

**Supporting Statement for SBA Form 1244 (3245-0071)  
Application for Section 504 Loan**

**A. Justification**

This information collection was previously approved on an emergency basis in June 2009 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). The approval period under this emergency review expired on December 31, 2009. This collection was granted a month extension through January 31, 2010.

With this submission, SBA has made no additional changes to the form.

**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.*

The Small Business Investment Act authorizes SBA to guarantee a debenture issued by Certified Development Company (CDC). The proceeds from each debenture are used to fund loans to eligible small business concerns. 15 U.S.C. §697(a). The Small Business Act and the Small Business Investment Act mandate that all guaranteed loans, which now includes the debt refinancing loans authorized by the Recovery Act, provided by the SBA to small business concerns (SBCs) must have a reasonable assurance of ability to repay. See 15 U.S.C. §§636(a)(6) and 687(f); see also 13 C.F.R. §120.150. In general the information requested on Form 1244 helps SBA to assess compliance with this statutory requirement and facilitates the 504 loan financing process, including approving of the CDC's request for guarantee of the debentures.

**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.*

SBA uses the information collected on the SBA Form 1244 to review the creditworthiness and repayment ability of the Small Business Concern (SBC), the eligibility of the SBC for SBA financial assistance; the terms and conditions of the 504 loan for which the SBC is applying, and to determine whether there is a reasonable assurance of the SBC's ability to repay the loan. The form is also used by CDCs, which are regulated by SBA to request debenture guarantee.

**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 1244 is available to the public in electronic form, on SBA's website at <http://www.sba.gov/aboutsba/sbaprograms/elending>, under the "forms" option. The form can be

downloaded and is fillable in PDF. SBA currently collects all 504 application materials in a paper form only (although submission of some documents can be made by facsimile).

**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.*

SBA personnel, CDCs and National Association of Development Companies (NADCO - the trade association for CDCs) have determined that the data being requested is not available through 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 of information impacts the SBCs that apply for 504 loan financing. Only the minimum information necessary for the SBA to make an eligibility determination as well as to ensure that the loan meets SBA's credit standards is required. The financial data required should be readily available from the SBC's bookkeeping or accounting systems. The estimated number of small entities affected is approximately 6,800.

**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.*

SBA has a statutory obligation to ensure that SBA's eligibility and credit criteria are met. The data requested is necessary to determine the viability and eligibility of the SBC applicant. If the information were not collected, SBA could not fulfill its statutory duties and would likely provide assistance to SBCs that were ineligible or pose a greater financial risk to the Agency.

**7. Existence of special circumstances.**

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

There are no special circumstances.

**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...*

The Federal Register notice for comments was published on June 26, 2009, Volume 74, No. 122, page 30648. Comments were to be submitted on or before August 25, 2009. No comments were received.

**9. Payment or gifts.**

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

There are 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.*

Part C, "Statements Required by Law and Executive Order," is part of this form. This form advises each respondent of, among other things, the protections against disclosure of sensitive and confidential information under the "Freedom of Information Act" (5 U.S.C. 552), "Privacy Act" (5 U.S.C. 555a), the "Right to Financial Privacy Act of 1978" (12 U.S.C. 3401), and other significant executive orders or legislation related to financial assistance from the Federal government. 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 74 FR 14890 (April 1, 2009); specifically SBA System 21, Loan System.

**11. Questions of a sensitive nature**

*Provide additional justification for 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 information necessary, specific uses for the information, the explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their consent.*

SBA is required to ensure the credit worthiness of all loan applicants; the sensitive financial and personal information collected as part of the 504 loan application process is essential for SBA to make that assurance. However, that information is collected under SBA Form 912, Personal History Statement (OMB Control #3245-0178), and Form 413, Personal Financial Statement (OMB Control Number 3245-0188), which are currently approved by OMB for use in these matters.

**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:*

As a result of an economic downturn, the Agency experienced a decrease in loan volume. With the Recovery Act, the Agency experienced an increase in volume. However, this increase in volume has not resulted in the loan volume returning back to the volume in the years prior to the economic downturn. As a result, there is no actual net increase in volume from the last PRA Package submitted in June 2009 for the Recovery Act Submission.

The estimate (based on the experience of the CDCs and SBA field offices) of the burden hours imposed by use of this form, including exhibits, is as follows:

The number of respondents is approximately 6,800 based on the average submission of applications submitted from CDCs over the past FY using both the Abridged Submission Method (ASM) and non-ASM methods. Burden hours will remain at 2.25 hours per response for ASM. Burden hours for non-ASM submissions will remain at 2.45 (this number is slightly higher due to

the fact that these respondents are required to submit more documentation than the ASM respondents).

Annual Burden Hours

Total burden hours – 15,735

Submission through the ASM - 4,625 respondents x 2.25 hours = 10,406.25 burden hours

Submission through non-ASM (standard method) – 2,175 x 2.45 hours = 5,328.75 burden hours

Annual Cost Burden

Total annualized cost to respondents is approximately: \$550,725

ASM - \$35.00/hour x 2.25 hours x 4,625 applicants = \$364,218.75

Non-ASM - \$35.00/hour x 2.45 hours x 2,175 applicants = \$186,506.25

(SBA estimates that the information in this form is collected and compiled by CDC employees whose annual salaries are equivalent to Federal employment grades of a GS-12/GS-13, averaged at approximately \$35.00 per hour).

**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 but there are duplication and shipping costs associated with this collection. Based on cost information that the National Association of Certified Development Companies (NADCO) has provided to SBA the copying and shipping costs using the ASM ranges from \$15-\$50 and for non-ASM from \$25-\$60.00. This variance in the costs depends on the complexity of the loan application and whether the application is submitted through the ASM or non –ASM Method.

**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.*

The following is the estimated annual cost to the Federal Government/SBA:

SBA Form 1244 requires a weighted average of 1.70 hours to review (approximately 1.6 hours to review an application submitted using the ASM, of which SBA estimates it will receive about 4,625 annually, and approximately 1.9 hours to review an application submitted not using the ASM, of which SBA estimates it will receive about 2,175 annually).

6,800 applications x 1.70 hrs. x \$35/hr. = \$404,600

(The form is reviewed by employees with average grades of a GS-12/GS-13 whose salaries are averaged at approximately \$35.00 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.*

There has been a reduction in loan volume due to the economic downturn. Although, during the last three months of this past fiscal year the loan volume has started to improve with implementation of the debt refinancing option (implemented under the Recovery Act), but not enough to reach volume of previous 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; no such approval sought.

**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.*

There are no exceptions.

**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 methods.