

Paperwork Reduction Act Submission
Personal Financial Statement [Form 413]
(OMB Control #3245-0188)

A. 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 appropriate section of each statute and regulation mandating or authorizing the collection of information.

The Small Business Administration (“SBA”) administers a number of assistance programs pursuant to Sec. 7 of the Small Business Act, 15 U.S.C. §631, et. seq. For financial assistance programs, information regarding the assets and liabilities of individual owners, and any guarantors of the small business applicant benefiting from such assistance is necessary for the Agency, or the participating lender or CDC, to make responsible credit decisions. Section 7(a)(6) of the Small Business Act requires that all loans made shall be of such sound value or so secured as reasonably to assure repayment. For the Agency’s 8(a) Business Development (BD) Program, SBA collects the information to help determine if the applicant/participant meets the economic disadvantage requirements of the program.

13 CFR 120.19- “The contents of a business loan application” covers the collection of this information for the Agency’s business loan programs; 13 CFR 124.104- “Who is economically disadvantaged?” and 13 CFR 124.112 - “What criteria must a business meet to remain eligible to participate in the 8(a) BD program?” are the regulations covering the 8(a) BD program certification.

SBA no longer certifies firms for small disadvantaged business eligibility. In October 2008, 13 CFR §§124.1001 – 124.1006 were revised to allow small businesses to self-certify their Small Disadvantaged Business (SDB) status, if they meet the criteria established by SBA. Therefore, this submission does not include references to SDB status.

There were a few changes to this form for clarification purposes.

Page 1: (a) in the shaded area at the top of the form, this language was changed to clarify who is required to submit Form 413; (b) in the “ASSETS” section, additional language added to clarify the information requested, as well as where applicants should provide responses to certain questions.

Page 2: Section 4, Real Estate Owned. – (a) added examples of the various types of properties for which information is sought; and (b) revised the certification to make clear the consequences for making false statements and misrepresentations.

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.

For the financial assistance programs (7(a) loan program, 504 loan program, and disaster), the SBA and its participating lenders and CDCs use the information required by SBA Form 413 as one of a number of data sources in analyzing the repayment ability or creditworthiness of applications for an SBA loan guaranty or a disaster loan. The information is used by loan officers in analyzing the loan application, and sometimes by servicing offices in collecting loan payments. The SBA (or lender or CDC) reviews the form at the time of the loan application, and retains it as part of the loan file for use in servicing or auditing, if necessary. For the 8(a) BD Program, the SBA uses the information to determine if the applicant meets the economic

disadvantage requirements of the 8(a) BD Program. (See 13 CFR §124.104(b).) Additionally, the 8(a) BD Program requires the submission of a Form 413 in connection with the statutorily required 8(a) Annual Update submission in accordance with 13 CFR §124.403(a)(b). This information is used by the SBA to determine the 8(a) participant's continued 8(a) eligibility and the participant's continued qualification as economically disadvantaged as required by the 8(a) BD Program. The Form 413 is maintained in the 8(a) Participant's business file by the cognizant SBA district office servicing the Participant firm. The form may also be reviewed for audit purposes.

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.

Form 413 is available in electronic format at www.sba.gov/aboutsba/sbaprograms/elending and also through the electronic system, Business Development Management Information System (BDMIS), that is used in the 8(a) BD Program. Respondents may complete the form online; print it and submit it by mail or facsimile. In addition, in lieu of completing the actual Form 413, individuals may use automated accounting systems (software) to submit the data required by this information collection. Such automated systems must provide the requested data in a format acceptable to SBA (generally any format acceptable to the lending industry).

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.

Duplication is generally not an issue. Financial statements are time sensitive and it is unusual to utilize the same statement for more than one application for benefit. Although there are numerous forms, governmental and private, that respondents can use to provide the data required by Form 413, those forms, where acceptable to SBA, are used in lieu of, not in addition to, Form 413.

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.

In order to minimize the burden on small businesses SBA's financial assistance programs accept personal financial statements in other formats, provided that they contain essentially the same data required by SBA Form 413. (This includes the majority of Office of Thrift Supervision (OTS), Federal Deposit Insurance Corporation (FDIC) or Federal Reserve member bank forms, and accountant-prepared statements.) The SBA requires this information from applicants for an SBA loan guaranty or a disaster loan, and such information would be required by any institution, public or private, as part of a business loan application. The 8(a) BD Program only accepts Form 413 for personal financial information but plans to explore other methods for collecting this information from program participants.

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.

For the financial assistance programs, if this information is not collected, it could severely hurt the quality of SBA's loan portfolio causing increased financial loss to the Government. Therefore, to maintain sound credit and lending policies, the SBA must gather this information for loan analysis and for use in those instances where an audit or extensive loan servicing is required. For the 8(a) BD Program, this information

must be collected to facilitate SBA's compliance with its statutory mandate to provide assistance only to firms owned and controlled by economically disadvantaged individuals.

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 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.

The notice soliciting comments on this information collection was published on February 4, 2011, at 76 FR 6508-6509. SBA received no comments on the collection. The Agency consulted with participating lenders and other interested parties in developing this form and considered their input in resolving any major problems that existed.

9. Payment or gifts.

Explain any decision to provide any payment or gift to respondents, other than re-enumeration 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.

SBA's long-standing policy has been that Form 413 is confidential and cannot be released to the public as it is protected by the Privacy Act of 1974, and further protected under Exemption 4 of the Freedom of Information Act, 5 U.S.C. 552, which prohibits disclosure of confidential or privileged commercial or financial information. Information collected from SBA's financial assistance programs on Form 413 is maintained in the agency's Privacy Act System of Records, SBA 21-- Loan Files. SBA has also promulgated regulations specifically to be in compliance with both the Privacy Act and the Freedom of Information Act, see 13 CFR Part 102. Specifically, 13 CFR 102.35 provides standards for the use and collection of social security numbers by agency personnel. SBA's 8(a) BD Program stores the electronic version of Form 413 in BDMIS, while SBA maintains the hard copy version in either the district offices or one of the two Division of Program Certification and Eligibility (DPCE) offices in Philadelphia, PA, and San Francisco, CA. Personal financial data collected in the BD program are maintained in also SBA's Privacy Act System of Record SB A-30 - Servicing and Contracts System/Minority Enterprise Development Repository.

11. Questions or 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, the specific uses to be made of 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.

This form does ask for a social security number in the signature block area following Section 8. A notice pursuant to the Privacy Act (5 U.S.C. §552a) has been included as an attachment to this form in the “Statements Required by Law and Executive Order”. This notice advises that collection of the social security number is not mandatory but it is helpful in assisting in making a character determination and to be able to distinguish the applicant from other individuals that may have the same or similar name or other personal identifier.

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.

(a) Estimate of the hour burden of the collection of information for the respondents:

Loan Guaranty:

16,800	respondents per year
x 1.5	hour per response for respondents to complete form
25,200	total hour burden for all respondents

Based on figures in FY 2010, the 7(a) and 504 programs had approximately 97,000 applicants. Form 413 is optional for 7(a) and required for 504. However, some 7(a) applications were processed with which do not require financial information from the applicants. (i.e., SBA Express and the Pilot Loan Programs). This reduces the number of 7(a) applications that require personal financial information to approximately 9,000. This number together with 504, which was approximately 7,800 loan applications, equals approximately 16,800 loans. Our representatives in the field who have direct exposure to the public estimated the hours per response.

Disaster:

16,240	respondents per year (based on 4-year avg.)
x 1.5	hour per response for respondents to complete form
24,360	total hour burden for all respondents

8(a) BD:

11,548	respondents per year
x 1.5	hour per response for respondents to complete form
17,322	total hour burden for all respondents

In FY 2010, in the 8(a) BD Program there were approximately 3,548 applicants that used Form 413 to apply to the Program and approximately 8,000 Participant firms that revised form 413 during the Annual Review. In total, there were approximately 11,548 respondents using Form 413. Based upon research conducted by the Office Business Development, it takes a respondent approximately 1.5 hours to complete Form 413.

Total combined hour burden: 25,200 + 24,360 + 17,322 = 66,882

(b) Estimate of the annualized cost to respondents for the hour burden:

Loan Guaranty:		
25,200		total hour burden for all respondents
<u>x 29.93</u>		estimated cost per hour for respondents
\$ 502,824		total annualized cost to respondents for the hour burden

Disaster:		
24,360		total hour burden for all respondents
<u>x 29.93</u>		estimated cost per hour for respondents
\$ 729,094		total hour burden for all respondents
<u>+ 145,819</u>		(20% overhead)
874,913		total annualized cost to respondents for hour burden

(\$29.93 is the hourly wage of a GS-11, Step 1, which is equivalent to the level of expertise needed to complete the form for both Loan Guaranty and Disaster.)

8(a) BD:		
17,322		total hour burden for all respondents
<u>x 35.88</u>		estimated cost per hour for respondents
\$ 621,513		total annualized cost to respondents for the hour burden

(\$35.88 is the hourly wage of a GS-12, Step 1, which is equivalent to the level of expertise needed to complete the form.)

Total combined cost burden to respondents: \$502,824 + \$874,913 + 621,513 = \$1,999,250

13. Estimate of total annual cost burden for submission.

Provide an estimate for the total annual cost burden to respondents or recordkeepers resulting from the collection of information.

There are no capital or start-up costs to the respondents for the collection of this information. There also are no operation and maintenance or purchase of service costs to the respondents for the collection of this information.

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.

Estimate of the hour burden of the collection of information for the Agency:

Loan Guaranty:		
16,800		respondents per year (based on fiscal year 2010)
<u>x 0.5</u>		hour per response for the Agency to review the form
8,400		total hour burden for the Agency

Using as a base the number of loans approved under programs, which make use of the Form, then calculating the number of applicants and guarantors, the total number of respondents can be estimated. Our representatives in the loan processing centers who actually review this Form estimated the hours per response.

Disaster:
 16,240 respondents per year (based on 4-year avg.)
 x 0.5 hour per response for the Agency to review the form
 8,120 total hour burden for the Agency

8(a) BD:
 11,548 respondents per year (based on fiscal year 2010)
 x 0.5 hour per response for the Agency to review the form
 5,774 total hour burden for the Agency

Total combined burden for Agency: 8,400 + 8,120 + 5,774 = 22,294

Estimate of the annualized cost to the Agency for the hour burden:

Loan Guaranty:
 \$29.93 cost per hour x 16,800 responses = \$502,824.00
 (generally reviewed by a GS-11) total annualized cost to respondents for the hour burden

Disaster:
 \$29.93 cost per hour x 16,240 responses = \$486,063 + \$97,213 (20% overhead) = \$583,276
 (generally reviewed by a GS-11) total annualized cost to respondents for the hour burden

8(a) BD:
 \$35.88 cost per hour x 11,548 responses = \$414,342
 (generally reviewed by a GS-12) total annualized cost to respondents for the hour burden

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.

The hour burden has been decreased to reflect the increased use of other expedited processes that do not require this form. The burden is also impacted by the fact that in some cases use of Form 413 is optional. Applicants may choose to not use a form or to use some other personal financial statement format, e.g., one provided by the lender.

With regard to the 8(a) BD Program, there were fewer respondents utilizing Form 413 during the current period for this submission as compared with the number of total respondents during the previous OMB submission. Thus, both the estimated hourly burden of the collection for the Agency and the estimated annualized cost to the Federal Government were less as compared to the previous submission.

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.

The results of this collection of information will not be published.

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; SBA will display the expiration date.

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 to the certification statement (Item 19) of the “Certification for Paperwork Reduction Act Submissions” of OMB Form 83-1.

B. Collections 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.

Items 1-5 are not required, as the collection of this information does not employ statistical methods.