

SUPPORTING STATEMENT

7 CFR Part 1951 Subpart F
Analyzing Credit Needs and Graduation Review
OMB Control No. 0575-0093

A. Justification

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

Rural Housing Service (RHS) provides supervised credit in the form of Community Facility (CF) loans and Multi-Family Housing (MFH) loans. This regulation does not apply to the Single Family Housing (SFH) program of RHS. The Specialty Lenders (SLD) programs of Rural Business Service (RBS) are not subject to graduation policies.

CF loans and RBS Business Programs are administered under the provisions of the Consolidated Farm and Rural Development Act (CONACT), as amended, and MFH loans provides eligible persons with rental or cooperative housing under the Housing Act of 1949 (P.L. 81-171, Sec. 306) as amended.

Section 333 of the CONACT, as amended, requires the Agencies to graduate their direct loan borrowers to other credit when they are able to do so. Graduation is an integral part of the Agency lending, as Government loans are not meant to be extended beyond a borrower's need for subsidized rates or non-market terms. The notes, security instruments, or loan agreements of most borrowers require borrowers to refinance their Agency loans. When other credit becomes available with reasonable rates and terms, the Agency will continue to review the borrowers for possible graduation at periodic intervals. The information to be collected to carry out these mandates will primarily be financial data such as amount of income, expenses, asset values and liabilities.

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.

RBS, or RHS submits this information collection to evaluate the borrower's financial condition for graduation purpose. The information will be used in the Agency's efforts to graduate direct loan borrowers to private credit, with or without the Agency loan guarantees. Specifically, the burden to be cleared with this regulation is as follows:

7 CFR 1951.262(e) Graduation Candidates:

This section requires RBS borrowers to submit complete financial information at least every other year so the Agency may determine the borrower's need for continuous Government assistance. This would require the Agency to review half of its portfolio annually for graduation to commercial credit. However, many borrowers will have already provided the same

information due to the Limited Resource rate reviews and annual Year-End Analysis required under other subparts of this chapter. The estimated annual response is 1 hour for the borrower to complete, including preparation, travel and supervisory meetings.

7 CFR 1951.263 Graduation of non-Farm Loan Programs Borrowers:

The Agency will conduct a thorough review of as much of the borrower's financial information as it deems necessary to determine whether they are able to graduate to other credit. At minimum, the financial information must include a balance sheet and an income statement. RHS or RBS servicing official will conduct a review of the borrower's financial strength and repayment ability. This review will eliminate those borrowers who are unable to meet the lending criteria and policies of the area lenders. An estimated 210 CF loan borrowers will require thorough review by the CF staff. Additional documentation will be required by 105 of those borrowers. Each borrower will need 2 hours to prepare the additional information.

7 CFR 1951.264 and 1951.265 Appeals:

If a borrower fails to provide information following receipt of graduation notice or letters, he/she is in default of the terms of their security instruments. The approval official may accelerate the account based on the borrower's failure to perform as required by the loan and security instruments. If the borrower account is accelerated, the borrower may appeal the decision. A borrower that meets the local lending standards, taking into consideration the Agency's loan guarantee program, will not be considered for a subsequent loan, subordination, or consent to additional indebtedness until the borrower's ability or inability to graduate has been confirmed. If the borrower has been requested to graduate and has also been denied a request for a subsequent loan, subordination, or consent to additional indebtedness, the borrower may appeal both issues. Thus, no burden was included for appeals.

All other Rural Housing Service programs with the exception CF and RBS have been removed from this collection because they do not have a graduation requirement.

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 Agencies are committed to the E-Government Act, which requires Government agencies, in general, to provide the public the option of submitting information or transacting business electronically to the maximum extent possible.

In recent years, the Agencies have made advances in utilizing technology to reduce the burden of information collection on its customers. Most Rural Development forms are accessible electronically on the internet and many program participants (particularly Preferred and Certified Lenders) utilize this method to obtain loan documents - thus reducing annual reporting and recordkeeping burden hours. Still, in most cases approximately 96 percent of the Agency must

meet with a direct loan borrower on at least an annual basis for other requirements. Also, no forms are being approved under this package. The Agency will accept financial documents transmitted via electronic media, when possible, and are requesting OMB approval for that method of response collection.

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.

Information obtained for other Agency purposes will be utilized when possible. Also, a borrower may substitute other forms for Agency forms when they are substantially similar. In the past, due to technology limitations, the Agency could not share data electronically with other Agencies. However, the ongoing improvements of automation through the common computing environment will allow for the data sharing capabilities.

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.

The information collection required by this regulation places no burden on small businesses or other small entities beyond that performed in the course of normal business or on small business inordinately as compared to large entities. Moreover, the information collection requirements imposed are not unreasonable in return for benefits the respondent is receiving. The respondent gets loans at attractive rates and terms from the Federal Government.

Financial service providers that must complete the information collection for the debtor are not considered small business.

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.

Regulations governing credit analysis and graduation reviews require the collection of this information. The financial reporting cycle is typically annual. The Agency reviews and information collection have been designed to conform to that cycle in order to minimize burden. This also ensures that the Agency's decisions are based on current financial data.

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

- a. Requiring respondents to report information more than quarterly. There are no information collection requirements that require reporting on more than a quarterly basis.
- b. Requiring written responses in less than 30 days. There are no information collection requirements that require written responses in less than 30 days.

- c. Requiring more than an original and two copies. This information collection requires only an original document or a copy.
- d. Requiring respondents to retain records for more than 3 years. There is no such requirement.
- e. Not utilizing statistical sampling. There is no such requirement.
- f. Requiring use of statistical sampling which has not been reviewed and approved by OMB. There are no such requirements.
- g. Requiring a pledge of confidentiality. There are no such requirements.
- h. Requiring submission of proprietary trade secrets. There are no such requirements.

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

As required by the Paperwork Reduction Act of 1995, a Notice was published on October 17, 2009, (Vol. 74, No. 206). One comment was received on the 30 day notice.

The information requested is standard throughout the credit industry and the Agencies have the expertise to make the required determinations. The Agencies regularly consult with interested persons inside and outside of the Government who are familiar with its programs and information collection requirements. The following lending institutions were consulted:

American National Bank
P.O. Box 194
Gonzales, Texas 78629

Paris National Bank
118 N Main Street
Paris, Missouri 65275

Farm Credit Bank of Texas
P.O. Box 216
Lockhart, Texas 78644

Each of the parties contacted stressed the importance of not duplicating the collection of this regulation and the financial reporting required by other regulations and loan agreements.

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

Responses to the requirements for this notice are a condition for a requested benefit. There is no payment or gift to respondents.

10. Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or Agency policy.

No assurance of confidentiality is provided. Request for information received by the Agency will be handled in accordance with the provisions of the Freedom of Information Act and the Privacy Act.

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 information collection of a sensitive nature.

12. Provide estimates of the hour burden of the collection of information.

See the attached spreadsheet for burden breakout. Regulations governing credit analysis and graduation reviews require the collection of this information. The Agencies (RHS and RBS) had approximately the following numbers of borrowers covered by this subpart:

Program	No. of Borrowers	Burden Hours
Community Facilities	54	108
Rural Business Service	77	231
Total annual burden hours		339

The wage rates were obtained from the Bureau of Labor and Statistics. The rate used is \$30 which was based off the Farm Ranch and Other Agricultural Managers category from May 2008.

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

The regulation places no burden cost on respondents for capital, start up, total operation, maintenance, or the purchase of services.

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

The estimated annual cost to the Federal Government is \$11,815. This cost is salary, copying and administrative expense for Government employee time associated with information collection. There is no special equipment aside from that needed for day-to-day operations.

Summary of cost to the Government:

Graduation Candidates

3.00 hour X \$ 25.77 X 131 Respondents = \$10,127
Submission of Prospectus to lenders
.50 hours X \$ 25.77 X 131 Respondents = \$ 1,687
Total Cost = 11,815

There is no cost to the Government for printing or overhead cost, as this burden consists of only non-form collection. Any related forms are covered under separate OMB burden package.

Hourly wages of \$25.77 are derived from, SALARY TABLE 2009-GS at [www@opm.gov](http://www.opm.gov). The average base wage is based on USDA employees at GS-12, GS- 11 and GS- 7 step 5.

15. Explain the reasons for any program changes or adjustments reported in items 13 or 14 of the OMB Form 83-1.

There is a reduction of 37,983 hours from our previous submission. All other Rural Housing Service programs, with the exception of Community Facilities (CF) and Multi-family Housing, have been removed from this collection because they do not have a graduation requirement and were inadvertently included in the last submission. Also FSA no longer uses this regulation to process their graduations since developing their own regulations. This decrease is a program change.

16. For collection of information whose results will be published, outline plans for tabulation and publication.

There is no collection of information requirements in this regulation which will 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 forms are approved in this docket.

18. Explain each exception to the certification statement identified in item 19 on OMB 83-1.

There are no exceptions requested.

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?

This information collection is collected through the USDA Service Center. The collection is required from the public for use by service center employees who assist the public in the gathering and completion of the required documentation and then analyze the information submitted to determine borrower graduation.