

**SUPPORTING STATEMENT
(0570-0018) 7 CFR Part 4279-A
Guaranteed Loanmaking (General)**

1. Explain the circumstances that make the collection of information necessary. The Business and Industry (B&I) program was legislated in 1972 under Section 310B of the Consolidated Farm and Rural Development Act, as amended. The purpose of the program is to improve, develop, or finance businesses, industries, and employment and improve the economic and environmental climate in rural communities. This purpose is achieved through bolstering the existing private credit structure through the guaranteeing of quality loans made by lending institutions, thereby providing lasting community benefits. The B&I program is administered by the Agency through Rural Development State and sub-State Offices serving each State.

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. This subpart contains general requirements applicable to the B&I Guaranteed Loan Program administered by the Agency. Most of it is general lender requirements. This includes lender eligibility for participation in Agency guaranteed programs, lender performance, and secondary market activities. The bulk of the other two subparts for the B&I Guaranteed Loan Program (7 CFR 4279-B and 4287-B) concern the loans themselves. The information is used by Agency loan officers and approval officials to determine lender program eligibility and for program monitoring.

The estimates do not include burden hours for customary and usual business practices of entities other than the Agency. Therefore, this package only considers the information the Agency requires in excess of what a lender would typically require of a business, as well as the information the Agency regulation requires from the lender in excess of what it would typically do for a non-guaranteed loan. The burden estimates in this package are based on the assumption that the B&I Guaranteed Loan Program will receive \$1 billion in program funding in each of the next 3 years with which it will guarantee an average of 750 loans per year. **Specifically, the burden to be cleared with this document is as follows:**

REPORTING REQUIREMENTS - NO FORMS

Appeals. The applicant or borrower and lender and/or holder may appeal any adverse Agency decision. Appeals are handled in accordance with Departmental appeal regulations. The burden is reported here.

Eligible Lenders. A lending entity which does not meet the description of a traditional lender may request consideration to become a guaranteed lender. The lender's written request must include documentation concerning capital resources, license or other evidence of authority to make loans, information regarding lending experience, and expertise of the lender and its staff.

Certified Lender Program. CLP status must prepare a written request to the Agency and provide information regarding its experience in commercial lending. This report also includes the burden associated with renewing CLP status. The burden associated with processing an application submitted by a certified lender is included in the burden with 7 CFR 4279, Subpart B which is the processing regulations for the B&I loan program. There is no difference between the application requirements for a loan submitted by a CLP lender and a non-CLP lender. However, a CLP lender is not required to submit full documentation to the Agency.

Funds reservation. Certified Lender Program (CLP) lenders may request, in writing, that funds be reserved for a loan application it intends to submit. This assures the CLP lender that funds will be available to fund its loan.

Sale or assignment of guaranteed loans. The lender may sell the loan in the secondary market. This is a typical business practice. The only burden imposed by the Agency is requiring the lender to advise the Agency that it wants to sell the loan and requesting the Agency to execute the appropriate documents. The balance of the burden is imposed by requirements of the secondary market, and is not reported here.

Repurchase from the holder. When a loan defaults, the holder makes demand for repurchase. A lender has the option to repurchase the unpaid guaranteed portion of the loan from a holder. If the lender does not repurchase the loan, the Agency will. The holder's demand will include documentation and the amount due. If the lender does not repurchase the loan, the lender will provide the Agency with information necessary for the Agency to determine the amount due.

Replacement of Document. When a Loan Note Guarantee is lost, stolen, destroyed, or defaced by the lender or holder, the Agency will replace it when the lender provides the Agency with documentation and an indemnity bond.

REPORTING REQUIREMENTS - FORMS

Form RD 4279-8, "Certified Lender (Business and Industry Program)" - The Agency uses this document to approve a lender for the Certified Lender Program. The lender prepares and executes the form. The Agency then reviews and executes the form.

REPORTING REQUIREMENTS - FORMS APPROVED UNDER OTHER NUMBERS

Because this instruction is the general guaranteed instructions for RBS, many program requirements and forms are mentioned here without any burden associated with them. That burden is imposed in the specific program regulation. Accordingly, much of the attached worksheet indicates no responses or burden. Notable exceptions are the requirements for the secondary market and Certified Lender.

Form 4279-3, “Conditional Commitment” - The form is used by the Agency to provide notice to the lender and lender acceptance that the guarantee request is approved subject to the conditions established by the Agency and listed on the form. This form is cleared under OMB No. 0570-0017. It is estimated 770 respondents, 1.5 hours per response, 1,155 man-hours, \$69,300 total cost.

Form 4279-4, “Lender’s Agreement”- This form is the signed agreement between the Agency and the lender setting forth the lender’s loan responsibilities. It is also used to document Certified Lender status. Each lender will execute the form once. It will apply to all B&I Guaranteed loans the lender makes thereafter. This form is cleared under OMB No. 0570-0017. It is estimated 350 respondents, 2 hours per response, 700 man-hours, \$42,000 total cost.

Form 4279-6, “Assignment Guarantee Agreement” - The form is the signed agreement between the Agency, lender, and holder, setting forth the terms and conditions of an assignment of all or a portion of the guaranteed portion of a loan. This form is cleared under OMB No. 0570-0017. It is estimated 600 respondents, 30 minutes per response, \$18,000 total cost.

Form RD 1940-20, “Request for Environmental Review” - The information collected from the applicant is used by the Agency in preparing the environmental assessment. It is needed only for specific loan making or servicing actions. No requirement in this section imposes a burden that is not specified in the specific program regulation. This form is cleared under OMB No. 0575-0094. It is estimated 800 respondents, 6 hours per response, 4,800 man-hours, \$283,200 total cost.

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. The Agency has automated the various forms used to apply for loan guarantees. They are frequently utilized by lenders and borrowers and are available on the Internet. The lenders complete the automated forms and submit hard copies of the forms to the Agency. No information is submitted electronically. The Agency is currently developing a new financial management system which will eventually be capable of receiving applications and other information electronically.

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. The Agency communicates with other institutions involved with business development for the purpose of sharing information and coordinating respective activities. When similar information is identified, action is taken to avoid duplication.

5. 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. Only the minimum information needed to determine program eligibility and the creditworthiness of a credit proposal is requested. Lenders making loans without guarantees typically require as much or

almost as much information from a business applicant. The information required of lenders is needed to determine a lender and borrower eligibility and creditworthiness.

6. Describe the consequences to Federal program or policy activities if the collection is not conducted or conducted less frequently, as well as any technical or legal obstacles to reducing burden. The information needed for loan approval is typically needed only once. With less information, the Agency would be more likely to guarantee substandard loans, thus increasing Agency losses.

7. Explain any special circumstances that would cause an information collection to be conducted in a manner: There are no special circumstances that would cause information collection to be conducted in any manner described in (a) through (h) below:

- (a) **Requiring respondents to report information more than quarterly.**
- (b) **Requiring written responses in less than 30 days.**
- (c) **Requiring more than an original and two copies.**
- (d) **Requiring respondents to retain records for more than 3 years.**
- (e) **Not utilizing statistical sampling.**
- (f) **Requiring use of statistical sampling which has not been reviewed and approved by OMB.**
- (g) **Requiring a pledge of confidentiality.**
- (h) **Requiring submission of proprietary trade secrets.**

8. 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 record keeping, disclosure, reporting format (if any), and on data elements to be recorded, disclosed, or reported.

In accordance with the Paperwork Reduction Act of 1995, the agency published a Notice in the Federal Register on January 30, 2009 [74 FR 5634]. No comments were received.

As part of the Agency's internal control measures, it conducts assessments of its loan programs by interviewing commercial lenders, existing borrowers, and Agency field employees. Among the many topics discussed during these interviews, we ask the interviewees if they feel any of the Agency imposed requirements are excessive or could be handled differently, and incorporate their suggestions into program regulations. We have identified two lenders and one borrower from the long list of those interviewed.

- a. Bridgeview Capital Solutions
3353 Peachtree Road, North Tower, Suite 1040
Atlanta, Georgia 30326
(800) 386-3722
- b. Stephen F. Decker
WesBanco Bank, Inc.
415 market Street
Parkersburg, WV 26102
(304) 480-2501
- c. Bob Coleman, Director
U.S. Rural Development Council
P.O. Box 546
La Canada, California 91012
818-541-6610

9. Explain any decision to provide any payment or gift to respondents, other than remuneration of contracts or guarantees. No payments or gifts 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. Confidentiality is not assured. Requests for release of records and information are processed in accordance with the Privacy Act of 1974.

11. Provide additional justification for any question of a sensitive nature, such as sexual behavior or attitudes, religious beliefs, and other matters that are commonly considered private. There is no collection of any information that would be considered sensitive in nature or commonly considered private.

12. Provide estimates of the hour burden of the collection of information. The statement should:

- **Indicate the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated.**

The attached worksheet describes burden for each form utilized and each section of the regulation that impacts the public, as well as the annualized total. There is no contracting out or paying outside parties for information collection. The worksheet is based on the Agency receiving 850 preapplications, from which 750 loans will be made. Many of the requirements will not be needed from every applicant. Requirements are based on the type of applicant and in what type of business the applicant is engaged. The application type information requested will only be needed once, while servicing type information may be needed annually, for the life of the loan. Depending on the complexity of the loan and skills of the loan applicant, the amount of information actually prepared by the applicant varies considerably. It can range from near

zero when the loan applicant hires a professional to put the application together, to virtually all of it. We computed the hours as if the Agency's customer completed all the information collection. The response time per response ranges from 30 minutes for simple documentation to 12 hours for documentation to become a certified lender or for an appeal. The total annual burden was calculated to be 1,494 hours.

- **Provide estimates of annualized cost to respondents for the hour burdens for the collection of information, identifying and using appropriate wage rate categories.**

Most of the respondents are relatively highly paid professionals including bank officers, accountants, attorneys, certified appraisers, environmental and other consultants, insurance providers, and contractors. We determined that the hourly wage class was \$70 per hour.

13. Provide an estimate of the total annual cost burden to respondents or record keepers resulting from the collection of information, (do not include the cost of any hour burden shown in items 12 and 14). The cost estimates should be split into two components: (a) a total capital and start-up cost component annualized over its expected use of life; and (b) a total operation and maintenance and purchase of services component. Any capital and start-up/operation and maintenance costs are customary and usual business practices and, therefore, not included in this package.

14. Provide estimates of annualized cost to the Federal Government. The annual cost to the Federal Government to collect and evaluate this information is estimated to be about \$55,863 per fiscal year (see attached spreadsheet). Most of the review work is completed by GS-9 & 11 State Loan Specialists and GS-13 State Program Directors, with GS-7 & 8 Loan Technicians and clerks doing most of the computer data entry and typing. Accordingly, the average rate was determined to be \$41.41 per hour. The hours were computed by estimating the average time it takes to review documentation, approve requests, and maintain the accounting and tracking systems.

15. Explain the reasons for any program changes or adjustments reported in items 13 or 14 of the OMB Form 83-I. This package reflects no changes in the burden from the previous submittal.

16. For collection of information whose results will be published, outline plans for tabulation and publication. The results of this collection of information will not be published.

17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate. No approval is being sought.

18. Explain each exception to the certification statement identified in item 19 on OMB 83-I. There are no exceptions to the Certification.

19. How is this information collection related to the Service Center Initiative (SCI)? Will the information collection be part of the one stop shopping concept? Recipients of B&I loan assistance are rural business, but typically are not agricultural. Consequently, very little of the information collected for this program would be useful in the Service Center Initiative. The information is used only for administering the B&I Program.