

Paperwork Reduction Act Submission
(OMB Control # 3245-0348)

Justification

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 7(a) of the Small Business Act , (15 U.S.C. § 636(a)) authorizes the Small Business Administration to guarantee loans made by banks or other financial institutions to qualified small businesses for the purposes of plant acquisition, construction, conversion, or expansion, and/or for the acquisition of land, materials, supplies, equipment, or working capital. (See attached).

The Federal Managers Financial Integrity Act (FMFIA) codified at 31 U.S.C. 3512 *et. seq.*, and OMB Circulars A-123 (Management's Responsibility for Internal Controls) and A-129 (Policies for Federal Credit Programs and Non-tax Receivables) require a federal agency to evaluate the character and performance of individuals participating in its federal credit programs. (See attached.)

This information collection facilitates SBA's ability to carry out these responsibilities, and consists of the following forms:

Form 1919: SBA Express and Pilot Loan Programs (Export Express, Community Express, and Patriot Express) Borrower Information Form. This form collects 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 1920SX (Part A): SBA Express and Pilot Loan Programs (Export Express, Community Express, and Patriot Express) Guaranty Request. This form is a cover page to be completed by a delegated 7(a) Participant ("Participant" or Lender) when faxing Form 1920SX (Part B) to the Sacramento Loan Processing Center. (Most applications are submitted to SBA using electronic submission where a cover page is not required.)

Form 1920SX (Part B): Supplemental Information for SBA Express, Pilot Loan Programs and PLP Processing. 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.

Form 1920SX (Part C): Eligibility Information Required for SBA Express and Pilot Loan Programs (Community Express, Patriot Express, and Export Express). 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 SBA Express, Community Express, and Patriot Express.

Form 2238: Supplemental Information for SBA Express/Patriot Express Guaranty Request (Eligibility Authorized). This form is completed by the Lender that has been designated as “eligibility authorized.” (There are only 18 lenders with this authority.) 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 and also includes a certification by the lender that the applicant and the loan are eligible. Form 2238 takes the place of Form 1920SX (Part B) and Form 1920SX (Part C) for “eligibility authorized” lenders.

Form 2237: 7(a) Loan Post Approval Action Checklist. This form is completed by the Lender and submitted to SBA for post-approval changes such as a change in the approval amount or notification that the loan approval has been cancelled.

Form Changes:

SBA has expanded the section on use of proceeds on Form 1920SX (Part B) and Form 2238 to include additional information when the loan proceeds are being used to facilitate a change of ownership of a business. Also some of the descriptions of the data elements have been modified to be clearer. There is virtually no increase in burden hours estimated since only 1-2 percent of all SBA loans are for a change of ownership. Most SBA loans are to establish new businesses, to provide working capital or machinery and equipment to existing businesses, or to purchase owner-occupied business real estate. In addition, these forms have been modified to be consistent with changes in 7(a) policy as reflected in SOP 50 10 5(C) (which became effective October 1, 2010) as well as with changes to the 7(a) program as a result of the Small Business Jobs Act of 2010. Making sure that the forms are consistent with these modified policies as well as changes to the Small Business Act has resulted in a delay in the clearance process within SBA and therefore in submitting the PRA package to OMB for its review and concurrence.

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 is 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 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 also uses 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.

Lenders submit the data collected via fax or E-Tran (an electronic submission methodology) to a centralized and automated SBA processing center. E-Tran was developed in conjunction with the interagency eLoans initiative, one of the E-Government projects referenced in the President's Management Agenda. Currently approximately 80 percent of SBA Express loan transactions are submitted electronically using E-tran. In addition, it is estimated that approximately 80 percent of Pilot Loan Programs and PLP submissions are also submitted electronically using E-tran since all of these processes are used by lenders with delegated authority. SBA encourages lenders with delegated authority to use E-tran rather than faxing in the forms.

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 forms, SBA sought to minimize burdens by primarily considering for collection, data that lenders already collect. One of the cornerstones of the SBA Express concept (which was then used for the Pilot Loan Programs because of its wide acceptance by lenders) was for the program to fit as seamlessly as possible with lenders' normal business practices and data collection. This reduces lender processing costs, particularly for very small loans. The Agency, therefore, went to great lengths to minimize data collection and to avoid duplicate data collection. We note that the private sector's development of electronic data transfer software also reduces duplication of effort.

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.

There are three broad constituencies impacted by this data request: 7(a) lenders that have received delegated authority to participate in the SBA Express and the Pilot Loan Programs (Community Express, Export Express, and Patriot Express); 7(a) lenders that have received delegated authority to submit brief information to SBA under the PLP program to obtain a loan number; and prospective small business borrowers. While the major portion of SBA's loan volume accrues from large lenders, the Agency does have a number of small lenders that participate in SBA's loan programs. The Agency is aware that data collection affects the cost of processing loans, particularly for very small loans, and on a per dollar basis can be as prohibitive for large lenders as it is for small lenders. SBA worked very carefully with large and small lenders to minimize and streamline data collection without sacrificing function. These same efforts have also reduced the collection of data from the Agency's principal constituency, small business borrowers.

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 programs, SBA's recoveries, and the program's contribution to improving the nation's

economy. 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. This minimal reporting is a critical means of controlling the additional risk that SBA assumes in delegating authorities and expediting processing. 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 should be employed 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 prior to submission to OMB. Summarize public comments 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.

A Federal Register Notice requesting comments from the public was published on November 27, 2009, 75 FR 62359. The comment period expired January 26, 2010. No comments were received.

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 1919 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.

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. We also note that SBA has a Privacy Act System of Records that covers this information. See attached Federal Register Notice at 74 FR 14890 (2009), 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:

SBA has approximately 5,000 7(a) participating lenders. Of these, the following number of lenders have received delegated authority (SBA does not independently review the credit decision) in the following program: SBA Express (2,190 lenders); SBA Express – eligibility authorized (18 lenders); Community Express (389 lenders); Patriot Express (1,200 lenders), and PLP (653 lenders).

Total estimated responses for the delegated programs are approximately 36,000 based on the last full year of loan approvals broken down as follows:

SBA Express: 18,855
Community Express: 3,585
Patriot Express: 2,250
PLP: 10,745

The estimated burden hours and costs for each form are as follows:

Form 1919: SBA Express and Pilot Loan Programs (Export Express, Community Express, and Patriot Express) Borrower Information Form – 10 minutes. The estimated burden hours are 10 minutes times 24,700 applications or 4,120 hours. Based on a GS-11 loan officer's annual salary, the hourly rate is \$26. The annual cost to respondents would be 4,120 hours x \$26 per hour = \$107,120.

Form 1920SX (Part A): SBA Express and Pilot Loan Programs (Export Express, Community Express, and Patriot Express) Guaranty Request – 5 minutes. The estimated burden hours are 5 minutes times 6,500 (20 percent of all submissions) or 540 hours. Based on a GS-11

loan officer's annual salary, the hourly rate is \$26. The annual cost to respondents would be 540 hours x \$26 per hour = \$14,040.

Form 1920SX (Part B): Supplemental Information for SBA Express, Pilot Loan Program (Community Express, Patriot Express, and Export Express) and PLP Processing – 15 minutes. The estimated burden hours are 15 minutes x 32,000 applications or 8,000 hours. Based on a GS-11 loan officer's annual salary, the hourly rate is \$26. The annual cost to respondents would be 8,000 hours x \$26 per hour = \$208,000.

Form 1920SX (Part C): Eligibility Information Required for SBA Express and Pilot Loan Program (Community Express, Patriot Express, and Export Express) – 10 minutes. The estimated burden hours are 10 minutes x 24,700 applications or 4,120 hours. Based on a GS-11 loan officer's annual salary, the hourly rate is \$26. The annual cost to respondents would be 4,120 hours x \$26 per hour = \$107,120.

Form 2238: – Supplemental Information for SBA Express/Patriot Express Guaranty Request (Eligibility Authorized) – 15 minutes. The estimated burden hours are 15 minutes x 200 applications or 50 hours. Based on a GS-11 loan officer's annual salary, the hourly rate is \$26. The annual cost to respondents would be 50 hours x \$26 per hour = \$1,300.

This number is less than the last PRA submission because of the overall decline in small business lending during the continuing economic downturn.

Form 2237: 7(a) Loan Post Approval Action Checklist - 5 minutes_

The SBA Servicing Centers estimate an annual rate of 20,000 submissions by lenders using Form 2237. The average time spent completing the forms is 5 minutes. Therefore, the total estimated annual hourly burden is 20,000 x 5 minutes or approximately 1,670 hours. Based on a GS-11 loan officer's annual salary, the hourly rate is \$26. The annual cost to respondents would be 1,670 hours x \$26 per hour = \$43,420.

13. Estimate of Total Annual Cost

Provide an estimate for the total annual cost burden to respondents or recordkeepers resulting from the collection of information. Do not include hour cost burden from above.

There are minimal start-up costs to our external partners.

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.

Loan Approval Forms:

For approximately 80 percent of the applications, the information contained in Form 1920SX (Part B) or Form 2238 is submitted electronically to SBA. The additional forms are required to be retained in the lender's file and are not reviewed by SBA at time of application. For those applications submitted by fax, the cover sheet (Form 1920SX (Part A) plus either Form 1920SX (Part B) or Form 2238 are submitted. Approximately 20 percent of the loan applications are

submitted by facsimile and are therefore reviewed by clerical staff. Based on a GS-7 clerk (\$17 per hour) taking approximately 30 minutes to review and input data for SBA systems that are not submitted using E-tran, the burden hours are as follows per application. 6,400 loans submitted by fax times 30 minutes per application x \$17 per hour equals \$54,400.

For servicing actions using Form 2237, the cost to the government would be approximately \$320,000. This is based on a GS-11 reviewing the request and making a recommendation (plus updating the accounting system) which takes approximately 30 minutes and a GS-12 reviewing the recommendation and acting on it which takes approximately 30 minutes. The hourly rate for a GS-11 is \$26. The hourly rate for a GS-12 is \$32. (20,000 submissions x 30 minutes x \$26/hour equals \$260,000. 20,000 submissions x 30 minutes x \$32/hour equals \$320,000.)

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.

There has been a decrease in the number of responses (loan applications) due to the economic downturn.

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.