

Support Statement for SBA Form 1506 (3245-0193)
Servicing Agent Agreement – 504 Program

RECOVERY ACT SUBMISSION

A. Justification

This information collection is currently expired, but The U.S. Small Business Administration is requesting approval on an emergency basis to revise this at this time as a result of changes to the 504 loan program by the American Recovery and Reinvestment Act of 2009 (Recovery Act), (P. L. 111-5). Section 504 of this act authorizes SBA to make available a debt refinancing option for certain 504 loans. The loans are intended to provide much needed relief to small businesses by enabling them to restructure existing debt and more favorable rates while seeking new financing to cover expansion expenses. Approval of this request under emergency procedures would facilitate SBA's implementation of this new initiative that the Agency intends to implement by May 4, 2009.

Summary of Changes

As authorized by the Recovery Act, debt refinancing has been added as a new use of proceeds option on page 2, section 2(a), and an option for lender to indicate whether loan is a Recovery Act loan has also been added. In addition, SBA has also made a few additional changes, which although not generated by the Recovery Act, are necessary because they relate to program requirements that are no longer applicable, or needed to be rephrased to increase the likelihood of getting accurate information. These additional changes will have a beneficial impact on borrowers, including the refinancing borrowers, while not increasing their burden:

Page 4, Section 6c(2)(a) SBA Guaranty Fee, the 000.5 has been deleted and a blank line in its place as this fee could change. Page 5, Prepayment section, number 10 - The requirement for the borrower to post a \$1,000 good faith deposit with the CSA when the prepayment of a 504 loan is scheduled has been eliminated. Therefore, the following text will be deleted: "At least 10 days before the prepayment date, Borrower must wire a deposit of \$1,000 to the Servicing Agent. If the Borrower prepays, the Servicing Agent will apply the deposit to the prepayment. If Borrower does not prepay, the deposit is forfeited."

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

Although not required by Public Law 96-302, which established the 503 Program, the regulations promulgated under that statute require Certified Development Companies (CDCs) and borrowers to certify as to the authorized use of the borrowed funds and to execute a Servicing Agent Agreement with the Central Servicing Agent (CSA) which constitutes acceptance by the CDC and the Borrower of the terms of the Master Servicing Agent Agreement (13 CFR §120.954(a)). Form 1506 is used to evidence that servicing agreement.

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 Servicing Agent Agreement (SBA Form 1506) is used by the SBA to determine if the loan proceeds have been used for the purposes authorized. The form is also used by the borrower to: a) appoint a servicing agent; b) acknowledge the debenture and note terms; c) agree to timely monthly payments to the CSA; d) agree to the payment of certain fees connected with the closing and servicing of the loan and the debenture; e) provide wire transfer instructions to the recipient; f) acknowledge the prepayment penalties associated with the debenture; and g) acknowledge receipt and acceptance of the loan and debenture closing documents subsequent to the sale of the debenture by the SBA and the CSA.

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 1506 is available to the public in electronic form, on SBA's website at <http://www.sba.gov/aboutsba/sbaprograms/elending>, then click on "forms" for a listing of all forms available. The updated form will be posted as soon as OMB approves this collection. SBA currently collects these materials in a paper form only because a signature is needed. However, SBA is considering ways in which SBA can collect some or all of this information in electronic format.

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 this form is necessary to ensure proper disbursement of loan proceeds as well as the acknowledgement by the CDC, the borrower and the Servicing Agent of all borrower fees being assessed as well as the parties' duties and responsibilities under the servicing agreement. Except for minimal identification information, such as names, addresses, and loan numbers, etc., the information requested is unique to each transaction and is unavailable by other means.

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 collection involves information on the small businesses and their projects being assisted. The information required is readily available from the businesses' records and the interim lender for the project being financed. There is no significant economic impact on these small businesses.

6. Consequences if collection of information is not conducted.
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.

Data is collected only at the time of the loan/debenture closing. If the information were not collected, SBA could not properly determine whether the borrowers, CDCs, and the CSA were complying with program requirements in 13 CFR §120.954(a).

7. Existence of special circumstances.
Explain any special circumstances that would cause an information collection to be conducted in a manner, etc.

Not applicable. SBA does not require the collection of data to be conducted in a manner inconsistent with the guideline in CFR 5, Section 1320.5.

8. Solicitation of public comments.
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 on the availability of data, frequency of collection, clarity of instructions ...

To facilitate the SBA's implementation of the debt refinancing initiative under the Recovery Act the Agency has requested emergency approval of this information collection, including a waiver of the 60-day public comment notice required under 5 C.F.R. §1320.8(2)(d)(1). SBA is publishing an interim final rule concurrent with this information collection to implement the debt refinancing initiative; that rule request public comment on the information collection. If this request for emergency processing is approved, SBA will shortly thereafter take the necessary steps to obtain approval under normal review procedures. Any comments received will be finalized at that time.

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

There were no payments or gifts to 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.

No assurances of confidentiality are given. However, the information collected is maintained under conditions designed to restrict access to those agency personnel with a need to know.

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... should include reasons why the agency considers the questions necessary; specific uses for the information; explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their consent.

Not applicable. This collection contains no questions of a sensitive nature.

12. Estimates of hourly burden of the collection of information.

Provide estimates of the hour burden of the collection of information. Indicate the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated.

The number of loan closings for FY 2006 was 8,022; FY 2007 was 8,408; and FY 2008 was 8,779 bringing the total to 25,209 for the last three fiscal years. There is 1 servicing agreement per loan. Therefore, the average number of responses per year would equal 8,403. It takes approximately 1 hour to complete a response, or an estimated 8,403 of annual burden hours. The estimate of hours per response is based on experience of CDCs.

This information on this form is prepared by an employee who is compensated at a rate equivalent to a government employee with an average grade of a GS-12/GS-13 whose salary is averaged to be approximately \$33.00 per hour. The estimated annual cost to the respondents of this collection would therefore be \$277,299 (8,403 closings for the annual period multiplied by 1 hour to complete @ \$33.00/hour = \$277,299.00).

Any increase in the burden hour as a result of adding debt refinancing as an option (based on authority in the Recovery Act) would be de minimis for this information collection since all that is required is for CDC to indicate the amount to be used for that purpose. Other necessary changes made also do not add any additional time: in one instance the information to be collected has not changed, only the form of the question; in the other instance the change reduces the burden by no longer requiring borrower to make a deposit in the event of prepayment; we believe that this change also has de minimis impact on burden hour.

Although it is expected that there will be an increase in loan volume (number of responses), at this time SBA cannot reasonably estimate what this increase will be. The Agency expects to be able to provide such an estimate when this information is resubmitted for normal review.

13. Estimate of total annual cost burden for submission.

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

There are no start-up costs to the respondents.

14. Estimated annualized costs to the Federal government.
Provide estimates of annualized costs to the Federal Government. Also provide a description of the method used to estimate cost, which should include 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.

Cost to Federal Government for collection is \$88,231.50

Reviewing data 8,403 @ .25 hours @ \$ 42/hour = \$88,231.50

(This form is reviewed by an employee with an average grade of a GS-14 whose salary is averaged to be approximately \$42.00 per hour.)

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

The current PRA submission reflects total loan closings for FY's 2006, 2007, and 2008 at 25,209. The average for these three fiscal years is 8,403. The annual average responses have increased. This increase is based on the overall 3 year average increase in loans in the last three fiscal years.

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.

Not applicable. The results of this collection of information will not be published for statistical use.

17. Expiration date for collection of information.
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.

18. Exceptions to certifications 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.

This collection of information does not employ statistical usage.

19. Is this ICR related to the American Recovery and Investment Act of 2009 (ARRA)?
Yes X No _____