

**United States Department of Agriculture  
Farm Service Agency  
Supporting Statement  
OMB Control Number 0560-0281  
Microloan Operating Loan-Direct Loan Making  
7 CFR 764**

FSA is requesting an approval to obtain OMB clearance for a new information collection to support the Microloan Operating Loan (ML). Once this package has been approved and the final rule has been published, the information in this package will be incorporated into FSA existing package approved under OMB control number 0560-0237. In the future, burden information for this program will be included in the 3 year renewal package for OMB control number 0560-0237.

This document supports the information collection requirements of the final rule to be published as part of the Farm Service Agency's initiative to implement a new application process and options for eligibility determination for small loans within the existing Operating Loan (OL) Program.

The final rule is part of an effort by the Agency to provide service to a wider spectrum of farmers and ranchers. The Agency will incorporate new provisions of the ML that include:

- Reduced application process available to qualified farmers seeking OLs of \$35,000 or less.
- Eligible applicants may obtain a ML under the new provisions and be extended to persons who are beginning famers and socially disadvantaged farmers.
- Amend current program requirements under 7 CFR Part 764.
- Incorporate the new instructions into internal handbooks used by State and County Offices in administering agency Operating loan programs.
- Further, as required by Departmental guidance and the Freedom to E-File Act, agency handbooks and forms must be made available in electronic format.

This final rule will require persons to complete several forms and to submit documentation related to a complete ML application package. Other forms will be required on an "as-needed" basis, depending on the applicant's particular request and situation. In addition, the collected information is needed to evaluate an applicant's eligibility.

Consequently, FSA personnel will underwrite and process these loans to the greatest extent using existing FSA forms and regulations. The current direct loan procedures are published in 7 CFR part 764.

MLs will be funded using regular Operating loan program allocations and funds will be made available for each state. The agency believes that MLs will allow more farmers to receive loans to promote small farm operations and enhance the existing OL program.

This analysis includes collection instruments, and provides the information collection requirements contained in the final rule utilizing current program data and adjusted accordingly to accurately assess the burden it imposes on applicants and borrowers, as well as agency employees. As provided in question 8, the agency has consulted with applicants and borrowers, as well as agency employees used in previous burden submissions and revised the information collection accordingly.

The information collection instruments included in this submission are in the final stage because:

- The Agency needs to obtain OMB's approval of the information collection and be assigned a new control number.
- The final rule, which this document supports, will not be effective till 30 days after publication of the final rule in the Federal Register.

**1. Explain the circumstances that make the collection of information necessary.**

FSA's FLP Direct Loans, provides loans to family farmers to purchase real estate, equipment and finance agricultural production, promote soil and water conservation and protection. The regulation covered by this information collection package describes the policies and procedures the agency uses to provide supervised credit to FLP applicants requesting direct loan assistance in accordance with the provisions of the Consolidated Farm and Rural Development Act (Act) (7 U.S.C. 1921 et seq.) (Pub. L. 87-128), as amended. Direct loan making information collection requirements include financial and production records of the operation, as well as information necessary to obtain liens on collateral, provide evidence of the indebtedness, and ensure repayment of the loan.

Authority to establish the regulatory requirements contained in 7 CFR 764 is provided under 5 U.S.C. 301, which provides that "The Head of an Executive department or military department may prescribe regulations for the government of his department ... the distribution and performance of its business..." Furthermore, section 339 of the Act (7 U.S.C. 1989) provides that "the Secretary is authorized to make such rules and regulations, prescribe the terms and conditions for making... loans, security instruments and agreements, except as otherwise specified herein, and to make such delegations of authority as he deems necessary to carry out this title." The Secretary delegated authority to administer the provisions of the Act applicable to FLP to the Under Secretary for Farm and Foreign Agricultural Services (FFAS) in section 2.16 of 7 CFR part 2. FFAS further delegated this authority to the FSA Administrator in section 2.42 of 7 CFR part 2.

**2. Indicate how, by whom, and for what purpose the information is to be used. Except for new collection, indicate the actual use the Agency has made of the information received from the current collection.**

FSA is adopting ML application requirements similar to those in the existing direct operating loans. However, some of the eligibility requirements for MLs will be waived under this final rule.

Applicants who meet the eligibility requirements for direct loan assistance will provide information to the local agency office serving the county in which their business is headquartered. The information is necessary to thoroughly evaluate the applicant's request for a direct loan and is used by agency officials to:

- Ensure that loan funds are used for authorized loan purposes.
- Ensure that a loan is adequately secured.
- Ensure the applicant meets the statutorily established program eligibility requirements.

Legislation requires the agency to actively supervise these applicants and provide credit counseling, management advice, and financial guidance. Thus, the monitoring, reporting, evaluation, and consent requirements of this supervision increase the information collection burden on agency applicants above those imposed by commercial creditors.

The information collection requirements established in 7 CFR 764 are described below and on the attached FSA-85-1, Reporting and Recordkeeping Requirements forms. There is one new form, which is listed first, followed by existing forms in numerical order and non-form requests for information.

## **Direct Forms**

### **FSA-2330 “Request for Microloan Assistance” New (there is one new form for the ML) 7 CFR 764.51(b)(1)**

This form will be used by the applicant to apply for OL assistance using the ML application process. Each applicant will provide one application form. Information collected on FSA-2330 includes name, address, types of operation, marital status, race and ethnicity, citizenship, as well as certifications pertaining to delinquent Federal debt, prior convictions for controlled substances, disqualification due to Federal crop insurance fraud, restrictions and disclosure of lobbying activities, and previous debt forgiveness by the agency. The information is used to:

- Ensure applicants requesting direct loan assistance or servicing meet statutory eligibility requirements.
- Determine if the applicant qualifies for funds targeted to socially disadvantaged applicants and beginning farmer applicants according to the Act's provisions.
- Determine the State where the agency must file the financing statements according to the Uniform Commercial Code requirements.

The application form requires all entity members to provide information about percent of ownership in the entity, citizenship, marital status, ethnicity, race, gender, as well as read the certifications provided above and sign the form.

Further, this form consolidates information gathering that is normally gathered on several other forms as part of our regular OL application process. Though this lengthens this new application form over our regular application form, the time savings to complete the entire ML application shows a net reduction as only parts of other forms are being used for this reduced ML application process. Additionally, this consolidation of forms reduces the overall net volume of pages in the entire application process.

Applicants must provide

- Shortened versions of their assets and debts, and their annual cash flow budget, instead of providing this information separately on the FSA 2037 (Balance sheet); and FSA 2038 (Income & Expense sheet), respectively;
- Description of applicant's farm training and experience instead of providing this information separately on the FSA 2303 (Description of farm Training and Experience); applicant also has opportunity to describe any affiliations with ag-related organizations (FFA, 4-H, or similar), and plans for gaining farm experience if they have no prior experience or education in farming (Mentorship or apprentice relationship).
- Authorization to FSA to order a Credit Bureau Report (CBR), instead of signing for this authorization separately on the FSA 2004 (Authorization to Release Information).

The agency estimates it will take 90 minutes for individuals to complete the form and 120 minutes for entities, as all entity members are required to provide information applicable to individuals and certify and acknowledge that they have read the certifications included on the form.

The agency estimates that 5,034 ML requests will be completed annually: 5,034 individual and married applicants (100%) and < 10 entity members will apply. The total number of MLs closed per year is estimated to be 2,920.

### **FSA-2002 "Three-Year Financial History"**

7 CFR 764.51(b)(4) and (c)(2) (ii) ML final rule.

This Agency form could be used to collect this information, but the form is not required. This form is used for the regular OL program application (and other FLP applications) and typically 3 years of information is reported by the applicant on this form. Applicants can also provide this same information in a different format and, therefore, this can be also be considered non-form documentation. The information on this form is used to document the applicant's (up to past three years) income and expense history as part of a complete application and is approved under OMB Control Number 0560-0237. This information is necessary to ensure that the projected cash flow used to determine loan repayment is based on the actual financial history of the operation.

The estimate for time needed to complete this form or to provide this information for the ML process has been reduced to 1/3 the time as applicants are required to report information for the past year only if the information is available and applicable to the projected year's plan. In some operations seeking ML financing, the same crop may not be grown year to year, making the previous years' records not applicable; in cases like this, the farm production income and expenses may be more appropriate for developing the projected plan for loan feasibility. As this form normally takes 60 mins to complete, it is estimated to take 20 minutes to provide this information for the ML application process as only 1/3 (one year and not three years) of the financial reporting period information will be required to satisfy the ML requirements. Most, if not all, of our existing borrowers applying for an ML will already have submitted or will be submitting this information as part of their existing loan agreements with FSA, and this will not be a new collection for these ML applicants.

The agency estimates 1742 of these new requests will be submitted annually. Not all the new applicants will have this information available; collection of past income, expenses, and yields for the most recent production year for MLs will be to the extent practicable.

**FSA-2003 “Three-Year Production History” may be used to report Past Income, Expenses, and Yields for the Most Recent Production Year, to the Extent Practicable**

7 CFR 764.51(b)(4) and (c)(2) (ii) ML final rule.

Similar to the FSA 2002 described above, this Agency form could be used to collect this information, but the form is not required. This form is used for the regular OL program application (and other FLP applications) and typically 3 years of information is reported by the applicant on this form. Applicants can also provide this same information in a different format and, therefore, this can also be considered non-form documentation. The information on this form is used to document the applicant's (up to past three years) income and expense history as part of a complete application and is approved under OMB Control Number 0560-0237. This information is necessary to ensure that the projected cash flow used to determine loan repayment is based on the actual production history of the operation.

The estimate for time needed to complete this form or to provide this information for the ML process has been reduced as applicants are required to report information for the past year only if the information is available and applicable to the projected year's plan. In some operations seeking ML financing, the same crop may not be grown year to year, making the previous years' records not applicable; in cases like this, the farm production income and expenses may be more appropriate for developing the projected plan for loan feasibility. It is estimated to take 20 minutes to provide this information for the ML application process as only 1/3 (one year and not three years) of the reporting period information will be required to satisfy the ML requirements. Most, if not all, of our existing borrowers applying for an ML will already have submitted or will be submitting this information as part of their existing loan agreements with FSA, and this will not be a new collection for these ML applicants.

The agency estimates 1742 of these new requests will be submitted annually. Not all the new applicants will have this information available; collection of past income, expenses, and yields for the most recent production year for MLs will be to the extent practicable.

### **FSA-2004 “Authorization to Release Information”**

7 CFR 764.51(b)(8); 7 CFR 764.51(b)(12)

Permission authorizing FSA to order a Credit Bureau Report (CBR) and to obtain information from creditors is now on the FSA-2330 (pending approval). The FSA 2004 form is to be used on an as needed basis, and is not required for all ML applicants. Applicants and borrowers must provide the agency access to employment and non-farm income information if this income is relied upon for loan repayment. In most cases the applicant may provide paystubs to verify this information. The Agency may require an ML applicant to sign this form when necessary to obtain verification of information when specifically needed to make a determination on a loan applicant. The FSA-2004 is collected from applicants authorizing the Agency to obtain the information needed. Applicants complete only one FSA-2004 and the agency makes copies and provides FSA-2004 to employers and, in some cases, creditors if specifically needed to make a loan decision. We expect this to be more the exception rather than the rule. The agency estimates that < 10 of these forms will be completed annually. The form is approved under OMB Control number 0560-0237 and will take 10 minutes to complete.

### **FSA-2007 – Statement required by the Privacy Act**

7 CFR 764.402 (a)(4)

This form may be required by an applicant applying for an OL using the ML application process. The ML application process will have no impact on the estimated response time or the burden currently approved under OMB -Control Number 0560-0237 and will take 15 minutes to complete. If the applicant cannot meet the repayment requirements for the loan requested, or the security offered by the applicant does not meet the agency’s requirements, the agency may accept a cosigner to ensure timely loan repayment, or a pledge of security by a third party to meet the security requirements. In those situations, the cosigner or third party is not required to complete FSA-2330, and in the case of third party pledge of security the promissory note does not have to be signed. Therefore, the agency has to provide the statement required by the Privacy Act to meet its requirements under this law. The agency estimates that < 10 cosigners or third party pledges will complete FSA-2007.

### **FSA-2014 – Verification of Income**

7 CFR 764.51(c)(2)(iv).

Verification of income will only be required non –farm income is relied upon for debt repayment. In many cases an applicant’s recent paystubs or similar documentation are sufficient. In some cases, the loan approval official may require the FSA-2014 from an applicant. When the FSA-2014 is required, applicants must first provide FSA-2004 authorizing the agency to obtain verification of their non-farm income and other benefits the applicant may be receiving or entitled to receive, based on state law. The agency partially completes FSA-2014 and sends it to the employer or appropriate agency to verify the applicant’s non-farm income. The agency uses the non-farm income information to determine the applicant repayment ability or other sources of income when considering the request. The agency estimates that verification of non-farm income or benefits will be required in < 10 cases per year and employers or other benefit providers will spend an average of 15 minutes completing FSA-2014. The form is approved under OMB Control Number 0560-0237.

### **FSA-2015 - Verification of Debts and Assets**

7 CFR 764.51(c)(3).

For the ML application process the Agency will be relying upon the applicant's Credit Bureau Report (CBR) and applicant's recent balance sheet to account for debts and debt repayment. This will be sufficient for most ML applications.

The Agency may require that FSA 2015 be used when specifically needed to make a determination on the loan application. When specifically needed for a ML application, information collected from creditors on FSA-2015 is essential in evaluating the applicant repayment ability by ensuring that all debt repayment has been accurately reflected on the farm operating plan. Further, it provides information about the applicant assets invested with financial institutions. Information collected on FSA-2015 includes details regarding the security held by the creditor as well as the unpaid debt, installment amount, and repayment history. Prior to this occurring, applicants must first complete FSA-2004 that authorizes the agency to request financial information about the applicant from creditors and financial institutions. The agency completes FSA-2015 partially and provides it to creditors and financial institutions, along with a copy of FSA-2004.

The agency estimates < 10 FSA applicants will require FSA- 2015s to be filled out by creditor/financial institutions, and these creditor/institutions will complete an average of 3 FSA-2015 for each of these applicants. The FSA-2015 will take 20 minutes to be completed by either creditors or financial institutions and is approved under OMB Control Number 0560-0237.

#### **FSA-2026 – Promissory Note**

7 CFR 764.102(b); 7 CFR 764.402(a)(1).

The ML application process will have no impact on the estimated response time or the burden currently approved under OMB -Control Number 0560-0237 and applicants will spend 20 minutes each reviewing and signing FSA-2026.

When the agency approves a new loan the applicant must sign FSA-2026, which serves as evidence of the indebtedness. FSA-2026 is used to establish the amount, term, interest rate charged on the loan, and repayment schedule. In addition, FSA-2026 contains loan terms and conditions such as the statutorily mandated requirement that the borrower graduate to commercial credit when reasonable rates and terms are available. Further, based on state law, FSA-2026 may contain additional state applicable provisions. Under all circumstances, the agency completes FSA-2026 and applicant reviews the terms and conditions and signs it.

In the case of an individual applicant, only one signature is required; however, in the case of an entity, the entity's officers as well as all entity members have to sign FSA-2026. The agency estimates that 2,920 individual and married applicants (100%) and < 10 entity members will sign FSA-2026 for loan making purposes.

#### **FSA-2027 “Supplemental Payment Agreement”**

7 CFR 764.254(b)

Applicants for OL loans may be required to agree to make supplemental payments on their loans when income is projected to be available. Further, borrowers receiving a deferral under 7 CFR 766, whose repayment ability increases during the deferral period, are required to make

supplemental payments on their loans. The agency completes FSA-2027 based on information provided by the applicant or borrower during the loan making. The applicant or borrower reviews the form before it is executed. The agency estimates that < 10 FSA-2027 will be executed and the time is estimated to be 15 minutes.

**FSA-2028 “Security Agreement”**

7 CFR 764.103(b)(1); 7 CFR 764.103(c); 7 CFR 764.103(e); 7 CFR 764.255(b)(1); 7 CFR 764.305; 7 CFR 764.402(a)(5)

When a ML will be secured by a lien on chattels the applicant must execute FSA-2028. The applicant is only required to read and sign FSA-2028, as the agency completes it from information provided during the loan making or servicing process. The agency estimates that 2,920 FSA-2028’s will be executed every year for loan making purposes. The ML application process will have no impact on the estimated response time or the burden currently approved under OMB-Control Number 0560-0237 and applicants will spend 20 minutes each reviewing and signing FSA-2026.

**FSA-2029D “Deed of Trust” and  
FSA-2029M “Mortgage”**

7 CFR 764.103(c); 7 CFR 764.255

The ML application process will have no impact on the estimated response time or the burden currently approved under OMB-Control Number 0560-0237. The agency uses FSA-2029D or FSA-2029M to obtain a security interest in real estate it is financing with agency funds. Both forms contain uniform covenants that address borrower responsibilities such as payments towards the loan, application of payments received, taxes, assignment of proceeds from the real estate, insurance requirements, advances the agency makes on behalf of the borrower, protection of lien, hazardous substances, graduation requirements, forfeiture provisions, false statements, highly erodible land and wetland provisions, and successors and assigns, among others. Further, both forms contain non-uniform covenants such as default, death, incompetence and bankruptcy, foreclosure, and assignment of leases and rents. Lastly, based on state law, FSA-2029D or FSA-2029M may contain additional state applicable provisions.

The agency requires that FSA-2029D or FSA-2029M, as appropriate under State law, be executed to establish the agency’s lien against the property when a loan will be secured by real estate. In addition, when the applicant does not have the required amount of security for the proposed loan, the agency accepts real estate pledged by a third party as security for the loan.

In most cases, the applicant is the owner of the property. In limited cases, the property may be jointly owned by the applicant and another party, in which case both the applicant and the third party are required to execute FSA-2029D or FSA-2029M for the agency to obtain a valid lien on the property.

It is estimated that < 10 FSA-2029D or FSA-2029M will be executed for loan making purposes. The agency estimates that applicants will spend an average of 30 minutes each reviewing and executing FSA-2029D or FSA-2029M and approved under OMB Control Number 0560-0237.

**FSA-2041 “Assignment of Proceeds from the Sale of Products” and  
FSA-2042 “Consent to Payment of Proceeds from Sale of Products” and**

### **FSA-2043 “Assignment of Proceeds from the Sale of Dairy Products and Release of Security Interest”** 7 CFR 764.402

At, or before loan closing the agency requires all necessary signatures to obtain the required security interest in the collateral. In addition to executing a financing statement or real estate mortgage/deed of trust, as appropriate, the agency may require an assignment or consent to payment from proceeds to ensure that proceeds from the sale of security or products is submitted to the agency.

FSA-2041 is executed by applicants or borrowers to provide an assignment of proceeds from the sale of products to the agency when the agency does not have a lien on the products. FSA-2041 enables the purchaser of the products to directly submit sale proceeds to the agency. FSA-2042 is executed by applicants or borrowers to provide consent to payment of proceeds from the sale of products to the agency when the agency has a perfected lien on the products. FSA-2043 is used to authorize FSA to take an assignment on the Seller’s proceeds from the sale of dairy products.

Information collected on FSA-2041, FSA-2042, and FSA-2043 includes the applicant’s name and address, the purchaser’s name and address and provides a written record of the agreement reached between the parties for the disposition of the proceeds. The agency uses the information provided on these forms to ensure the applicant has adequate repayment ability for the loan. It is estimated that < 10 borrowers will complete either FSA-2041 or FSA-2042, as appropriate, and < 10 borrowers will complete FSA-2043 (for borrowers operating a dairy). Similarly, less than 10 purchasers will complete three FSA-2041s or FSA-2042s, and less than 10 dairy purchasers will complete three FSA-2043s. The agency estimates that it takes 20 minutes for each borrower, as well as purchaser, to complete the required forms, as appropriate.

### **FSA-2313 “Notification of Loan Approval and Borrower Responsibilities”**

7 CFR 764.401(a)

When the agency approves a loan request, the applicant must read and agree to the loan approval conditions by executing FSA-2313. Information contained on FSA-2313 includes the amount of the loan, loan term, interest rate and any other conditions required for loan approval. It is estimated that FSA-2313 will be executed by 2,920 applicants annually. Each will spend 20 minutes reviewing and executing FSA-2313. The form is approved under OMB Control Number 0560-0237.

### **FSA-2360 “Report of Lien Search”**

7 CFR 764.402(c)

For loans that will be secured by chattels, the agency requires that a lien search be completed to ensure the agency will obtain the required lien priority. In most cases, agency employees complete the lien search; however, attorneys may be used to conduct the lien search. The agency estimates that 108 attorneys will each complete one FSA-2360 and it will take 30 minutes to complete it.

### **FSA-2370 “Request for Waiver of Borrower Training”**

7 CFR 764.453

Applicants requesting an initial loan from the agency will complete FSA-2370 and provide appropriate documentation needed for the agency to determine training needs. Specifically, applicant must submit evidence of successful completion of financial or production courses, or evidence which demonstrates to the agency's satisfaction the applicant's experience and training necessary. For ML applicants, this description of their experience and training will already be a part of the ML application form and applicants can make reference to that information to avoid duplication of efforts. Additionally, beginning farmers will benefit from the modified alternatives for meeting the managerial experience requirement by allowing applicants to gain experience while managing their own farm. On the ML application form, the applicant may provide a written description of the apprenticeship relationship (planned or current), or will provide a written description of their past affiliations with an agriculture-related organization explaining how the experience will contribute to the success of managing their own farm operation.

The agency estimates that 5,034 ML applicants will apply annually and all are expected to request this waiver. It is estimated that 5,034 applicants will spend 30 minutes each completing FSA-2370 and submitting the documentation required. The FSA-2370 is approved under OMB Control Number 0560-0237.

#### **FSA-2371 "Agreement to Complete Borrower Training"**

7 CFR 764.452(b), (c), and (d); 7 CFR 764.454

When the agency determines, based on the evaluation of the applicant's documentation of training and experience, the applicant will benefit by attending borrower training, the agency requires applicants to execute FSA-2371 agreeing to complete financial management, production, or both training, as appropriate. All applicants executing FSA-2371 must complete the training within 2 years. It is estimated that 1660 applicants will each spend 15 minutes reviewing and executing FSA-2371.

#### **FSA-2376 "Borrower Training Course Evaluation"**

7 CFR 764.454(d)

Upon completion of a required borrower training course, the borrower completes an evaluation of the course using FSA-2376. The borrower submits the completed form to the vendor for submission to the agency. This evaluation is used by the agency to ensure that the training course is meeting the planned objective and that the vendor is fulfilling the requirements established in their agreement with the agency. It is estimated that 801 borrowers will each spend 23 minutes completing the evaluation.

### **Non-Forms**

#### **Entity Information with Microloan Application**

7 CFR 764.51(b)(2)

Entities applying for agency loans must provide copy of the entity's charter, articles of incorporation and bylaws, evidence of current registration and a resolution adopted by the Board of Directors or entity members authorizing the entity to apply for and obtain the loan. Only new entities that have not obtained a loan from the agency are required to provide this information.

The agency estimates this number to be < 10 each year and it takes 15 minutes for each entity to provide copies of the above documents.

### **Documentation Other Credit is Not Available**

7 CFR 764.51(b)(6); 7 CFR 764.101(e)

MLs require documentation that the applicant and each member of an entity applicant cannot obtain sufficient credit elsewhere on reasonable rates and terms, including a loan guaranteed by the Agency. The applicant must certify in writing on FSA- 2330 that the applicant is unable to obtain sufficient credit, with or without a guarantee, to finance the applicant's actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in, or near, where the applicant resides for loans for similar purposes and periods of time. If, based on evaluation of the application, the authorized agency official determines the applicant may qualify for credit elsewhere the authorized agency official: may request applicant apply for credit from commercial lender and obtain letter of declination; may request applicant apply to additional lenders outside of local community; may pursue market placement according to FLP Handbook 2-FLP, paragraph 72. We anticipate that many of our new and existing ML applicants will not have large enough operations or loan requests to be of interest to commercial lenders.

It is estimated that < 10 applicants will spend 60 minutes each complying with and/or submitting required documentation to the agency.

### **Copy of Legal Description of Property to be Purchased, Leases, or Other Agreements**

7 CFR 764.51(b)(10)

For some ML applicants, part of a complete application will include a copy of the legal description of the property, leases for rented land, or other agreements that are needed to effectively evaluate the loan request. For example, a copy of the lease is needed if the applicant is requesting a term ML to finance improvements to leased land to ensure the term of the lease exceeds the proposed loan term. The legal description of the property may be needed if real estate security is being used to further-secure an ML to meet the security requirements. It is estimated that 2,517 applicants will spend 15 minutes each submitting copies of this information

### **Additional Information Needed to Evaluate Loan Application**

7 CFR 764.51(c)(3).

In some instances, the agency may require any additional information needed to effectively evaluate the loan application. It is impossible to list all potential information that would be needed from each and every applicant. In most cases, this will be limited to providing the agency with a copy of documents, such as a divorce decree, information pertaining to child support or alimony paid or received, or copy of driver's license or other documents if required under State law.

Collection of information under this requirement will be limited to only those items that potentially impact the applicant's cash flow projections or are needed to ensure the agency obtains a legally enforceable lien on the proposed loan security. It is estimated that 146

applicants will spend 15 minutes each providing copies of the appropriate documentation to the agency.

### **Citizenship Status Documentation**

7 CFR 764.101(c)

Applicants certify as to their citizenship status on FSA-2330. Sections 302, 311, and 321 of the Act provide that applicants for agency loans must be United States citizens. Further, provisions of the Personal Responsibility and Work Opportunity Act of 1996 (8 U.S.C. 1611) require that recipients of Federal benefits be U.S. citizens, U.S. non-citizen nationals, or qualified aliens. Applicants who identify themselves as non-citizen nationals or qualified aliens must submit copies of supporting documentation to establish their eligibility. It is estimated that < 10 applicants will spend 15 minutes each submitting copies of the required documentation to the agency.

### **Copy of Property or Hazard Insurance, or Crop Insurance Policies**

7 CFR 764.108(a), (c), and (d)

Prior to loan closing, the applicant must provide copies of property or hazard insurance, or crop insurance policies, as appropriate, covering loan security, as loss or damage to the security property would jeopardize repayment of the loan and adversely impact the agency's financial interest. A copy of the applicable insurance policy is necessary to ensure the agency is listed as loss payee or beneficiary on the insurance policy.

It is estimated that:

- 1,238\* applicants will submit a copy of property or hazard insurance policy
- 1,765\* applicants will submit a copy of crop insurance policy

**Note:** \* The agency estimates that applicants may have to provide copies of one or two types of insurance, based on the loan requested and the security offered.

Further, the agency estimates it will take 15 minutes to provide the appropriate copy.

### **Circumstances beyond Borrower's Control for not Completing Borrower Training**

7 CFR 767.454 (a) (1 thru 3).

If the Agency requires an applicant to complete training, at loan closing the applicant must agree in writing (FSA-2371) to complete all required training within two years. Applicants required to take training as a result of a 2-year OL term limit waiver must complete the required training within 1 year. The Agency will grant a one-year extension to complete training if the applicant is unable to complete training within the 2-year period due to circumstances beyond the applicant's control. These circumstances can be explained by the borrower in a written or oral format; supporting documentation may be requested by the approval official. The Agency will grant an extension longer than one year for extraordinary circumstances as determined by the Agency. FLC or designee must approve extensions in excess of 1 year in writing. It is estimated that 78 borrowers will spend 15 minutes each submitting this information to the agency.

### **Direct Travel Time**

The agency estimates that applicants and borrowers required to provide information under this information collection docket will travel twice, once to the agency office complete the application process and a second time to the closing agent's office to complete loan closing, or if loan closing is completed by an agency employee to the agency office. Therefore, the agency estimates that each visit will require one hour per visit (3,781 respondents x 1 hr per visit x 2 visits) and this information collection docket imposes on the respondents 7,562 hours of travel time.

**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 decisions for adopting this means of collection. Also describe any consideration of information technology to reduce burden.**

Information collections obtained using agency forms may be submitted electronically provided the applicant has obtained and activated a USDA account with Level 2 access that allows for electronic submissions. All forms that the applicant has to complete in their entirety, or review and execute, are posted on the e-Gov website at <http://www.sc.egov.usda.gov>. For forms the applicant is required to complete in their entirety, the fillable version of the form, as well as detailed instructions on completing the form, are included on the e-Gov website. Forms prepared by the agency, that the public simply reviews and signs, are also provided on the e-Gov website. However, in lieu of detailed instructions for completing those forms, the instructions simply state that the forms are provided on the website for information purposes only.

Non-form information collections require providing copies of documents in the applicant's possession or providing written replies to agency requests or offers. Non-form collections, as well as all agency forms, may be submitted in person at the local agency office, by mail, or by facsimile. Further, applicants with established Level 2 accounts may provide non-form information collections as any kind of non-executable attachments, such as PDF, doc, xls, or text formats.

Even though forms are available on the e-Gov forms website, public input on this information collection package indicated that very few applicants and borrowers utilize this option. Most respondents stated that they obtain and return forms and non-forms to the agency office as they feel a person-to-person meeting is beneficial. The information required from applicants and borrowers is mainly financial in nature, and farmers are not comfortable with providing it through electronic means, notwithstanding the adequacy of agency security safeguards in place. Most of the agency's applicants and borrowers reside in rural areas, which often do not have access to high speed internet connection. Moreover, applicants and borrowers often seek additional clarification and explanation of the requirements, as well as explanation of the consequences of not complying with the requirements, from agency officials.

Currently, the agency can only accept forms electronically from individual applicants. Electronic signature authentication for entity borrowers is not currently available; however, the agency is anticipating that this option will be available in the near future, provided adequate appropriations are received from Congress to ensure that appropriate system security safeguards are met. Further, the agency is currently exploring options available for applicants and borrowers to respond to, and provide information to, agency-initiated actions. This option will

allow the agency to pre-fill forms with information already in its possession, as there are several instances in the loan making process where the agency completes part of the information collection instrument and provides it to the applicant to review and execute. In turn, when this option becomes available, the agency may initiate interactions and transactions that only require the applicant or borrower's review and approval or disapproval, as in those situations the applicant or borrower may not need to visit the agency office to complete the transaction.

Lastly, even though USDA and the agency have publicized and provided information in outreach materials, during stakeholder meetings, as well as agriculture-related meetings and symposiums, on the option to provide information electronically, applicants and borrowers still prefer going to the agency office to obtain forms and information on how to apply for loans and servicing than obtaining forms and information from the internet. Therefore, the agency estimates that less than one percent of responses will be provided through the internet.

As noted above, electronic signature authentication is currently limited to applicants and borrowers who have obtained and activated a USDA account with Level 2 access. Therefore, all third parties (including lenders, providers of borrower training, etc.) that provide information to the agency on behalf of the applicant or borrower do so in paper format, as they cannot submit information electronically nor is there the ability to provide all third parties with a USDA account with Level 2 access.

**4. Describe efforts to identify duplication. Show specifically why similar information already available cannot be used or modified for use for the purposes described in Item 2 above.**

Agency personnel, with expertise in making loans, have reviewed the information collections required under this CFR part to eliminate any duplicative or unnecessary collections of information. The new ML application form consolidates onto this one form information that is normally provided over several other forms with the regular FLP application process; these other forms are not part of the ML application process but can be used if the format is useful to applicants for providing more detail than the shortened ML application form permits. The information contained in this collection is made part of the case file and, when reasonably current, may be used in lieu of re-submission by the applicant. However, financial information that is collected at another time may be dated and not useful for the specific action being considered.

Various program areas within the agency share data; however, information collections established in this regulation would typically not be available from another agency. Therefore, the potential to share data with other USDA agencies is limited.

**5. Methods to minimize burden on small businesses or other small entities (Item 5 of OMB Form 83-I), describe any methods to minimize burden.**

The agency has made every effort to minimize burden on small businesses and small entities. The agency only requires collection of information when necessary to act on an applicant or borrower's request for assistance. The information required by this regulation is financial in nature and similar to that required to complete Federal tax returns, make business decisions or to obtain a loan from any commercial lender. Thus, it places no additional burden on small businesses above that required in the normal course of business.

**6. Describe the consequences to Federal program or policy activities if the collection is not conducted or conducted less frequently, as well as any technical or legal obstacles to reducing burden.**

Since the agency is mandated to provide supervised credit, failure to collect the information, or collecting it less frequently, could result in the failure of the farm operation or loss of agency security property. The collection of information is required as a result of an applicant's specific request, is obtained on an as-needed basis, and is used to document the applicant's eligibility for the requested loan. Accurate decisions when making a loan depend on current financial information and actual history and potential of the farming operation in order to carry out the program as intended. The reporting requirements for the ML application, farm assessments, and Year End Analyses have been significantly streamlined compared to FSA's existing OL process. There is no regular reporting schedule related to the information collection requirements in this CFR part. If the information were not collected, or collected less frequently, the agency would be unable to meet the congressionally mandated mission of its loan programs.

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

- a. Requiring respondents to report information more frequently than quarterly. There are no information collection requirements that require information more frequently than quarterly.
- b. Requiring written responses in less than 30 days. There are no information collection requirements that require written responses in less than 30 days.
- c. Requiring more than an original and two copies. There are no information collection requirements that require more than an original or single copy of a document.
- d. Requiring respondents to retain records for more than 3 years. There are no such requirements.
- e. No utilizing statistical sampling. There are no such requirements.
- f. Requiring the use of statistical sampling which has not been reviewed and approved by OMB. There are no such requirements.
- g. Requiring the pledge of confidentiality. There are no such requirements.
- h. Requiring submission of propriety trade secrets. There are no such requirements.

**8. Describe efforts to consult with persons outside the Agency to obtain their view on the availability of data, frequency of collection, the clarity of instructions and record keeping, disclosure, or reporting format (if any), and on data elements to be recorded, disclosed, or reported.**

The 60 day comment period was incorporated into the proposed rule and published into the Federal Register to solicit public comments to renew the information collection by incorporating it into the existing approval of 0560-0237-Direct Loan Making Program.

On May 25, 2012 (77 FR 31220), the agency published a notice regarding its intention of requesting OMB for a new information collection and inviting comments. There were a couple of comments concerning the collection of information in general, but there were no specific comments concerning the new ML application. The comments included the following issues:

1. Requiring a mentor to sign the application,

2. Requiring the applicants to provide a minimum of 3 years tax return and other information;
3. Allowing a consigner on the security requirement;
4. Requiring additional documentation from the entities, and entities should not be part of the ML;
5. Requiring applicant to provide additional information;
6. Targeting Beginning Farmers and Socially Disadvantaged Applicants for ML application,
7. Not requiring yields or yield history from new applicants, and
8. Removing Lo-docs OL application process.

Those comments were discussed in the final rule; however, there are no changes to the ML information collection request. The comments were also of a positive nature and the anticipated reduction of paperwork burdens. Also, several commenters strongly encouraged FSA to establish the online ML application which is underway.

FSA maintains close contact with borrowers through FSA's general field representatives (GFR) and a headquarters' staff. GFR's have direct personal contact with the applicants in connection with the fulfillment of FSA requirements. GFR's pass on any substantive comments to the headquarters staff. Staff is readily available to assist/help the Agency's customers. FSA works closely with lending institutions and a nationwide network of lending institutions as part of the Farm Credit System, which provides supplemental loan funds to borrowers.

Suggestions and comments are always considered by the Agency and FSA remains committed to pursuing further reductions in both the burdens placed upon our borrowers/customers and the total volume of regulations imposed.

FSA has a website containing general information about the Agency, specific information about the major programs administered by the Agency; a directory of various program staff and how to communicate with them; many Agency regulations, forms, and bulletins; and links to other relevant sites.

**9. Explain any decision to provide any payment or gift to respondents, other than remuneration of contractors or grantees.**

There are no payments or gifts provided to respondents.

**10. Describe any assurance of confidentiality provided to the respondents and the basis for the assurance in statute, regulation, or Agency policy.**

Agency forms that serve as collection instruments contain a Privacy Act statement identifying circumstances under which the information collected may be released. This statement is based on the Privacy Act, the Freedom of Information Act and the Agency's System of Records that has been published in the Federal Register. Agency policies, as well as a copy of the System of Records, are published in FSA handbooks 2-INFO and 3-INFO. No further assurance of confidentiality is provided to applicants or borrowers.

**11. Provide additional justification for any question of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private.**

The information collected is of a financial nature. As a condition for the receipt of program benefits, respondents must provide total disclosure of income data and a history of their business dealings that is often considered sensitive. Regardless, the information is required to properly document FSA’s decision pertaining to loan making and servicing actions.

**12. Provide estimates of the hour burden of the collection of information.**

The estimate of hour burden of the information collections is as follows:

Total Number of Unduplicated Respondents.....	5,142
Reports Filed Per Person.....	5.71
Total Annual Responses.....	29,372
Total Annual Burden Hours (includes 7,562 hrs travel time).....	22,045
Average Burden Per Collection.....(22,045/29,372 = 0.75 hrs).....	38 Minutes
Per Respondent.....(22,045/5,142 = ).....	4.29 Hours

The estimate of annual cost for the information collections is as follows:

Respondent’s Cost per Hour -	Farmers-Applicants	\$31.71
-	Business-Lenders/Agents	\$30.39
Total Annual Respondent Cost	Farmers	21,884 Hrs. x \$31.71 = \$695,654
	Business	54 Hrs. x \$30.39 = \$ <u>1,641</u>
	Total	= \$697,295

Respondent cost per hour was derived by using U.S. Bureau of Labor Statistics Occupational Employment and Wages, May 2010, Table 11-9013-Farmers and Ranchers, and Other Agricultural Managers. The U.S. mean hourly wage for this group is \$31.71 hourly and \$65,960.00 annually, as measured by the Bureau of Labor.

Respondent cost per hour was derived by using U.S. Bureau of Labor Statistics Occupational Employment and Wages, May 2010, Table 13-2072-Loan Officers. The U.S. mean for loan officers income, as measured by the Bureau of Labor is \$65,900 annually or \$30.39 hourly.

The final rule will govern the processing of MLs and requires these collections. The agency estimates a maximum of 2,920 loans will be made each fiscal year using the ML application process. Cost per hour for all respondents was derived from the U.S. Department of Labor’s Occupational Employment and Wages, May 2010, tables which are found at the Bureau of Labor Statistics website at <http://stats.bls.gov/oes>.

**13. Provide an estimate of the total annual cost burden to the respondents or record keepers resulting from the collection of information.**

The regulation and associated information collections place no burden costs on respondents for capital, start-up, operation, maintenance, or the purchase of services.

**14. Provide estimates of annualized cost to the Federal Government.**

The estimated annual cost to the Federal Government is \$ \$4,537,680.

Agency employees review information provided by sellers, buyers/applicants and third parties and make eligibility and feasibility determinations. The agency estimates that its employees spend 42 hours reviewing, processing and servicing each direct Microloan.

Averaging the GS-9 through GS-12 (2012 RUS-Salary Table) salaries indicates an average employee salary of \$57,468 per year. Standard adjustments recommended by FSA's Budget Division of 33.3% are added for benefits and miscellaneous expenses (\$19,137), for a total average cost for an FLP employee salary of \$76,605 per year, which divided by 2,080 hours equals an hourly salary of \$37.00. (<http://www.opm.gov/oca/12tables/pdf/gs.pdf>.)

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

This is a new information collection.

**16. For collection of information whose results will be published, outline plans for the tabulation and publication.**

The information collections required under this regulation will not be tabulated or published.

**17. If seeking approval to not display the expiration date for the OMB approval of information collection, explain the reasons that display would be inappropriate.**

While agency forms are available electronically at [www.sc.egov.usda.gov/](http://www.sc.egov.usda.gov/), hard copies of each form are also maintained in State and County Offices. Displaying the expiration date results in the need to dispose of existing supplies and reprinting of the forms with the new expiration date each time the approval is renewed. This increases printing costs for the agency and results in the need to revise forms posted to the website.

**18. Explain each exception statement to the certification statement identified in Items 19 and 20 on OMB Form 83-I.**

There are no exceptions requested.

**19. Explain how this information collection relates to the Secretary of Agriculture's Service Center Implementation Team initiative.**

Agency employees collect the required information from the borrower. Information collected is program specific and would not be part of one-stop shopping, except for basic information dissemination between Service Center agencies. Employees utilize information already available at the Service Center and work directly with other FSA programs and USDA agencies to minimize the amount of information collected from borrowers. Information collected is stored at the Service Center.