

SMALL BUSINESS ADMINISTRATION  
Paperwork Reduction Act (PRA) Submission  
SBA Form 1050, Settlement Sheet (OMB Control # 3245-0200)

**Justification**

This PRA submission is for SBA Form 1050, Settlement Sheet. This form is required to be completed by lenders and small business owners for all 7(a) loans that are closed and disbursed with the exception of SBA Express, Export Express, Patriot Express and Dealer Floor Plan loans.

**Form Changes:**

There are minor proposed changes to the form that add clarification including moving the instructions to the top of the form from the bottom, adding the SBA logo, and explaining in more detail that the disbursements identified must reflect to whom the funds were ultimately disbursed and any changes in amounts and purposes that may have been made since the authorization was issued.

**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.*

Under Agency regulations at 13 CFR 120.520, lenders may demand that SBA honor its guaranty on a loan. According to 13 CFR 120.524 in order for SBA to honor a guarantee purchase request, lenders must have, among other things, disbursed the loan proceeds in a prudent manner and in accordance with the Loan Authorization (Authorization). Lenders and borrowers use SBA Form 1050 to certify their compliance with these and other 7(a) loan program requirements.

**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 settlement sheet is used by the lender, the borrower and SBA. A borrower's signature on the form signifies its certification that there have been no unremedied adverse changes affecting the applicant since the loan was approved. Lenders use the form to certify that they have disbursed the loan in a prudent manner in accordance with the Authorization and submit it to SBA when they request a purchase of the loan guarantee. SBA reviews the form at the time of guaranty purchase when the loan defaults and the lender requests that SBA purchase its guaranteed interest. SBA reviews the form to determine that (1) loan proceeds were disbursed and used in compliance with the Authorization, and (2) that the borrower did not experience any unremedied adverse change from the time of loan approval to the time of disbursement. These measures help SBA ensure that loan proceeds are being used for eligible purposes, and that the cost of the program to the government and to future borrowers (who pay guaranty fees to SBA based on projected costs of the program) as a result of defaults net of recoveries is kept at a reasonable

level. Failure on the part of the lender to provide evidence that the loan was disbursed correctly could result in a full or partial denial of liability on SBA's guaranty.

### **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.*

SBA Form 1050 is available at <http://www.sba.gov/category/lender-navigation/forms-notice-sops/forms-loan-package-tool>. Private software vendors have created user-friendly versions of all SBA forms used by 7(a) lenders in a format compatible with most proprietary automated underwriting systems. This permits the forms to be filled in simultaneously to minimize duplicate data entry. At time of purchase, lenders are encouraged to submit the purchase package, including the Form 1050, electronically. SBA estimates that approximately 5 percent submit their guaranty purchase requests electronically. The remaining lenders choose to mail in the supporting information for their requests.

### **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 requested on Form 1050 is necessary for proper loan disbursement evaluation and is not available by other means. Information necessary for a decision on a guaranty purchase is unavailable from other sources. The minimum information necessary is being requested. The information collected is unique to the individual applicant and the circumstances and conditions of its business operations, so there are no other sources of the information nor is it currently available electronically from other sources. There is no duplication.

### **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 respondents to this collection of information are small businesses and lenders. However, there will be no significant economic impact on any of these entities. SBA has minimized the burden on small businesses and lenders by simplifying the forms to the extent possible and by requesting the minimum information necessary to determine the loan proceeds were disbursed as intended and that due diligence was demonstrated by the lender. In addition, to further reduce the burden on respondents, SBA previously reduced the number of times that the form must be completed to once at the time of initial disbursement, instead of with each disbursement.

### **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.*

Form 1050 is to be completed when the SBA guaranteed loan is closed by the lender. If the information is not collected, a lender's practice of disbursing funds for undocumented, and possibly ineligible, purposes, or to borrowers that have experienced an unremedied adverse change between approval and closing, could go undetected and cause the cost of the program to increase. The increased cost would impact not only the government but also future borrowers, whose guaranty fees to SBA are calculated on the revised expected costs of the program.

#### **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 that would cause an information collection to be conducted in the manner specified in each instance.

#### **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.*

The required public comment notice was published in the Federal Register on June 21, 2011, at 76 FR 36163-36164. 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."*

"Statements Required by Law and Executive Order," is provided with each 7(a) loan application to advise lenders and loan applicants of, among other things, that SBA will protect the sensitive and/or confidential loan related information against disclosure as permitted under the "Freedom of Information Act" (5 U.S.C. 552), "Privacy Act" (5 U.S.C. 552a), and the "Right to Financial Privacy Act of 1978" (12 U.S.C. 3401). Personally identifiable information is maintained in SBA's Privacy Act System of Records, System 21- Loan System. 76 FR 14889 14912 (April 1, 2009).

#### **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.

No questions of a sensitive nature are involved.

### **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 2,600 active 7(a) lenders. Total estimated annual responses are 15,200. This figure is based on the number of projected 7(a) loans for FY 2012 of 40,000 loans minus those processed as Express loans (52 percent) minus those approved loans that are cancelled (10 percent) and never closed. The time to complete the form is estimated at 15 minutes.

The estimated annual burden hours and costs for Form 1050 are as follows:

15,200 responses x .25 hours = 3,800 hours

The form is completed by small business owners and reviewed and signed by lenders. The average hourly wage for personnel from the small business owner and the lender (equivalent to a GS 11) is estimated at \$26.00 per hour x 3,800 hours = \$98,800.

### **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.*

Any cost to the lenders and borrowers is de minimis.

### **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 following is the estimated annual costs to the Federal government/SBA:

The forms are only reviewed by an SBA employee at time of purchase. It is estimated that only 7 percent of 7(a) loans that are approved and disbursed ultimately default. It is at time of default that a guaranty purchase request, which includes the Form 1050, is submitted by the lender to SBA.

Form 1050 requires an average of .25 hours to review for completeness and any issues. The average grade is a GS-11, with an average hourly rate of \$26.00

15,200 7(a) loan closings x 7 percent x .25 hours x \$26/hr. = \$6,916.

### **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.*

The burden hours for SBA Form 1050 have decreased since the last submission of the PRA package from 4,950 to 3,800 due to a projected decrease in overall annual loan volume. This is based on one month's activity for FY 2012. Loan volume is expected to be about the same for FY 2013 and 2014.

**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 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.*

Not applicable.

**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