

## SUPPORTING STATEMENT

U.S. Small Business Administration  
Paperwork Reduction Act Submission for  
Intermediary Lending Pilot Program  
(Loan Application & Reporting)

### 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 1131 of the Small Business Jobs Act of 2010 (Public Law 111-240) authorizes the Small Business Administration to make direct loans to eligible intermediaries for the purpose of making loans to startup, newly established, and growing small business concerns for working capital, real estate, or the acquisition of materials, supplies, or equipment (see attached).

SBA has established a loan program, the Intermediary Lending Pilot Program (ILP), to carry out this authority to assist small business concerns in areas suffering from a lack of credit due to poor economic conditions or changes in the financial market. SBA regulations (13 CFR § 109.100) contain the requirements that must be met by participating intermediaries to be eligible for an ILP 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); 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), among other statutory or regulatory provisions.

This information collection consists of the following:

- 1) SBA Form 2417 Intermediary Lending Pilot Program Application – Part I, Management Assessment Questionnaire and Part II, Exhibits. Part I of this form collects identifying information regarding the intermediary applicant and its Officers, the loan request, lending history, projected lending activity, current or previous government financing, and the intermediary's financial health and viability. Part II of this form collects supplemental information from the intermediary applicant and its principals such as resumes, organizational charts, loan policies and procedures, one year of financial statements, and Employer Identification Number (EIN) documentation.
- 2) SBA Form 2418: ILP Program Activities Report: This electronic form collects quarterly account activity information in the ILP Relending Fund and the ILP Loan Loss Reserve Account. Selected ILP Intermediaries must use these accounts to receive ILP loan proceeds from the SBA, to disburse loan proceeds to the small business borrower, and to maintain adequate loan loss reserves. The form collects information such as principal repayment from borrowers, interest paid by borrowers, interest earned on the ILP Relending Fund, disbursements to small business borrowers, and repayments to SBA.

Intermediaries must also submit accompanying bank statements (3 months) to support the data reported in the ILP Relending Fund and the ILP Loan Loss Reserve Account.

- 3) Intermediary Lending Program Electronic Reporting System (ILPERS): Electronic Loan Data. This electronic submission collects identifying information on each small business borrower such as demographic information, use of proceeds, payment terms, payment status, and jobs created and retained. These required data elements are to be collected on an intermittent and quarterly basis to measure program performance and ensure statutory goals are met. The specific data elements for each of the following two required reports that will be submitted through ILPERS are identified as an Attachment to this submission.
  - a. Portfolio Identification Reports: All loans made by an ILP Intermediary to an eligible small business concern must be entered into ILPERS within seven days of loan closing.
  - b. Portfolio Status Report: An ILP Intermediary must update the payment status of loans to small business borrowers and the outstanding principal balance on a quarterly basis.
- 4) Audited Financial Statements. ILP Intermediaries are required to submit audited financial statements as prepared by a certified public accountant. ILP Intermediaries subject to OMB Circular A-133 must submit audits in accordance with that circular.
- 5) Reports of Changes. ILP Intermediaries must submit ad hoc summaries of any changes in the ILP Intermediary's organization or financing (within 30 calendar days of the change). Examples of reported changes include Intermediary contact information, changes to bylaws or officers or directors, changes in financial condition, and changes affecting an intermediary's eligibility to participate in the program. The Reports of Changes does not require the intermediary to use a prescribed form.
- 6) Records Retention, In General: ILP Intermediaries will be required to maintain records of their activities in the ILP program, including financial records and all documents and supporting materials relating to the ILP Intermediary's activities in the ILP program, such as files on loans made to small businesses. Records may be preserved electronically if the original is available for retrieval within 15 calendar days.

## **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 and top Agency management for the intermediary selection process, portfolio risk management, and lender oversight. These groups will use the data to determine which intermediary applicants will most effectively meet the needs of various geographical, demographical, and industry markets and segments according to SBA's ILP Program. The data will also be used to monitor the disbursement of ILP loan proceeds and monitor program effectiveness while minimizing risk to the federal taxpayer. Annual financial statements will be analyzed by program management to timely assess the selected intermediaries' financial strength. SBA will also use the information to report to its

various oversight authorities regarding the number, dollar volume, portfolio payment performance, and demographic characteristics of its ILP applicants and selected intermediaries.

### **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 on SBA's website at <http://www.sba.gov/content/intermediary-lending-pilot>. Application requests will be submitted in hard-copy and by compact disc to SBA Headquarters. The compact disc submission is necessary for SBA to quickly and most efficiently disseminate application materials to staff assisting with the application selection process. The hard-copy submission is necessary for SBA to receive wet signatures on application documents, such as required certifications. Data collection related to the loans between the intermediary and the small business borrowers, including the quarterly ILP Program Activities Report, will be filed electronically via ILPERS. Submission of information related to the loan between SBA and the intermediary will be paper-based. Due to time and resource constraints, it was not feasible to collect the application materials electronically. Instead, time and resources were allocated to ensure that the ongoing reporting requirements for selected intermediaries could be met in an electronic forum.

### **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 collection is unique to the individual applicant and the circumstances and conditions of its business operation. There are no other sources of information that are currently available that would meet SBA's purposes. In developing the forms, SBA sought to minimize the burden on intermediary applicants by limiting the amount of documentation required of the intermediary and the amount of information that the intermediary has to transmit to SBA.

Additionally, SBA sought to minimize the burden on selected ILP intermediaries by providing an electronic interface for updating loan accounts. This will speed the delivery of information at little or no cost to lender participants.

### **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 constituency impacted by this information collection consists of non-profit lending intermediaries. The Agency estimates that there are approximately 200 prospective intermediary applicants that may be eligible for this Program and subsequently wish to submit an application for selection. These intermediary applicants, including but not limited to Community Development Financial Institutions (CDFIs) and Certified Development Companies (CDCs), have other loan programs that they administer. The Agency does not anticipate that this information collection will have a significant economic impact on these applicants or selected entities. The Agency may make loans to no more than twenty (20) intermediaries in each of fiscal years 2011, 2012 and 2013 (depending on availability of funds) and each intermediary may receive no more than \$1 million for the purpose of making small business loans.

## **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.*

The information to be collected is important because it enables the Agency to select the most highly qualified applicants and to monitor the financial strength and operations of selected intermediaries. Not collecting the information may weaken the effectiveness of the ILP Program and the program's contribution to assisting small business concerns in areas suffering from a lack of credit. 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 select, monitor and analyze intermediary data trends and risks. This information is particularly important to SBA's oversight of intermediaries, because most intermediaries are not regulated by Federal or state financial institution regulators. Less frequent collection of this information would subject SBA to greater ambiguity and would lessen the Agency's understanding of the operating conditions of the intermediaries.

## **7. Existence Of Special Circumstances**

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

SBA collects some proprietary information in the forms. The intermediary is submitting what is in effect a business plan for operation of a lending intermediary. SBA is authorized by Section 1131(a) of the Small Business Jobs Act to collect such information from applicants to the ILP Program. Such information is critical to SBA's ability to effectively select applicants for participation in, and to administer, the program. SBA also collects business information on the small business concerns that receive loans with ILP loan proceeds. SBA maintains the confidentiality of such information to the extent permitted by law, including the Freedom of Information Act (5 USC 552) and other related Federal laws.

Additionally, SBA requires that intermediaries submit small business loan data to SBA within seven (7) days of the loan's closing. To remain fully abreast of the financial condition of the loan portfolio originated by the intermediary participants, it is imperative that SBA requires initial submissions of loan data within 7 days of the loan's closing. This will help SBA to maintain full integrity over the use of proceeds from the loan between SBA and the intermediary.

## **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.*

This information collection is outlined in the interim final rule implementing the ILP program that has been submitted to OMB for interagency review. This rule, which will be published in the Federal Register, also specifically requests public comment on this information collection. The Agency will address any relevant comments that it receives when it finalizes the rule. In addition, SBA published a separate notice in the Federal Register on November 3, 2010 (75 FR

67803) to solicit comments on this information collection. No comments were received. SBA worked closely with potential participating intermediaries to minimize and streamline the information collected in order to reduce the burden on the lenders as well as the small business borrowers.

### **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 XX: Exhibits 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), the Privacy Act (5 U.S.C. Section 552a), 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 information on a small business borrower’s ethnicity, race, gender, and veteran status. The Agency collects this demographic information to assess the extent to which SBA’s loan programs assist all demographics. This personal information is maintained in a Privacy Act system of records – SBA 21, Loan Systems (Copy attached).

Additionally, SBA collects information of a sensitive nature from intermediary applicants such as social security numbers, addresses, and criminal records for each Officer and key personnel of the intermediary. This information is collected on approved SBA Form 1081 for the purpose of making character determinations.

### **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.*

There are approximately 400 intermediaries eligible to apply as ILP Intermediaries. In order to participate in ILP, a prospective intermediary will be required to apply for participation authority. SBA estimates that approximately 50 percent, or 200 intermediaries, will apply for participation during FY2011 and FY2012.

The estimated burden hours and costs for each component of this information collection are as follows:

SBA Form 2417: Intermediary Lending Pilot Program Application – Part I, Management Assessment Questionnaire. The estimated burden hours are 35 hours times 200 intermediaries, or 7,000 total burden hours. SBA anticipates that either the Executive Director or the Fundraising Director of the intermediary applicant will fill out the application. A GS-13 salary is used to estimate the average salary of an Executive Director or Fundraising Director of a non-profit organization. Based on a GS-13's annual salary, the hourly rate is \$39. Therefore, the annual cost to respondents is equal to 7,000 hours x \$39 per hour = \$273,000, or \$1,365 per intermediary applicant.

The Agency will make loans to no more than twenty (20) intermediaries per year. The Agency anticipates selecting 20 intermediaries for FY2011 and 20 intermediaries for FY2012. Therefore, the estimated annual burden hours and costs for each reporting form is based on the selection of 40 intermediaries and is as follows:

SBA Form 2418: ILP Program Activities Report: The estimated annual burden hours are 4 hours annually (1 hour per quarter) times 40 intermediaries, or 160 annual hours. SBA anticipates that a Program Analyst of the intermediary will fill out the Program Activities Report. A GS-12 salary is used to estimate the average salary of a Program Analyst for a non-profit organization. Based on a GS-12 annual salary, the hourly rate is \$33. The annual cost to respondents would be 160 hours x \$33 per hour = \$5,280, or \$132 per selected intermediary.

ILPERS: Electronic Loan Data. The estimated annual burden hours are 3.5 hours annually times 40 intermediaries, or 140 annual hours. These burden hours include the intermittent Portfolio Identification Reports (1.5 annual hours, based on each intermediary closing approximately 6 loans and requiring 15 minutes to submit each Portfolio Identification Reports for those loans) and the quarterly Portfolio Status Reports (2 annual hours, based on each intermediary requiring 30 minutes to submit each quarterly Portfolio Status Report). SBA anticipates that a Program Analyst of the intermediary will fill out the Portfolio Identification and Portfolio Status Reports. A GS-12 salary is used to estimate the average salary of a Program Analyst for a non-profit organization. Based on a GS-12 annual salary, the hourly rate is \$33. The annual cost to respondents would be 140 hours x \$33 per hour = \$4,620, or \$115.50 per selected intermediary.

Audited Financial Statements. The estimated annual burden hours are 80 hours annually times 40 intermediaries, or 3200 hours. Based on information published by the American Institute of Certified Public Accountants (AICPA) for CPA-credentialed individuals, the hourly rate is \$100. The annual cost to respondents would be 3200 hours x \$100 per hour = \$320,000, or \$8,000 per selected intermediary. SBA believes that this cost will be reduced to the extent that many intermediaries already maintain this information for other purposes, and thus any costs resulting from SBA's particular requirement may be de minimis.

Reports of Changes. The estimated burden hours are 30 minutes annually times 40 intermediaries, or 20 hours. We estimate that all 40 intermediaries will submit on average one ad hoc Report of Changes annually. Based on a GS-12 annual salary, the hourly rate is \$33. A GS-12 salary is used to estimate the average salary of a Program Analyst for a non-profit organization. The annual cost to respondents would be 20 hours x \$33 per hour = \$660, or \$16.50 per selected intermediary.

Records Retention, In General: The annual hour burden as a result of this program is likely to be de minimis, because ILP Intermediaries would maintain such records in the ordinary course of business.

### **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 will be minimal start-up or other costs to the respondents.

### **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 is approximately \$95,028 annually.

The cost of financial analysts (average GS-13, Step 5 at \$48 per hour) taking approximately 50 hours to review for completeness and eligibility (200 applications at 15 minutes per application); 180 hours to conduct due diligence (180 applications at 1 hour per application); 1458 hours to analyze the participation application, analyze the required exhibits, and prepare a recommendation (162 applications at 3 hours per application for 3 reviewers). The annual cost for the financial analyst review is equal to 1688 hours (1 reviewer x 0.25 hours x 200 applicants, plus 1 reviewer x 1 hour x 180 applicants, plus 3 reviewers x 3 hours x 162 applicants) x \$48 per hour = \$81,024.

The cost of supervisory financial analysts (GS-14, Step 5 at \$57 per hour) taking approximately 2 hours to review the analyst's recommendation and comments, review required documents, conduct follow-up with the financial analyst, and prepare a recommendation. The annual cost for the supervisory financial analyst review is equal to 100 hours (2 reviewers x 1 hour x 50 applicants) x \$57 per hour = \$5,700.

To analyze reporting submissions, the estimated annual cost to the Federal government would be approximately 80 hours of financial analyst time to review quarterly report submissions (30 minutes per quarterly report per intermediary), approximately 53 hours of financial analyst time to review ILPERS (20 minutes per quarter per intermediary) and 40 hours of financial analyst time to review audited financial statements (1 hour per audited financial statement per intermediary). The annual cost for the financial analyst review is equal to approximately 173 hours x \$48 per hour = \$8,304.

### **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 information collection is new.

### **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.*

Only summary data will be published. This will be in the course of providing information to Congress, Agency leaders, constituent organizations, and others that will be interested in SBA reports. SBA does not anticipate publishing information beyond summary data.

**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 intermediary application and report submission is unique to the intermediary for a particular time period, SBA cannot employ a statistical survey methodology to obtain the required information for the loan program. A statistical survey for this area would not 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.