

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 an extension of the Small Business Administration (SBA) Office of Disaster Assistance (ODA) Home Loan Application. This collection contains the application used by individuals to request assistance and covers both the paper version of the loan application (SBA Form 5C) as well as the Electronic Loan Application (ELA).

A few changes were made to the ELA since the previous submission in response to some of the focus group and usability tests that were conducted; however, most of these changes were to wording in order to address common questions and mistakes that were observed.

SBA also completed a crosswalk between the ELA and the paper form to ensure that the paper version is consistent with the electronic version of the application, particularly on questions that affect an applicant's eligibility for assistance. As a result of this review, one change was made to Form 5C to update Section F to include two additional questions (#7 and #8). There are no other substantive differences on eligibility issues. Any remaining differences between the paper and electronic applications are a necessary function of an electronic system, such as system registration, authentication, etc., that are not required for paper applicants. Copies of the paper forms and screen shots of the ELA are attached.

A. Justification

1. *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 appropriate section of each statute and regulation mandating or authorizing the collection of information.*

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. *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.*

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. *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*

The ELA is part of SBA's Disaster Credit Management System (DCMS), the Disaster's loan processing system that has been in use since November 2004. In August 2008, ODA implemented the ELA to allow the public to complete a disaster loan application on-line and submit it electronically.

The use of the ELA portal allows 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. The overall time savings will result in faster loan processing and disbursement times to the benefit of the applicants.

4. *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.*

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. *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.*

There is no impact on small businesses or other small entities as this collection does not involve them.

6. *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 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. *Explain any special circumstances that would cause an information collection to be conducted in a manner, etc.*

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. *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*

Comments were solicited in a notice in FR Vol.73, number 150, Page 45265 (August 4, 2008), copy attached. The comment period closed October 3, 2008, and no comments were received.

9. *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 respondents.

10. *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, 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. *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.*

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. *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.*

The annual average is based on the number of loan applications accepted for processing per fiscal year for the past 4 fiscal years (FY05 – FY08). However, for this submission, we have omitted FY06 (and included FY04 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>
04	25,024
05	52,677
07	11,760
08	<u>12,755</u>
Total	102,216

102,216 divided by 4 = 25,554 average home loan approvals per year
25,554 divided by 55% (55% approval rate) = **46,462 annual average applications processed (number of respondents)**. Approximately 33% of respondents used the ELA since the August 2008 roll-out.

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

46,462 respondents x 1 response per applicant x 1.5 hours = 69,693

Total annual hour burden = 69,693

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.

69,693 hour burden x \$9.24 = **\$643,963 total cost to respondent.**

13. *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 no additional costs that have not been identified and explained in 12 above.

14. *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.*

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:

15,332 responses (33% of 46,462 total respondents used ELA) at 2 hours per response = 30,664 x \$21.58 = \$661,729 plus an additional 30% for overhead (printing, supplies, fringe benefits, leased equipment, etc.). = **\$860,248 estimated cost to Federal Government for ELA method.**

Using paper form:

31,130 responses (67% of 46,462 total respondents for paper processing) at 3 hours per response = 93,390 x \$21.58 = \$2,015,356 plus an additional 30% for overhead (printing, supplies, fringe benefits, leased equipment, etc.). = **\$2,619,963 estimated cost to Federal Government for paper method.**

\$860,248 + \$2,619,963 = \$3,480,211 TOTAL ESTIMATED COST TO THE FEDERAL GOVERNMENT.

15. *Explain reasons for any program changes or adjustments reported in Items 13 or 14 of the OMB Form 83-I.*

Both public burden and cost decreased slightly due to slight decrease in applications processed (number of respondents) with this submission as compared to the last submission. Government burden decreased slightly due to the decrease in responses.

16. *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.*

No publication is anticipated.

17. *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.*

Expiration date will be displayed.

18. *Explain each exception to the certification statement identified in Item 19, "Certification for Paperwork Reduction Act Submission," of OMB Form 83-I.*

There are no exceptions.

- B. *Describe (including a numerical estimate) the potential respondent universe and any sampling or other respondent selection method to be used.*

N/A