

SMALL BUSINESS ADMINISTRATION (SBA)
Supporting Statement for Paperwork Reduction Act Submission
OMB Control Number 3245-0017
SBA Form 5, Disaster Business Loan Application
Form 1368, Additional Filing Requirements, Economic Injury Disaster Loan Supplement

The purpose of this submission is to request an extension of the SBA's Form 5, "Disaster Business Loan Application"-- the paper version of the application and the Electronic Loan Application (ELA) - and Form 1368, "Additional Filing Requirements, Economic Injury Disaster Loan (EIDL) and Military Reservists Economic Injury Disaster Loan (MREIDL)."

Since the last submission in 2008, SBA's Office of Disaster Assistance (ODA) personnel undertook a project to review the paper and ELA versions of the business loan application. As a result, both the paper and ELA versions of the application have been streamlined; a summary of the changes that were made is below:

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

First Page:

- Added Location Received
- Changed Type of Business to Business Activity
- Number of Employees—added 'pre-disaster'
- Removed 'If you are a sole proprietor, are you a U. S. Citizen' (moved to Owners section)
- Amount of Estimate Loss: Broke out types of loss (RE. M&E, etc.)
- Added Insurance Coverage Type

Ownership:

- Added Citizenship Question for all owners who are individuals
- Added Business Entity Owner block

Other Information:

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

In addition, for the ELA version, SBA eliminated the "wizard" format that prompted the applicant with questions (2 questions per screen) similar to the 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 26%, from 76 pages to 20 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, 15 USC 636, as amended, authorizes the Small Business Administration to make disaster loans to businesses. Three separate programs are authorized: 7(b)(1) physical disaster loans, 7(b)(2) economic injury disaster loans, and 7(b)(3) Military Reservist Economic Injury loans. Copies of all relevant citations are attached. OMB Circular A-129, *Policies for Federal Credit Programs and Receivables*, requires 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 5 is found in the Standard Operating Procedure (SOP) for Disaster Assistance, SOP 50 30, paragraphs 19 and 20 (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.*

The business loan application (Form 5 and the ELA) is used for SBA's three business loan programs: physical disaster loans, economic injury loans and Military Reservist economic injury loans. The form is used to collect the basic information necessary to support a loan application from all business applicants. SBA Form 1368, "Additional Filing Requirements, Economic Injury Disaster Loan Supplement" is used for economic injury disaster loans as a supplement to the business application form to establish the cause and extent of eligible economic injury resulting from a physical disaster. Applicants must supply the requested information in order to receive benefits from these programs. All applicants subject to this request are business entities. ODA's loan officers and others use the collected information to make eligibility and credit decisions in order to approve or disapprove a loan.

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*

The ELA is part of SBA's Disaster Credit Management System (DCMS), a loan processing system that gives loan applicants the option of completing the application on-line and submitting it electronically to SBA. The use of the ELA portal also allows disaster loan applicants the ability to retrieve and modify existing data records allowing some reduced data entry on their part as well as a significant reduction of data entry on the part of ODA staff, which results in a faster turnaround time for the applicant and a higher percentage of completion from the public.

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.*

The information required on the application is applicant and time specific and is not otherwise available. No other application form or format is required. Some minimal duplication is necessary in order to verify and/or update information on file, such as corporate names, addresses, phone numbers, etc.

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.*

This information collection will not have a significant economic impact on small businesses or other small entities.

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.*

If this information were not collected, ODA could not process any loan requests because there would be no basis upon which to make eligibility or credit decisions. Since this information is only collected once, it cannot be collected less frequently.

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 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.*

There are no payments made or gifts given 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, 5 U.S.C. 552a and the Freedom of Information Act, 5 U.S.C. 552, 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.*

Questions of a “sensitive” nature are solicited in this collection. This information is asked so that ODA can make an informed credit and eligibility determination.

SBA requests 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 to assess whether there is a reasonable assurance of loan repayment.

This collection also requests Social Security Numbers. In general, 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.*

Estimates are broken down by specific loan program and are based on an average of loan applications filed during the last four fiscal years for the business loan program, and actual approvals of the past four fiscal years for the Military Reservist EIDL program (MREIDL). The most recent four fiscal years are FY07-FY10 (final data for FY11 not yet available). The computation is below:

For Physical Business and EIDL loan program:

<u>Fiscal Year</u>	<u>Business/EIDL Loan Approvals</u>
07	2,234
08	2,355
09	3,347
10	<u>2,050</u>
Total:	9,986

9,986 divided by 4 = 2,497 average loan approvals per year.

2,497 divided by 55% (approval rate) = **4,540 respondents for the physical business and EIDL loan program (both paper and ELA).**

For MREIDL program:

<u>Fiscal Year</u>	<u>MREIDL Loan Approvals</u>
07	20
08	18
09	25

AGENCY BURDEN

4,570 respondents at approximately 5 hours on average for direct processing (which takes into consideration both economic injury applications that may require more processing time as well as simple business applications that require less processing time). Agency burden hours are as follows:

4,570 respondents x 5 hours per application = **22,850 Agency burden hours.**

The annual cost estimate for the Agency is based on a GS 11, Step 1 at \$27.51 per hour (typical expertise required for processing applications) and is calculated as follows:

22,850 hours x \$27.51 per hour = \$628,604 plus 30 percent for printing supplies, fringe benefits, leased equipment, etc. = **\$817,185 cost to Agency.**

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

Public burden hours and cost as well as burden to the Government all decreased as compared to the previous submission. These decreases are due to the decrease in disaster activity and corresponding decrease in respondents.

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.*

Except for reporting of aggregated loan data in various performance reports or in response to congressional requests, 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.*

SBA will display the expiration date of OMB approval.

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 to the certification statement.

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

Not Applicable