

SUPPORTING STATEMENT
U.S. Small Business Administration
Paperwork Reduction Act (PRA) Submission for
America's Recovery Capital (ARC) Loan Program

JUSTIFICATION

Introduction

Section 506 of the American Recovery and Reinvestment Act of 2009 (the Recovery Act), P. L. 111-5 authorizes the Small Business Administration to guarantee loans to viable small businesses that have certain eligible small business loans and are experiencing immediate financial hardship. The statutory deadline for implementation of this loan program, referred to as America's Recovery Capital (ARC) Loan Program, has passed. In order to implement without further delay, SBA is requesting approval on an emergency basis for this new information collection that is central to the loan application and guarantee process. SBA's target implementation date is June 15, 2009; your review under emergency procedures would greatly facilitate meeting that goal. The justification for this request as, required by the PRA and OMB regulations, is being submitted concurrently with this Form 83-I submission.

SBA has created the following 4 new forms for the ARC Loan Program to collect mission critical data only.

Form 2315: America's Recovery Capital (ARC) Borrower Information Form. This form is modeled after information two currently approved information collections: SBA Form 4 - Business Loan Application (OMB Control # 3245-0016) and Form 912 - Statement of Personal History (OMB Control #3245-0178). (SBA is not discontinuing these forms. They will continue to be used for the approved purposes.) The information requested includes identifying information regarding the applicant, loan request, indebtedness, information about the principals, information about current or previous government financing, and certain other disclosures. The information also facilitates borrower background checks as authorized by the Section 7(a)(1)(B) of the Small Business Act, 15 U.S.C. 636(a)(1)(B).

Form 2316 (Part A): America's Recovery Capital (ARC) Loan Guaranty Request. This form is a cover page to be completed by a non-delegated lender when submitting Forms 2316 (Part B) and Form 2316 (Part C) to the Standard 7(a) Loan Processing Center in Citrus Heights, CA. Lenders with delegated authority from SBA will be required to submit the information found on Form 2316 (Part B) electronically to SBA using E-Tran (SBA's electronic loan application submission system).

Form 2316 (Part B): Lender's Supplemental Information for America's Recovery Capital (ARC) Loan Guaranty Request. This form is completed by the 7(a) Participant ("Participant" or Lender). This form includes identifying information regarding the lender, loan terms, use of proceeds, and other information such as the number of jobs created or retained. Since ARC loans are specifically to be used to make payments on existing business loans, this form is designed to more easily identify which debt(s) have been reduced through the use of the ARC loan proceeds.

Form 2316 (Part C): Eligibility Information Required for America's Recovery Capital (ARC) Loan Submission. This form is completed by the Participant. It consolidates eligibility

criteria regarding the loan applicants, including use of proceeds and general rules applicable to the ARC program.

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 applicable section of each statute and regulation that mandates or authorizes the collection of information.

Section 506 of Title V, of the American Recovery and Reinvestment Act of 2009, P. L. 111-5 (Recovery Act), authorizes the Small Business Administration to guarantee loans to viable small businesses that have certain eligible small business loans, and are experiencing immediate financial hardship. SBA is establishing a new, temporary loan program, America's Recovery Capital (ARC) to carry out this authority to assist small businesses with making timely payments on existing business debt. SBA business loan regulations (13 CFR Part 120) contain the requirements that must be met by the small business loan applicants as well as the participating lenders to be eligible for an ARC loan. This information collection sets forth the specific information that is necessary to fulfill those requirements. This information collection is also necessary for SBA to meet requirements imposed by § 4(b)(3) of the Small Business Act (Risk Management Database), 15 U.S.C. 633(b); the Federal Managers Financial Integrity Act (FMFIA) 31 U.S.C. 3512 *et. seq.*, and OMB Circulars A-123 (Management's Responsibility for Internal Control); and A-129 (Policies for Federal Credit Programs and Non-tax Receivables), among other statutory or regulatory provisions.

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 information collected will be used by program managers, top Agency management, and government entities with oversight authority over SBA primarily for loan monitoring, portfolio risk management, and lender oversight. These groups will use the data to determine how effectively SBA's loan programs are meeting the needs of various geographical, demographical, and industry markets and segments; the safety and soundness of SBA's loan policies and procedures; and to set program fees consistent with the subsidy rate model. SBA will also use the information to report to its various oversight authorities regarding the number, dollar volume, and demographic characteristics of its 7(a) loan guaranty recipients.

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.

These forms will be available in a fillable, PDF format on SBA's website at: www.sba.gov which then can be submitted as an attachment to an e-mail. In addition, Lenders with SBA delegated authority will submit the data collected via e-tran (electronic application submission system) to receive SBA approval. Those lender that do not have any delegated authority will submit the information by fax or e-mail to a centralized SBA processing center. Since 94 percent of all 7(a) loan approvals are submitted under some form of delegated authority, SBA is estimating that at least 94 percent of ARC loan requests will be submitted electronically. In addition, the standard 7(a) processing center has the capability of receiving e-mails with large

attachments. In this way, those small lenders that do not have a high level of technological capability but with some form of internet connection can still transmit the information electronically.

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 collected is unique to the individual applicant and the circumstances and conditions of its business operation, so there are no other sources of the information nor is it currently available electronically. In developing the form, SBA sought to minimize the burden on a borrower's and lender by reducing the amount of documentation required of the borrower and the amount of information that the lender has to transmit to SBA. The reduced documentation will also decrease the borrower's and lender's processing costs, particularly for very small loans.

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 83-1), describe any methods used to minimize burden.

The two broad constituencies impacted by this data request are lenders and prospective small business borrowers. While the major portion of SBA's loan volume accrues from large lenders using the expedited processes, the Agency does have more than 2,000 smaller lenders that participate in SBA's loan programs on an infrequent basis. The Agency is aware that data collection affects the cost of processing loans, particularly for smaller loans. However, the Agency does not anticipate that this information collection will have a significant economic impact on the affected se entities. SBA has worked very carefully in the past with the lenders to minimize and streamline data collection resulting in the reduced collection of data from the lenders as well as the Agency's principal constituency, small business borrowers. SBA will continue to work with its lending partners to further revise, streamline, and expedite its loan processing procedures, the associated forms and data collections required, and the technology and procedures used to transmit that data to the SBA.

6. Consequences If Information Is Not Collected

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.

Failure to collect the information contained in the forms may compromise the effectiveness of the ARC program, SBA's recoveries, the program's contribution to improving the nation's economy, and the Agency's ability to comply with Recovery Act reporting requirements. SBA is responsible for providing small business access to capital in an efficient and timely manner, while maintaining its fiduciary responsibility to the taxpayer. This collection of information facilitates SBA's ability to fulfill those responsibilities by providing the critical information needed by SBA to monitor and analyze loan and lender data trends and risks. SBA collects data to allow lenders and borrowers to modify significant loan terms as needed after the loan is approved, such changes can significantly modify SBA's position and increase the potential for loss. Real-time monitoring allows for early warning triggers that indicate an increase in risks, and assist the Agency to identify where its resources are needed to mitigate risks and ultimately reduce potential loan losses.

7. Existence of Special Circumstances

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

Lenders submit loan data to SBA for its loan guaranty approval on a loan by loan basis. Because lenders want SBA to approve loans on a rolling basis, they submit this information more than once a quarter. Some of the data collected includes business information. SBA has procedures to protect the information's confidentiality to the extent permitted by law. This information can be accessed only with the approval of the Office of Financial Assistance Technology Project Manager.

8. Solicitation of Public Comment

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 Summarize public comments received. Describe efforts to consult with persons outside the agency to obtain their views on: availability of data, frequency of collection, clarity of instructions, etc...

To facilitate the SBA's implementation of the ARC loan program 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 this loan 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. Payments or Gifts

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 any 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.

The information collected is protected to the extent permitted by law. SBA has incorporated various statements required by law and executive orders into Form 2315 to advise each respondent of among other things, the protections against disclosures of sensitive and confidential information under the "Freedom of Information Act (5 U.S.C Section 552), "Right to Financial Privacy Act of 1978 (12 U.S.C. Section 3401), and other significant executive orders or legislation governing federal financial assistance. SBA protects the information collected to the extent permitted by law. The Agency also has a Privacy Act System of Records that covers this information. See 69 FR 58598 (September 30, 2004).

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. 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.

SBA collects social security numbers and information on a borrower's ethnicity, race, and criminal records. The social security number is the unique identifier associating a person with a specific loan. SBA also uses social security numbers to facilitate critical credit searches in the federal databases listing defaulted loans, in consumer credit databases and in fraud detection systems. SBA collects demographic information to assess the extent to which SBA's loan programs assist all demographics. The Dun and Bradstreet Duns Number is a unique identifier connection the business with its payment history. We also note that SBA has a Privacy Act System of Records that covers this information. See attached Federal Register Notice at 69 FR 58598 (September 30, 2004), Loan System – SBA 21.

12. Estimate of the Hourly Burden of the Collection of Information

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.

Loan Approval Forms:

Approximately 1,600 SBA Lenders are SBA Express lenders and approximately 640 SBA Lenders are PLP lenders. Both categories of lenders will be eligible to participate in the ARC program. SBA Express lenders and PLP lenders are delegated lenders and will be required to submit applications for ARC loans using their delegated authority and SBA's electronic submission system (E-Tran). Historically approximately 93 percent of SBA's 7(a) loan approval volume has been through a delegated lender submission. Therefore, it is estimated that only 7 percent of ARC loans will be processed through the Standard 7(a) Processing Center.

SBA is estimating that there will be approximately 1,000 ARC loan submissions per month.

The following is a breakdown of the estimated burden hours.

Form 2315: America's Recovery Capital (ARC) Borrower Information Form – 10 minutes. This form is similar to SBA Form 1919, SBA Express and Pilot Loan Programs (Export Express, Community Express, and Patriot Express) Borrower Information Form (OMB Control # 3245-0348) and should take approximately the same time. The estimated burden hours are 10 minutes times 12,000 applications or 2,000 hours (1 application per small business).

Form 2316 (Part A): America's Recovery Capital (ARC) Loan Guaranty Request – 5 minutes. This form is a cover page to be completed by approximately 400 non-delegated lenders when submitting Forms 2316 (Part B) and Form 2316 (Part C) to the Standard 7(a) Loan Processing Center in Citrus Heights, CA. – 5 minutes. It is similar to SBA Form 1920 (Part A), SBA Express and Pilot Loan Programs (Export Express, Community Express, and Patriot Express) Guaranty Request (OMB Control #3245-0348). The estimated burden hours are 5 minutes times 840 applications (non-delegated submissions) = 70 hours.

Form 2316 (Part B): Lender's Supplemental Information for America's Recovery Capital (ARC) Loan Guaranty Request – 15 minutes. This form is completed by approximately 2,000 7(a) Participants ("Participants" or Lender). It is similar to SBA Form 1920 (Part B), Supplemental Information for SBA Express, Pilot Loan Programs and PLP Processing (OMB Control #3245-0348). The estimated burden hours are 15 minutes times 12,000 applications or 3,000 hours.

Form 2316 (Part C): Eligibility Information Required for America's Recovery Capital (ARC) Loan Submission – 10 minutes. This form is completed by approximately 2,000 Participants. This form is based on an OMB-approved Form 1920SX (Part C), Eligibility Information Required for SBA Express and Pilot Loan Program (Community Express, Patriot Express, and Export Express) Submissions (OMB Control #3245-0348). The estimated burden hours are 10 minutes times 12,000 applications or 2,000 hours.

SBA will continue to work with its lending partners to further revise, streamline, and expedite its general 7(a) loan processing procedures, the associated forms and data collections required, and the technology and procedures used to transmit that data to the SBA.

13. Estimate of Total Annual Cost

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 will be minimal start-up or other costs to the respondents as a result of the new loan initiative that triggers this information collection.

14. Estimated Annualized Cost to the Federal Government

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.

The cost to government would be approximately \$12,110 annually. This covers only 840 applications that are estimated to be submitted by non-delegated lenders to the Standard 7(a) Loan Processing Center. (All other applications will be submitted electronically by SBA's delegated lenders. These applications will require no review by SBA.) This is based on the cost of an analyst (grades 9 – 12; average GS-11 at \$26 per hour) taking approximately 20 minutes to analyze the application and make a recommendation; 5 minutes by the Lead Loan Specialist (GS-13 at \$37 per hour) to review the information and make a recommendation. In addition a Loan Processing Assistant (grades 5 – 7; average GS-6 at \$16 per hour) would spend approximately 10 minutes to enter and retrieve data to support the decision.

Analyst: 20 minutes x \$26/hour x 840 = \$7,280.

Lead Loan Specialist: 5 minutes x \$37/hour x 840 = \$2,590.

Loan Processing Assistant: 10 minutes x \$16/hour x 840 = \$2,240.

15. Explanation of Program Changes in Items 13 or 14 on OMB Form 83-I

Explain 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. 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.

Except for summary data that might be included in various agency reports (e.g., number or percentage of loans processed using this form) this information will not be published.

17. Expiration Date for Collection of this Data

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; expiration date will be published.

18. Exceptions to the Certification 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.

In Section 19 of OMB Form 83-I, item I indicates the use of statistical survey methodology in the collection of information. Because each loan application is unique to the applicant and to the loan terms (maturity, interest rate, loan amount, etc,) SBA cannot employ a statistical survey methodology to obtain the required information for the loan program. A statistical survey for this area would not likely be representative and, therefore, would increase SBA's financial risk if relied upon.

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.

Not applicable