

October 2009

**SUPPORTING STATEMENT
0570-NEW**

**Rural Microentrepreneur Assistance Program (RMAP)
Proposed Rule**

A. Justification

1. Explain the circumstances that make the collection of information necessary.

The Agency, through proposed rulemaking, is implementing a new loan and grant program, the Rural Microentrepreneur Assistance Program (RMAP), authorized under Section 6022 of the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill), which amends Section 6022 of the Farm Security and Rural Investment Act of 2002 (FSRIA). The purposes of this program are to provide rural microentrepreneurs with the skills necessary to establish new rural microenterprises; to provide continuing technical and financial assistance related to the successful operation of rural microenterprises; and to assist with the cost of providing other activities and services related to the successful operation of rural microenterprise development organizations (MDOs) and rural microenterprises.

The Secretary will make direct loans to MDOs (MDOs that are participating in the program are referred to as "microlenders") for the purpose of capitalizing microloan revolving funds to provide fixed interest rate business loans of \$50,000 or less to microentrepreneurs, as defined in the 2008 Farm Bill.

Each microlender that receives a loan under this program will be awarded a grant to assist microentrepreneurs who have received or are seeking a microloan from a microlender. These grants will be known as technical assistance (TA) grants. TA grants will provide assistance specifically tailored to the needs of one or more microentrepreneurs as defined.

Finally, grants will be made to microlenders to enable them to enhance their internal capabilities to better serve their microborrowers. These grants will be known as enhancement grants.

In summary, the objectives of the RMAP program are to:

- Establish revolving loan funds for rural

microenterprise development purposes;

- Make grants to participating MDOs to provide technical assistance and training programs to rural microentrepreneurs and microbusinesses; and
- Assist microlenders with the cost of enhancing their internal capabilities of providing services to rural microentrepreneurs and microbusinesses.

2. Explain how, by whom, and for what purpose the information is to be used.

There are two types of MDOs, based on their level of experience as MDOs, that will apply for loans and/or grants under RMAP:

- Microlenders with at least 3 years of experience as an MDO providing microloans and technical assistance and training to rural microentrepreneurs and
- Microlenders with less than 3 years of experience as an MDO.

Both types of MDOs will apply for loan funds to capitalize a Rural Microloan Revolving Fund (RMRF), and will automatically be eligible to receive a grant for provision of technical assistance and training to rural microentrepreneurs. Some of the MDOs, most likely those with less than 3 years of experience, will also apply for enhancement grants to improve their internal capabilities of providing microloans to rural microentrepreneurs.

Microlenders seeking loans and/or grants will have to submit applications that include specified information, certifications, and agreements to the Agency. This information will be used to determine applicant eligibility and to ensure that funds are used for authorized purposes. Applications for continued participation in RMAP, during years 2 and 3, will include primarily any needed updates to the information submitted with the initial application. Specifically, the burden to be cleared with this document is as follows:

REPORTING REQUIREMENTS – NO FORM NUMBERS

Application Requirements

A. All applicants.

Qualifications as an MDO. Each applicant will be required (under § 4280.315(d)(1)) to submit documentation that it is an eligible MDO. Such documentation will include the following:

- Copies of the applicant's IRS designation that the applicant is legally considered a non-profit organization; or, evidence that the applicant is a Federally recognized Indian tribe, and that the tribe neither operates, nor is served by an existing MDO; or, evidence that the applicant is a public institution of higher education; and
- A Certificate of Good Standing from the applicant's home state's Office of the Secretary of State.

Demonstration of organizational well-being. Each applicant will be required under §4280.316(a) to demonstrate its organization's well-being by submitting the following:

- An organizational chart clearly showing the positions and naming the individuals in those positions. Of particular interest are management positions and positions essential to the operation of microlending and TA programming.
- Information indicating an understanding of microlending. For all applicants, this must be those parts of the applicant's policy and procedures manual that deal with the provision of loans, management of loan funds, and provision of technical assistance.
- A succession plan to be followed in the event of the departure of personnel key to the operation of RMAP activities.
- Resumes for each of the individuals shown on the organizational chart and indicated as key to the operation of the activities funded under this program.
- Copies of the applicant's most recent, and two years previous, financial statements.

Mission statement. Each applicant must submit a copy of its organizational mission statement. The mission statement will be rated based on its relative connectivity to microenterprise development and general economic development.

Geographic service area. Each applicant must submit a description of its the service area, including identifying the number of counties or other jurisdictions to be served, the demographics of the service area, and whether or not the service

area is rural in nature (in whole or in part), suffers from significant outmitgration, and enjoys a diverse population.

B. Application Requirements for Microlenders with At Least 3 Years of Experience (§ 4280.316(b)).

In addition to the information required in paragraph A, an MDO with at least 3 years of experience as an MDO is required to submit documentation of its track record of making loans, including the following information:

History of provision of microloans. For each of the three previous fiscal year:

- total number and dollar amount of microloans made.
- number and dollar amount of microloans made in rural areas.
- percent of the number of microloans made in rural areas and percent of total dollar amount of microloans made in rural areas.
- comparison of its microloan portfolio to the demographic makeup of the area it serves.
- percent of the total portfolio of microloans made to microentrepreneurs in areas of outmigration.

Portfolio management. For the previous three fiscal year:

- total number of microloans paying on time.
- total number of microloans 30 to 90 days in arrears or have been written off at year end.

History of provision of technical assistance to microentrepreneurs. For each of the previous three fiscal years:

- total number of rural microentrepreneurs that received microloans and TA services
- percentage that were located in rural areas
- percentage that were minority, socially-disadvantaged, or disabled located in rural areas
- percentage that were located in areas of outmigration

Ability to provide TA to microentrepreneurs. Each applicant is required to provide a narrative of not more than five pages describing its teaching and training method(s) and discussing the outcomes of its endeavors.

Proposed administrative expenses to be spent from TA grant funds. Each applicant is required to identify what percentage of their TA grant they plan on spending on administrative expenses.

C. Application Requirements for Microlenders with less than 3 years of experience (§4280.316(c)).

In addition to the information required in paragraph A, a microlender with less than 3 years of experience as an MDO is required to submit the following information:

- A narrative work plan that clearly indicates its intention for the use of funding, including goals and milestones for planned activities. In relation to the information requested in paragraph A, describe how it will incorporate its mission statement, utilize its employees, and maximize its human and capital assets to meet the goals of this program. Provide strategic planning and organizational development goals. Clearly indicate lending goals for five years after the date of application.
- State the date that the applicant opened its doors for business as an MDO or other provider of business education and facilitation of capital.
- Describe in detail any MDO training it or its employees have received.
- Indicate its current number of employees, those that concentrate on microentrepreneurial development, and the current average caseload for each. Indicate how the caseload ratio does or does not optimize the ability to perform the services described in the work plan and how funding will be used to assist with program delivery.
- Indicate any training organizations with which the applicant has a working relationship, including references.
- Describe any plans for continuing the training relationship including ongoing or future training plans and goals and the timeline for same.
- Describe its internal benchmarking system for determining client success, reporting on client success, and following client success for up to 5 years after completion of a microlender enhancement relationship.
- Identify what percentage of their TA grant they plan on spending on administrative expenses.

D. Application Requirements for Microlenders Seeking Enhancement Grants (§4280.316(d)).

A microlender seeking an enhancement grant is required to submit following information:

- A completed SF 424 with appropriate attachments;
- A discussion of the internal self-evaluation plan that led the microlender to determine that external assistance would be helpful.
- A statement of the internal issue(s) to be overcome, why grant funding is necessary, and the ultimate goal of the enhancement project.
- A project description statement of how the grant will be used to overcome the issue. Such statement must include the names of the potential trainers or service providers that will be used by the microlender for the described project.
- A clear benchmarking plan delineating progress expectations, an anticipated timeline, and an anticipated completion date.
- A discussion of how the trainer/service provider will be or has been selected.
- A discussion of which employees will be directly involved in the project and how they fit into the microlender organization.
- A letter, if available from the potential trainer/service provider describing their role in helping the microlender reach its enhancement goals.

E. Application Requirements for Microlenders with More than 5 Years Experience in the Program (§4280.316(e)).

In lieu of the information required in paragraph A, a microlender with more than 5 years experience in the program may instead submit following information:

- a letter of request for funding stating the amount needed,
- an indication of the loan and grant amounts being requested accompanied by a completed SF 424 and any pertinent attachments,
- an indication of the number of businesses to which loans were made that have been made that remained in business for two years or more after loan repayment, and
- a recent resolution of the applicant's Board of Directors approving the application for debt.

F. Other.

Citizen Certification. Applicable to all applicants, this certification documents the citizenship status of the applicant.

Request for Appeal. Applicable to all applicants, this requirement provides a mechanism for applicants to obtain review of Rural Development business programs decisions of an adverse nature.

Documentation prior to loan closing. Prior to loan closing, microlenders must provide evidence that the RMRF and loan loss reserve fund (LLRF) bank accounts have been set up and 5 percent of the initial disbursement has been deposited. Such evidence consists of a pre-authorized debit form, an Agency-approved automatic deposit authorization form, and a statement from the depository institution as to the amount of cash in the LLRF account.

Lender certification at loan closing. At loan closing, the microlender must certify that all requirements of the letter of conditions have been met and that there have been no material adverse change(s) in the microlender or its financial condition since the issuance of the letter of conditions. If one or more adverse changes have occurred, the microlender must explain the change(s). The microlender must also submit an executed Agency-approved promissory note.

Poor Performance Reports. Grantees that exhibit poor performance or in the event of other such occurrences that require more than the usual set of reporting information may be required by the Agency to submit other reports to help ensure conformance with the Program.

Annual budget. Microlenders must submit an annual budget of proposed administrative expenses for Agency approval. This is required to ensure compliance with the provision that not more than 10 percent of a technical assistance grant is used for administrative purposes.

REPORTING REQUIREMENTS - FORMS APPROVED WITH THIS DOCKET

Applicants will be required to submit the following forms that have been developed for, are available from, USDA's Rural Development program offices:

AD-1047, "Certification Regarding Debarment, Suspension, and Other Responsibility Matters - Primary Covered Transactions" or other written documentation. This form certifies that the applicant is not presently debarred, suspended, or voluntarily excluded from covered transactions by any Federal department or agency.

RD 400-8, "Compliance Review" (OMB 0570-0018). This form certifies that the applicant is in compliance with nondiscrimination requirements for recipients of financial assistance through the Agency.

RD 402-1, "Deposit Agreement." This form, signed by the applicant, conveys to the Government a security interest in all money deposited into the account and requires that all withdrawals be counter-signed by a duly authorized representative of the Government.

RD 1940-1, "Request for Obligation of Funds". This form is completed for each note or commitment requiring an obligation of funds.

RD 1942-46, "Letter of Intent to Meet Conditions." This form is signed by the applicant to certify that the applicant has received and understands the conditions set forth by the Government.

RD 1951-4, "Report of RMAP Lending Activity." This form is used to report the details of the lending activities by the microlender. Information on the loans made, the available assets and liabilities, and the program-related expenses are reported.

RD 4274-3, "Rural Microentrepreneur Assistance Program Promissory Note." This form, signed by the applicant, is the promissory note that specifies the terms and conditions of the repayments of loan funds to the Government.

RD 4274-4, "Rural Microentrepreneur Assistance Program Loan Agreement." This form specifies the terms for loans made by the Government to the applicant. The form specifies requirements such as disbursement procedures, relending provisions, collateral, and insurance requirements.

RD 4280-3, "Rural Economic Development Grant/Rural Microentrepreneur Assistance Program Agreement." This form sets forth the terms between the grantee and the Government regarding grants made under the program. The form specifies that the funds

provided under the grant must be used only for the purposes approved by the Government.

RD 1910-11, "Certification of No Federal Debt." This form, signed by the applicant, authorizes the Federal Government to check credit information about the applicant(s) including using the Federal Credit Alert Interactive Voice Response System (CAIVRS) or its successors to check to see if the applicant(s) are delinquent or in default on a Federal debt.

REPORTING REQUIREMENTS - FORMS APPROVED UNDER OTHER OMB NUMBERS

All applicants will be required (under § 4280.315) to submit the following standard application forms:

SF-424, "Application for Federal Assistance" (OMB No. 4040-0004). This is the standard application required to be executed for all Federal grant programs. It is used as the required face sheet for applications for Federal grant funding.

SF-424A, "Budget Information - Non-Construction Programs" (OMB No. 4040-0006). This form must be completed by applicants to show the anticipated budget breakdown in terms of expense categories and division of Federal and non-Federal sources of funds. Identifying the requested funding by expense category is necessary to assure that the expense is necessary, is allowable under applicable Federal cost principles, and is not prohibited under any applicable Federal statute or regulation.

SF-424B, "Assurances - Non-Construction Programs" (OMB No. 4040-0007). This form must be completed by the applicant to provide the Federal government certain assurances of the applicant's legal authority to apply for Federal assistance and financial capability to pay the non-Federal share of costs. The applicant also assures compliance with various legal and regulatory requirements as described in the form.

SF-270, "Request for Advance or Reimbursement" (OMB No. 0348-0004). This form is used to request payment of funds under the grant. Grant funds will not be disbursed on more than a monthly basis.

SF-LLL, "Disclosure of Lobbying Activities" (OMB No. 0348-0046). All applicants are required to complete this form, regardless of their involvement in lobbying activities.

REPORTING REQUIREMENTS - FORMS APPROVED UNDER OTHER OMB NUMBERS

(burden accounted for under another rulemaking package)

SF-PPR, "Performance Progress Report" (OMB No. 0970-0334). All applicants are required to submit the performance progress report cover sheet, performance measures (SF-PPR-A), and activity based expenditures (SF-PPR-E).

REPORTING REQUIREMENTS - QUARTERLY REPORTS

Microlenders are required (under § 4280.311(i) and § 4280.312(a) (4)) to keep appropriate records and to submit on a quarterly basis such information as the Secretary may require to ensure that funds provided are being used for the purposes for which the loan and/or grant was made.

A microlender is required to submit a separate report for each loan it has with the Agency under this program unless the Agency has given authorization for the RMRFs to be combined, in which case a single, combined quarterly report could be submitted. The effort to create a single, combined quarterly report is likely to be slightly less than submitting separate quarterly reports. For the purposes of the burden estimate, it is assumed that only separate quarterly reports will be submitted. This will result in a slight overestimate of burden.

In addition, the Agency may change the quarterly requirement to a semi-annual requirement. If the Agency decides to do this at some time in the future, the number of reports submitted would be reduced by 50% and there would be some reduction in overall effort, but probably less than 50%, because each report would cover a six-month period, rather than a 30-day period. For purposes of this burden estimate, it is assumed that these reports are submitted on a quarterly basis because that is what the rule currently requires.

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. Also describe any consideration of using information technology to reduce burden.

The Agency strongly encourages applicants to submit as much material as possible electronically using www.Grants.gov, which would allow the Agency to retrieve the applications electronically. Further, applicants who receive funding will be encouraged, but not required, to submit the quarterly reports

electronically. However, the Agency will not totally require submission by electronic methods because some applicants may not have the technological expertise for electronic submission or may not have the equipment necessary for high technological information gathering. The Agency will prepare an application guide to help reduce the effort associated with preparing applications, which could be posted on the Agency's Web site along with all forms for the applicant to print off.

4. Describe efforts to identify duplication.

The Agency is relying on existing forms used in the current Rural Development grant programs. If similar information is found to be available from another Federal agency, every effort is made to utilize that information as is or in an appropriately modified form for this program.

5. If the collection of information affects small businesses or other small entities, describe the methods used to minimize the burden.

The information collection required for this initiative places little or nominal burden on small entities beyond that performed in normal business practice. The Agency is using industry-standardized data elements and documents, supplementing them with Government-wide forms that are familiar to many applicants.

6. Describe the consequences to 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 collected under this program is the minimum necessary to conform to the requirements of the program regulations established by law. Information is collected when needed and cannot be collected less frequently and still meet the requirements of the programs. Failure to collect proper information could result in improper determinations of eligibility or improper use of funds.

7. Explain any special circumstances that would cause the collection of information to be conducted in a manner:

- a. Requiring respondents to report information to the Agency more often than quarterly.
- b. Requiring respondents to prepare a written response to a

- collection of information in fewer than 30 days after receipt of it.
- c. Requiring respondents to submit more than an original and two copies of any document.
 - d. Requiring respondents to retain records for more than 3 years.
 - e. Not using statistical sampling.
 - f. Requiring use of statistical data classification that has not be reviewed and approved by Office of Management and Budget (OMB).
 - g. Requiring a pledge of confidentiality that is not supported by authority in statute or regulation, that is not supported by disclosure and data security policies that are consistent with the pledge, or which unnecessarily impedes sharing of data with other agencies for compatible confidential use.
 - h. Requiring respondents to submit proprietary trade secrets or other confidential information unless the agency can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permissible by law.

There are no special circumstances. The collection of information is consistent with the guidelines in 5 CFR 1320.6.

8. Comments on Agency's notice in the Federal Register and efforts to consult with persons outside the Agency to obtain their views on the availability of data, frequency of collection, the clarity of the instructions and recordkeeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.

The 60-day comment period is embedded in the proposed rule, which was published on October 7, 2009, [74 FR 51714 - 51731].

The Agency sought comments on section 6022 in the 2008 Farm Bill from outside persons during a "listening conference," which was held on January 26, 2009. None of the commenters provided any comments related to the potential burden of implementing the Rural Microenterprise Assistance Program.

The Agency has relied on the experience obtained on the Small Business Administration's microloan program and the USDA Rural Development's IRP program and believes that the requirements for implementing the Rural Microenterprise Assistance Program are efficient and clear to encourage participation from all eligible entities.

9. Explain any decision to provide any payment or gift to respondents, other than remuneration of contractors or grantees.

No payments or gifts will be 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 questions 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.

Based on the anticipated funding level for this Program, the estimated 3-year annual burden for this collection is about 66 respondents; 2,127 responses; and 4,336 burden hours. This is equivalent to approximately 2.0 hours per response. The average cost per hour used was approximately \$62. Based on these data, the estimated 3-year average annual cost of burden is \$268,031.

The following summarizes the estimated 3-year average annual burden associated with the Program.

| Burden Item | Estimated 3-Year Average Annual Burden |
|-------------------------------|--|
| Number of respondents: | 66 |
| Annual responses: | 2,127 |
| Number of hours per response: | 2.04 |

| | |
|--------------------|-----------|
| Total hours: | 4,336 |
| Cost per hour: | \$61.82 |
| Total annual cost: | \$268,031 |

The attached spreadsheet provides the specific estimates.

13. Provide an estimate for the total annual cost burden to the respondents or recordkeepings resulting from the collection of information.

There are no capital/start-up costs or operation/maintenance costs associated with this collection.

14. Provide estimates of annualized cost to the Federal Government.

The estimated wage of federal employees compiling the information is \$41.00 per hour. The 3-year average annual cost to the Government is estimated to be \$178,847. The breakdown of cost to the Government by activity is as follows:

Allocation of Federal Government Costs

| Activity | 3-Year Annual Average |
|--|-----------------------|
| Acknowledge and review applications | \$13,101 |
| Evaluate and score | \$23,391 |
| Inform applicants of selection results | \$5,412 |
| Review/evaluate enhancement grant applications | \$4,592 |
| Legal document preparation | \$12,241 |
| Release and advance of funds | \$10,332 |
| Review of reports | \$43,993 |
| Administration | \$65,785 |
| Total | \$178,847 |

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

This is a new information collection.

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 in identified in item 19 of OMB 83-I.

The Agency is able to certify compliance with all provisions under 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?

The SCI calls for changes to improve services to the United States Department of Agriculture (USDA) customers. One aspect is providing one stop service for greater customer convenience in accessing USDA programs, including access to required forms.