

Small Business Administration (SBA)  
Supporting Statement for Paperwork Reduction Act Submission  
OMB Control Number 3245-0018  
SBA Form 5C, Disaster Home Loan Application

The purpose of this submission is to request an extension of the SBA's Disaster Home Loan Application, "Disaster Home Loan Application"—the paper version of the application (SBA Form 5C) and the Electronic Loan Application (ELA).

Since the last submission in 2008, a project was undertaken by ODA personnel to review the paper and ELA versions of the home loan application. As a result, both the paper form and ELA version were streamlined. A summary of the changes follows:

Overall Changes:

- Significant reorganization of data elements for a more logical flow and improved efficiency
- Removed shading throughout the document

Cover Page:

- Added statement that SBA will contact applicant by phone or email to discuss application
- Revised filing requirements to be consistent with SOP 50-30-7
- Added received Location

Applicant:

- Added second address line to Mailing Address, Employment Address
- Added check box to indicate preferred method of contact (phone, email)
- Deleted Address of Nearest Relative (not needed)
- Condensed examples of employment income
- Added Bi-Weekly option to employment frequency

Joint Applicant:

- Same changes as to Applicant
- Changed Marital Status to Relationship to Applicant

Damaged Property:

- Added Own/Rent Checkbox
- Combined Landlord Name/Address space with First Mortgage holder's Name/Address space
- Removed Renter's Insurance space (Loan Officer obtains verbal info)

Disaster Information:

- Deleted Dollar estimate of RE or PP damage by applicant (not needed, causes confusion)

Insurance:

- Expanded choices of Insurance to include Renters
- Deleted Insurance company address (Loan Officer obtains)
- Added Type of Coverage
- Deleted Settled for/Pending/Other –combined to Amount Received
- Deleted note explaining that it is not necessary to settle insurance before applying

Other Disaster Assistance:

- Added checkbox for FEMA/State/Other

Other Assets:

- Deleted instructions
- Added “Estimated” to Value of PP
- Deleted Year Purchased, Purchase Price, Year Mortgage Pays Off (not needed)

Other Information:

- Added Certification allowing SBA to verify past and present employment information and salary history (requested by Servicing)

In addition, for the ELA version, ODA eliminated the “wizard” format that prompted the applicant with questions (2 questions per screen) similar to a TurboTax approach and implemented the “forms view” format which is a fillable form mirrored after the paper application form. This reduced the number of screens by 23%, from 84 pages to 19 pages. ODA estimates that it will take 120 days for requirements gathering, development, testing and production.

A. Justification

1. *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.*

Section 7(b) of the Small Business Act (attached), 15 U.S.C. 636, as amended, authorizes SBA to make loans to victims of Federally-declared disasters. This information collection (IC) is used by individual homeowners or renters who are eligible to apply for physical disaster loans. The loan application and supporting documentation are basic requirements of any lending function. OMB Circular A-129, *Policies for Federal Credit Programs and Receivables*, require federal agencies to determine, among other things, whether loan applicants comply with statutory, regulatory, and administrative eligibility requirements for loan assistance. This information collection helps SBA to make that determination.

The requirement for the use of the 5C is found in the Standard Operating Procedure (SOP) for Disaster Assistance, SOP 50 30, paragraph 18 (see attached).

2. *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.*

ODA personnel analyze the information from the application to determine whether the applicant is eligible for an SBA disaster loan and has repayment ability. The credit analysis is also necessary to determine whether a loan is an acceptable risk to the Government.

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 the burden*

As stated above, this information collection provides loan applicants the option to complete the disaster loan application on-line (the ELA) and submit it electronically. The ELA is part of SBA's Disaster Credit Management System (DCMS), the Disaster's loan processing system and allows disaster loan applicants the ability to retrieve and modify existing data records allowing some reduced data entry on their part.

4. *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.*

There is no duplication with other SBA programs because home loans are not made by any other program within SBA. ODA receives and sends information electronically to the Federal Emergency Management Agency (FEMA) in a joint Federal effort to avoid duplicating disaster assistance.

5. *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 is no impact on small businesses or other small entities as this collection does not involve them.

6. *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.*

This information cannot be conducted less frequently because we only collect it once from each individual. The consequence of not collecting this information would be an inability to determine which disaster victims are eligible for assistance and an inability to begin the credit/financial analysis necessary to make loan decisions. The SBA could not conduct the program without the collection of this information.

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

No special circumstances exist. No confidential information is required that is not protected to the extent permitted by law including the Privacy Act and the Freedom of Information Act.

8. *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*

Comments were solicited in a notice in FR Vol.76, number 173, Page 55455 (September 7, 2011), copy attached. The comment period closed November 7, 2011, and no comments were received.

9. *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 respondents.

10. *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, including the Privacy Act and the Freedom of Information Act and becomes a part of SBA's System of Records (SBA 20). Notice of the rights afforded loan applicants regarding disclosure of or access to confidential information is part of the loan application.

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. 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.*

Through this proposed collection, SBA collects sensitive information such as birth date, and financial and criminal records information. This information is required in order for an applicant to receive a benefit under SBA's Disaster Loan Program. This information helps SBA make an informed credit and eligibility determination and to assess whether there is a reasonable assurance of loan repayment.

This proposed collection also requests Social Security Numbers. Social Security Numbers will be used to distinguish between people with the same or similar name and to conduct investigations, as necessary, to determine whether a recipient of SBA assistance is engaged in or has engaged in any practices which violate the Small Business Act.

Providing Social Security Numbers is purely voluntary on the paper form, however, it is required for the ELA for security purposes due to the significant amount of sensitive data contained online about the applicant, and will be used to ensure the identity of the person who received access to federal systems. This requirement is in keeping with the National Institute of Standards Technology (NIST), level III security standards. If the applicants do not wish to share their Social Security Numbers, they have the option of completing the paper form instead of the ELA.

12. *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.*

The annual average is based on the number of loan applications accepted for processing per fiscal year for the past 4 fiscal years, FY07 – FY10 (final data for FY11 is not yet available). Number of respondents is computed based on home loan approvals, then divided by the approval rate, to obtain the number of applications processed (number of respondents). The computation is below:

<u>FY</u>	<u>Home Loan Approvals</u>
07	11,760
08	12,755
09	18,408
10	<u>13,286</u>
Total	56,209

56,209 divided by 4 = 14,052 average home loan approvals per year

14,052 divided by 41% (41% approval rate) = **34,273 annual average applications processed (number of respondents)**. Approximately 24% of respondents used the ELA since the August 2008 roll-out.

ODA estimates that the home loan application (both paper and ELA) takes approximately 1.25 hours to complete based on feedback and testing of the ELA and based on feedback received from applicants and observation for paper forms.

34,273 respondents x 1 response per applicant x 1.25 hours = 42,841

**Total annual hour burden = 42,841**

**Cost to respondent for hour burden for this collection.** Average cost is based on

GS 1 Step1 (\$9.74 per hour) which reflects the level of expertise (minimal) that is required to respond.

42,841 hour burden x \$9.74 = **\$417,271 total cost to respondent.**

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

There are no additional costs that have not been identified and explained in 12 above.

14. *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.*

Estimated annualized cost to the Federal Government:

It takes ODA personnel approximately 2 hours per loan application to evaluate the information provided, perform a credit analysis, and process the ELA to a decision, and approximately 2.5 hours to process the paper application form.

Typically, expertise equivalent to a GS-9, Step 1 (\$22.74 per hour) is required to process these applications using either method.

Using ELA:

8,226 responses (24% of 34,273 total respondents used ELA) at 2 hours per response =  $16,452 \times \$22.74 = \$374,119$  plus an additional 30% for overhead (printing, supplies, fringe benefits, leased equipment, etc.). = **\$486,355 estimated cost to Federal Government for ELA method.**

Using paper form:

26,048 responses (76% of 34,273 total respondents for paper processing) at 2.5 hours per response =  $65,120 \times \$22.74 = \$1,480,829$  plus an additional 30% for overhead (printing, supplies, fringe benefits, leased equipment, etc.). = **\$1,925,077 estimated cost to Federal Government for paper method.**

**$\$486,355 + \$1,925,077 = \$2,411,432$  TOTAL ESTIMATED COST TO FEDERAL GOVERNMENT.**

15. *Explain reasons for any program changes or adjustments reported in Items 13 or 14 of the OMB Form 83-I.*

Both public burden and cost as well as Government burden and cost decreased due to a decrease in applications processed (number of respondents) with this submission as compared to the last submission.

16. *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.*

No publication is anticipated.

17. *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.*

Expiration date will be displayed.

18. *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.

19. Describe (including a numerical estimate) the potential respondent universe and any sampling or other respondent selection method to be used.

N/A