

**Supporting Statement A
for Paperwork Reduction Act Submission**

OMB Control Number 1076-0020

**Loan Guarantee, Insurance, and Interest Subsidy Program,
25 CFR 103
LGA10, LIA10, NIL10, RLG10, ISR10, ALD10, NOD10, CFL10**

Terms of Clearance: None

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

The Indian Financing Act of 1974 (the Act), as amended, authorizes the Office of the Assistant Secretary - Indian Affairs (IA) to finance economic development on Indian reservations. See 25 U.S.C. 1451, et seq. Within the Act, the Loan Guarantee, Insurance, and Interest Subsidy Program (the Program) serves to encourage private commercial lenders to make loans to Indian businesses they might otherwise deny because of insufficient familiarity with Indian business prospects, a lack of sufficient loan collateral, or a perception that loan default remedies are less certain where the borrower is an Indian or an Indian business. The Program offers private lenders enhanced loan security with a partial loan guarantee. In this way, the Program has successfully used a modest investment of Federal funds to leverage large amounts of private capital to create and encourage Indian business development.

The Act has authorized the guarantee of loans to eligible Indians. Lending institutions that loan money to Indians ask the Department to guarantee payment of those loans. The Department has to ask certain questions, i.e., gather information, to learn whether the lending institution is regulated and therefore dependable, the terms of their loans, what rate of interest they will charge, the likelihood of repayment, the credit history of the borrower, and other things.

The rules implementing this program are at 25 CFR 103. These rules are designed to ensure that only loans with a reasonable prospect for repayment are guaranteed.

The forms used in the Program, together with regulatory requirements, collect information necessary to make sure that the Program promotes Indian economic development in the manner intended.

2. Indicate how, by whom, how frequently, and for what purpose the information is to be used. If the information collected will be disseminated to the public or used to support information that will be disseminated to the public, explain how the collection complies with all applicable Information Quality Guidelines.

Information is collected on different forms as part of managing and monitoring the program. Updates have been made to these forms to reflect that the program office is located within the Department of the Interior, rather than within the Bureau of Indian Affairs. Any other changes are indicated in the description of the form, below.

- IA Form ISR10, Indian Affairs Interest Subsidy Report (formerly BIA Form 5-4749), is a

form submitted by lenders that calculates and documents the amount of interest subsidy that DOI is obligated to reimburse to borrowers. The form for interest subsidy requires:

- Lender's name and address, to identify who is reporting;
- Borrower's name and address;
- The reporting period;

The body of the annual report on the status of the loan(s) is submitted on Exhibit A. More than one report on other borrowers may be included.

- Exhibit A, Calculation Page is used by Lender to report the status of loan(s), and requires:
 - o Loan Guarantee Certificate No. or the Loan Insurance Agreement No., the date of the loan;
 - o Date of DOI insurance approval;
 - o Original Loan Principal Amount and the Lender's internal loan number. These help identify about which loan is being reported.
 - o A table lists 5 areas which Lender will report to allow determination of the subsidy due from DOI; the report gives an explanation before so that the Lender knows what is necessary.
- IA Form LGA10, Loan Guarantee Agreement (formerly BIA Form 5-4753), is necessary to establish the respective rights and responsibilities of the lender and DOI. The information is reviewed to ensure Lender is eligible and fully understands its duties under the Program. Only the name and signature of the Lender are required for this form.

This form has been updated to increase the threshold amounts from \$1,000,000 to \$2,000,000 in average outstanding balance and minimum outstanding balance to obtain "preferred lender" and "performance lender" designations. This form also updates the timeframe in which closing must occur following issuance of a loan guarantee certificate from 60 to 90 days. Finally, this form adds two new paragraphs regarding the Department's disclosure of transactions for promotional, educational and evaluation purposes, and allows the Department to post a sign on site to publicize the Department as the source of financial assistance for commercial construction and/or renovation.

- IA Form LIA10, Loan Insurance Agreement (formerly BIA Form 5-4754), is necessary to establish the respective rights and responsibilities of the lender and DOI. The information is reviewed to ensure the lender is eligible and fully understands its duties under the Program. Only the name and signature of the Lender are required for this form.

As with the Loan Guarantee Agreement form, this form updates the timeframe in which closing must occur following issuance of a loan guarantee certificate from 60 to 90 days. This form also adds two new paragraphs regarding the Department's disclosure of transactions for promotional, educational and evaluation purposes, and allows the Department to post a sign on site to publicize the Department as the source of financial assistance for commercial construction and/or renovation.

- IA Form NIL10, Notice of Insured Loan (formerly BIA Form 5-4754a), is used by DOI to monitor the existence and amount of loans that qualified lenders make subject to the requirements of a Loan Insurance Agreement. It lists the original loan principal amount and internal loan number, the interest rate, loan term, and payment schedule for tracking.

- IA Form RGI10, Request to the Department of the Interior for Loan Guarantee, Loan Insurance, and/or Interest Subsidy (formerly BIA Form 5-4755), lists the lender's and borrower's names and contact information and describes the purpose and amount of loan, proposed interest rate, repayment schedule, percentage of guarantee requested, the interest rate, and whether the borrower requests interest subsidy. It is to be submitted by Lender, together with additional information required by regulations. The information is reviewed to determine if the borrower and its proposed use of loan funds are eligible under the Program, whether there is a reasonable prospect of repayment, and whether the loan and proposed business otherwise conform to statutory and legal requirements.
- IA Form LGC10, Loan Guarantee Certificate (formerly BIA Form 5-4756), is the formal document evidencing the loan guarantee. It is signed by DOI and states the loan amount and guarantee percentage, along with the borrower's and lender's information.
- IA Form ALD10, Assignment of Loan Documents and Related Rights (formerly BIA Form 5-4759), is used after DOI pays a lender on its loan guarantee or insurance coverage, and documents the lender's assignment of all further rights in the loan and any remaining collateral to DOI. The information required on this form is to identify the Lender and the loan guaranty or insurance. Exhibit A lists the loan documents that are to be subject to the assignment.
- IA Form NOD10, Notice of Default (formerly BIA Form 5-4760a), is used to document when a loan has gone into default. The form for Notice of Default (NOD10) requests the IA Loan Guarantee Certificate Number or IA Loan Insurance Agreement Number, lender's name, and borrower's name. It requires the percentage of the loan that DOI guaranteed; the original loan principal amount; the lender's internal loan number and whether an Interest Subsidy was awarded. These help DOI identify the exact loan being dealt with as well as the guidelines to be followed. The lender supplies the earliest date of default and all the bases for default; in the case of monetary default, certain information must be supplied such as amount past due of principal and interest, amount of late fees and any precautionary advances. The lender must also list any other amounts claimed and the date through which interest has been calculated. The lender details the correspondence or other contacts with the borrower and the dates. The lender also lists the precise nature of any action the borrower could take to cure the default. The lender also lists any other special circumstances about the default, such as a principal or guarantor facing bankruptcy proceedings. This information helps DOI decide in particular the degree to which DOI is responsible to provide payment to lender.
- IA Form CFL10, Claim for Loss (formerly IBA Form 5-4760b), is used to calculate and document the amount IA should pay the lender on a defaulted loan. It requires the lender to give an IA Loan Guarantee/Insurance number. Lender gives Name & Address and Borrower's Name & Address. The lender also supplies original loan principal amount and percentage. The lender gives the earliest date of default and the bases of the default. These forms typically are reviewed by the Regional Director, respectively, to determine whether any intervention might salvage the Indian business, and the extent to which a lender's claim for loss should be paid.

This form has been updated to clarify the claim amount is capped at 15% where it exceeds 15% of the aggregate outstanding principal amount of all loans.

- 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. Also describe any consideration of using information technology to reduce burden [and specifically how this collection meets GPEA requirements].**

Indian Affairs is able to accept telefax mail to reduce the information collection burden with respect to most program requirements. Additionally, some respondents choose to email the Request for Loan Guarantee or Insurance, in addition to sending a physical copy via mail. Many of the other documents containing original signatures are furnished via U.S. mail, and sometimes certified mail, return receipt requested, to establish the parties' respective legal rights. Within the program, scanners have been acquired to improve the process of reviewing paperwork in various offices throughout the United States.

- 4. Describe efforts to identify duplication.**

IA makes every effort to avoid requirements that duplicate information collection efforts. IA also takes full advantage of the fact that lenders already gather much of the information of importance to the Program in the ordinary course of accepting loan applications, irrespective of whether the lender intends to seek Program benefits. The regulations allow the lender simply to submit to IA a copy of the borrower's application without any reformatting. Lenders may choose to use the forms that IA provides, but IA does not require lenders to use any particular loan forms, which frees lenders from searching through unfamiliar documents to insert information they might already have elsewhere into Program-specific fields. Instead, lenders use the forms they already know, modified only to the extent necessary to meet Program requirements.

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

There is no significant economic impact on a substantial number of small businesses. The program serves only a modest number of Indian businesses, individual Indian loan applicants and lending institutions. Moreover, lenders use the Program on a completely voluntary basis, when they want to help reduce the potential risk of making loans to Indian businesses. The information collection burden under the Program is limited further by the fact that information is generally collected only when it is needed. For instance, IA only collects information on ISR19 when the loan involves interest subsidy. Forms CFL10 and NOC10 are used only when there is a loan default. BIA's success in minimizing the information collection burden is further demonstrated by its overall burden estimates.

- 6. Describe the consequence 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 Program could not be run effectively, if at all, if IA were to significantly reduce the information collection requirements beyond what it now proposes. IA would start to lose details concerning whether the lender and borrower are qualified under the Program, whether the proposed business serves the purposes of the Program, and whether claims for loss are justified. IA would have inadequate means by which to monitor lender and borrower performance, resulting in little or no accountability and no data on which to gauge Program performance. IA would be unable to submit accurate reports of the sort the Department of the

Treasury requires, which, among other functions, help in assessment of the government's contingent liability. Ultimately, IA would almost certainly end up paying out more Federal funds than necessary, with less Indian economic development to show for it.

- 7. Explain any special circumstances that would cause an information collection to be conducted in a manner:**
- * **requiring respondents to report information to the agency more often than quarterly;**
 - * **requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it;**
 - * **requiring respondents to submit more than an original and two copies of any document;**
 - * **requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records, for more than three years;**
 - * **in connection with a statistical survey, that is not designed to produce valid and reliable results that can be generalized to the universe of study;**
 - * **requiring the use of a statistical data classification that has not been reviewed and approved by OMB;**
 - * **that includes a pledge of confidentiality that is not supported by authority established 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; or**
 - * **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 permitted by law.**

The only special circumstance that may cause information to be conducted in a manner requiring an exception is that respondents must keep loan records for the life of the loan, which may exceed 3 years and can be up to 30 years.

- 8. Provide 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 in response to that notice (or in response to a PRA statement) and describe actions taken by the agency in response to these comments.**

A notice was published in the Federal Register on January 29, 2010 (75 FR 4838). No comments were received.

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, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported. [Please list the names, titles, addresses, and phone numbers of persons contacted.]

We have had frequent conversations with bankers about the forms they submit in response to this collection of information. They typically call about where to address a form. We deal only with lenders, not borrowers. We contacted the following lender to specifically address this information collection renewal:

- Dick Levine, Consultant, former Executive Vice President, 73-745 El Paseo, Palm Desert, CA 92260. Phone: 760-861-4202.

Mr. Levine states that the forms were easy to follow and less burdensome than those from other agencies. He also said that the time estimates for filling out the forms were reasonable and that they did not ask for any data that are difficult to find, as most of the forms do not ask for any data other than basic identifying information for the loan and the borrower. The requirements of the program are closely aligned to good business banking practices.

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

No payment or gift is given to respondents.

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

The information is maintained in strict accordance with the Privacy Act Systems of Records (BIA – 13, Indian Loan Files) pursuant to 5 U.S.C. 552(a). See 73 FR 40595 (July 15, 2008).

11. 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.

There are no questions of a sensitive nature, other than matters of financial wherewithal and credit history, both of which are fundamental to the statutory obligation to determine if there is a reasonable prospect of repayment. See 25 U.S.C. 552(a).

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

Description	CFR §§	IA Forms	Number of Respondents	Frequency of Responses	Total Annual Responses	Hour Burden per Response	Annual Burden Hours	Salary Cost to Respondents*
Program agreement	103.11	LGA10	20	1	20	2	40	\$ 2,116
		LIA10	10	1	10	2	20	\$ 1,058

Notice of individual loan guarantee or insurance	103.18	NIL10	10	2	20	0.5	10	\$ 529
		LGC10	--	--	--	--	--	\$ -
Program application	103.12 103.13 103.14 103.21	RGI10	65	1	65	2	130	\$ 6,876
Closing procedures	103.17	--	64	1	64	2	128	\$ 6,770
Interest subsidy reports	103.23	ISR10	45	4	180	2	360	\$ 19,040
Loan application	103.26	--	64	1	64	2	128	\$ 6,770
Loan records	103.32	--	64	1	64	2	128	\$ 6,770
Loan reporting	103.33	--	200	4	800	2	1,600	\$ 84,624
Loan modification	103.34	--	10	1	10	2	20	\$ 1,058
Default notices	103.35	NOD10	20	1	20	0.5	10	\$ 529
	103.36	--	20	1	20	2	40	\$ 2,116
Claim for loss	103.37	CFL10	10	1	10	2	20	\$ 1,058
Assignment of Rights	103.38	ALD10	10	1	10	1	10	\$ 529
	Totals		295**		1,357		2,644	\$ 139,841

The above estimates are averages. DOI sometimes requires a lender to perform a greater level of due diligence on a proposed borrower when the lender submits a loan guarantee application that, in DOI's experience, is not up to the industry norm. For instance, DOI has seen applications involving construction loans from lenders that clearly have little experience in construction lending. DOI may correspondingly ask to see copies of loan construction contracts, plans and specifications, performance bonds, etc., to ascertain that the lender has adequately considered the greatest risks to repayment. By statute, IA is required to gather sufficient information to assure that there is a reasonable prospect for repayment. As a general matter, though, if there is a greater than average risk associated with a loan, or if a loan's structure is unavoidably complex, lenders tend to take more precautions and gather more information without any prior request from IA – lenders often automatically supply IA with more information than usual, at virtually no additional burden to itself.

*To obtain the hourly rate for respondents, we used \$37.78, the wages and salaries figure for management, business, and financial workers from BLS Release USDL 10-0283, *Employer Costs for Employee Compensation—December 2009*, Table 2, *Employer costs per hour worked for employee compensation and costs as a percent of total compensation: Civilian workers, by major occupational and industry group, December 2009*. To account for benefits, we then multiplied this rate by 1.4, to obtain a total rate of **\$52.89**.

**Counting respondents who enter into new loan insurance and loan guarantee agreements (30), respondents currently in the program reporting on loans (200), and new program applicants (65).

13. Provide an estimate of the total annual [nonhour] cost burden to respondents or

recordkeepers resulting from the collection of information.

No separate capital and start up costs are required because the information is fundamentally the same sort that lenders collect and maintain whether or not they use the Program. Program information is gathered, stored, and processed using the same kinds of equipment lenders already possess. DOI supplies the forms if lenders wish to use them. No special personnel or expertise is required to meet the Program information collection and storage requirements; lender personnel simply meet Program requirements in the ordinary course of their daily work.

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

The estimated annual cost to the government for salaries and supplies relating to processing loan guarantee, insurance, and interest subsidy forms is **\$29,773**.

Description	CFR §§	IA Forms	Total Annual Responses	Federal Hour Burden per	Federal Annual Burden Hours	Federal Salary Cost*	Federal non-hour cost (supplies)
Program agreement	103.11	LGA10	20	0.5	10	\$ 329	\$ 8
		LIA10	10	1	10	\$ 329	\$ 4
Notice of individual loan guarantee or insurance	103.18	NIL10	20	0.5	10	\$ 329	\$ 20
		LGC10	80	1	80	\$ 2,632	\$ 64
Program application	103.12 103.13 103.14 103.21	RGI10	65	1	65	\$ 2,139	\$ 84
Closing procedures	103.17	--	64	2	188	\$ 6,185	
Interest subsidy reports	103.23	ISR10	180	0.25	45	\$ 1,481	\$ 14
Loan application	103.26	--	64	--	--	\$ -	--
Loan records	103.32	--	64	--	--	\$ -	--
Loan reporting	103.33	--	800	0.5	400	\$ 13,160	--
Loan modification	103.34	--	10	1	10	\$ 329	--
Default notices	103.35	NOD10	20	1	20	\$ 658	\$20
	103.36	--	20	1	20	\$ 658	--
Claim for loss	103.37	CFL10	10	3	30	\$ 987	\$ 7
Assignment of Rights	103.38	ALD10	10	1	10	\$ 329	\$ 7
	Totals		1,437		938	\$ 29,545	\$228

The current estimated annual cost to the government has been calculated by using the hourly rate provided by the 2010 General Schedule Annual Rates by Grade and Step GS 10, Step 1

(\$21.93), and a multiplier of 1.5 for benefits for a total of **\$32.90**. The total cost to the Federal government associated with this information collection is **\$29,773**, which includes \$29,545 in salary costs and \$228 in supplies.

15. Explain the reasons for any program changes or adjustments.

The Department has made a few adjustments to its burden estimates. The Department has adjusted its burden hour estimates based on past experience with the program, refining the number of applications it expects to receive and the time it takes to complete them. Additionally, the Department corrected a typo that had occurred in ROCIS, which indicated that each respondent submitted 11 responses, instead of 1 response, for the program agreement. The Department also separated out the information collection associated with notice of individual loans from the program agreement for clarity, as lenders first enter into the program, and then later, separately enter into individual loans that the Department may guarantee or insure under the program. The Department also separated out the information collection associated with assigning loan documents, which had been combined with the claim for loss information collection. As a result, the Department has decreased its estimate of agency responses by 170 and decreased its estimated hour burden by 410.

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

There are no plans to publish any of this information.

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.

We will display the expiration date for OMB approval on the forms.

18. Certification.

There are no exceptions to the certification statements.