in accordance with the Loan Authorization. Lenders use Form 1050 to document that they have disbursed the loan in a prudent manner and in accordance with the Loan Authorization.

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 settlement sheet is used by the lender, the borrower and SBA to identify that the funds were disbursed in accordance with the Authorization and that the borrower's financial, or operational condition had not deteriorated between loan approval and disbursement. SBA reviews this form at the time of guaranty purchase when the loan defaults and the lender request that SBA purchase

its guaranteed interest. SBA reviews the form to determine that (1) loan proceeds were used as required by the authorization, and (2) that the borrower did not experience any substantial adverse change from the time of loan approval to the time of disbursement. These measures help SBA ensure that loan proceeds are being used for eligible purposes, and that the cost of the program to the government and to future borrowers (who pay guaranty fees to SBA based on projected costs of the program) as a result of defaults net of recoveries is kept at a reasonable level. Failure on the part of the lender to provide evidence that the loan was disbursed correctly could result in a full or partial denial of liability on SBA's guaranty.

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.

SBA Form 1050 is available at www.sba.gov/tools/Forms/SBApartnerforms/lenderforms. Private software vendors have created user-friendly versions of all SBA forms used by 7(a) lenders in a format compatible with most proprietary automated underwriting systems. This permits the forms to be filled in simultaneously to minimize duplicate data entry. At time of purchase, lenders are encouraged to submit the purchase package, including the Form 1050, by fax. SBA estimates that approximately 5 percent submit their guaranty purchase requests by fax. The balance of the lenders choose to mail in the supporting information for their requests

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 Form 1050 is necessary for proper loan disbursement evaluations and is not available by other means. Information necessary for a decision on a guaranty purchase is unavailable from other sources. The minimum information necessary is being requested. The information collected is unique to the individual applicant and the circumstances and conditions of its business operations, so there are no other sources of the information nor is it currently available electronically from other sources. There is no duplication.

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 on any of these entities. SBA has minimized the burden on small businesses and lenders by simplifying the forms to the extent possible and by requesting the minimum information necessary to determine the loan proceeds were disbursed as intended and that due diligence was demonstrated by the lender. In addition, SBA has reduced the number of times that the form must be completed to only once, at the time of initial disbursement, to further reduce the burden on respondents.

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.

The information on Form 1050 must be collected each time a loan is closed. If the information is not collected, a lender's practice of disbursing funds for undocumented, and possibly ineligible, purposes, or to borrowers that had experienced an adverse change between approval and closing, could go undetected and cause the cost of the program to increase. The increased cost would impact not only the government but also future borrowers, whose guaranty fees to SBA are calculated on the revised expected costs of the program.

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 that would cause an information collection to be conducted in the manner specified in each instance.

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.

The required public comment notice was published in the Federal Register on March 20, 2008, at 73 FR 15028. No comments were received. As a result of discussions with the 7(a) lending community SBA has modified the use of Form 1050. Once this submission is approved, lenders will complete the form with the initial disbursements only and not with every disbursement as is currently the case.

9. Payments or Gifts

Explain any decision to provide any payment or gift to respondents, other than renumeration 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.

“Statements Required by Law and Executive Order,” is attached to each 7(a) loan application form signed by the lender and the loan applicant. This form advises each respondent of, among

other things, the protections against disclosure of sensitive and confidential information under the “Freedom of Information Act” (5 U.S.C. 552), “Privacy Act” (5 U.S.C. 555a), the “Right to Financial Privacy Act of 1978” (12 U.S.C. 3401), and other significant executive orders or legislation related to financial assistance from the Federal government. SBA protects the information collected 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, 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.

No questions of a sensitive nature are involved.

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 19,800. This figure was based on the number of projected 7(a) loans for FY 2008 of 80,000 minus those processed as Express loans (58,000) minus those approved loans that are cancelled (10 percent). The time to complete the form is estimated at 15 minutes. The reason why the amount of time has been modified from 45 minutes to 15 minutes is that the form no longer is requiring a listing of each use of proceeds for the entire loan. Instead it has been substantially re-written and is now a certification (required only once) that the proceeds have been, or will be, used as required by the authorization. The form is submitted once for each loan that is disbursed.

The estimated annual burden hours and costs for Form 1050 are as follows:

$$19,800 \text{ responses} \times .25 \text{ hours} = 4,950 \text{ hours}$$

The form is completed by small business owners and reviewed and signed by lenders. The average hourly wage for both the small business owner and the lender (equivalent to a GS 11) is estimated at \$26.00 per hour \times 4,950 hours = \$128,700.

13. Estimate of Total Annual Cost

Provide an estimate for the total annual cost burden to respondents or recordkeepers resulting from the collection of information. Do not include hour cost burden from above.

Any cost to the lenders and borrowers is de minimis.

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.

The following is the estimated annual costs to the Federal government/SBA:

The forms are only reviewed by an SBA employee at time of purchase. It is estimated that only 7 percent of 7(a) loans that are approved and disbursed ultimately default. It is at time of default that a guaranty purchase request, which includes the Form 1050, is submitted by the lender to SBA.

Form 1050 requires an average of .25 hours to review for completeness and any issues. The average grade is a GS-11, with an average hourly rate of \$26.00

19,800 7(a) loan closings x 10 percent x .25 hours x \$26/hr. = \$12,870.

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.

The burden hours for SBA Form 1050 has decreased since the last submission of the PRA package from 27,000 to 4,950 principally due to the change in requirements for the submission of this form, from every disbursement to only for the initial disbursement and from deleting the listing requiring a listing of the details for each disbursement

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.

The results of this collection 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.

Not applicable.

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

