

SUPPORTING STATEMENT
U.S. Small Business Administration
Paperwork Reduction Act Submission for
Microloan Program
(Microloan Program Electronic Reporting System)
OMB Control Number 3245-0352.

JUSTIFICATION

1. Circumstances Necessitating the Collection of Information

Explain the circumstances that make the collection of information necessary. Identify any legal or administrative requirements that necessitate the collection. Attach a copy of the applicable section of each statute and regulation that mandates or authorizes the collection of information

Section 7(m) of the Small Business Act (15 U.S.C. 636(m)) authorizes the Small Business Administration to make direct loans to eligible intermediaries for the purpose of providing loans up to \$50,000 to startup, newly established, or growing small business concerns for working capital or the acquisition of materials, supplies, or equipment. Section 7(m) also authorizes SBA to make grants to these intermediaries to provide small business borrowers with technical assistance. SBA uses the Microloan Program Electronic Reporting System (MPERS) to gather certain information regarding the loan transactions between the intermediaries and the borrowers, as well as the technical assistance that the intermediaries provide to them.

This information collection is also necessary for SBA to meet requirements imposed by § 4(b)(3) of the Small Business Act (Risk Management Database); the Federal Managers Financial Integrity Act (FMFIA) codified at 31 U.S.C. 3512 *et. seq.*; and OMB Circulars A-123 (Management's Responsibility for Internal Controls) and A-129 (Policies for Federal Credit Programs and Non-tax Receivables).

Proposed Revisions

This submission includes several modifications to the information collection. The changes are necessary to better monitor and report the effectiveness of training and technical assistance provided using grant funding and to better measure and report outcome data related to the Microloan Program. Section 4.2 of the MPERS Lender's User Manual (Attached) outlines the new data elements:

- Pages 61-62: Participant email address, business formation date, and business status (pre-startup, startup, or existing). These fields allow SBA to better monitor the effectiveness of training and technical assistance and better report business information.
- Pages 64-65: Gross annual revenues and total number of FTEs as of intake. These fields allow SBA to better measure and report outcome data related to the Microloan Program. Data is collected at intake (the microloan intermediary's first interaction with the participant and then again when the microloan is paid-in-full (see new collections on page 73 below).
- Page 73: Currently in business indicator (yes/no), gross annual revenues, and actual jobs created/retained. These fields allow SBA to better measure and report outcome data related to the Microloan Program.

In addition to the new fields discussed above, the modifications also include the electronic collection of technical assistance data and the Microloan Revolving Fund (MRF)/Loan Loss Reserve Fund (LLRF) Status Report. While these reports are not required to be done

electronically, these enhancements to MPERS provide a useful tool to the microloan intermediaries to keep track of technical assistance provided. Additionally, microloan intermediaries that choose to submit the MRF/LLRF Status Report electronically will benefit from pre-populated fields that reduce the reporting burden.

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 information collected is used by SBA staff, program managers, and Agency management for intermediary selection, loan monitoring, portfolio risk management, and lender oversight. These groups use the data to ensure that the Microloan Program meets the needs of various geographical, demographical, and industry markets and segments and to evaluate the safety and soundness of the Microloan Program and its policies. SBA also uses the information to report to its various oversight authorities regarding the number, dollar volume, and portfolio payment performance of its microloan borrowers.

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.

MPERS collects data electronically using an internet based system that provides data directly to an SBA data base from the point of entry at the intermediary's lending site. By providing an alternative to paper-based reporting, MPERS eases the reporting burden and associated costs for the intermediaries and improves information management and portfolio management.

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 collection is unique to the individual intermediary and microborrower and the circumstances and conditions of the borrower's business operation. There are no other sources of information that are currently available that would meet SBA's purposes. In updating the electronic reporting submission, SBA sought to minimize the burden on microloan intermediaries by limiting the amount of documentation required of the intermediary and the amount of information that the intermediary must transmit to SBA.

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.

This information collection does not directly impact small businesses or other small entities other than the microloan intermediaries through which the Microloan Program is facilitated. The MPERS modifications regarding technical assistance discussed above further reduces hour and cost burden for the intermediaries by automating additional reporting that was formerly submitted on paper. This information collection will not have a significant economic impact on the microloan intermediaries.

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.

The information to be collected is important because it enables the Agency to monitor program outputs and outcomes that were previously not collected or that were collected via paper-based submissions. The ability to collect this information in MPERS improves the effectiveness of the Microloan Program and allows the Agency to ensure it is meeting its statutory goals.

7. Existence Of Special Circumstances

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

SBA collects business information on the small business concerns that receive microloans with Microloan Program loan proceeds. SBA maintains the confidentiality of such information to the extent permitted by law, including the Freedom of Information Act (5 USC 552) and other related Federal laws.

Additionally, SBA requires that intermediaries submit microloan data to SBA within seven (7) days of the loan's closing. To remain fully abreast of the financial condition of the loan portfolio originated by the microloan intermediary participants, it is imperative that SBA require initial submissions of loan data within 7 days of the loan's closing. This ensures that SBA maintains integrity over the use of proceeds from the loan between SBA and the microloan intermediary.

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.

A 60 day comment notice was published in the Federal Register on July 24, 2012 at 77 FR 43410. 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.

MPERS includes a statement regarding the extent to which personal and confidential information will be protected pursuant to, in particular the Freedom of Information Act, 5 USC 552 and the Privacy Act, 5 USC 552a.

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.

SBA collects information on a small business borrower's ethnicity, race, gender, disability, veteran status, business revenue, and business income. The Agency collects this demographic and financial information to assess the extent to which the program assists all demographics and to assess the extent to which the program improves the financial health of the small businesses it serves. Such sensitive information is available only to Agency personnel with appropriate security protections. SBA maintains a Privacy Act system of record, SBA -21, to safeguard personal information collected in connection with the Agency's loan programs when such information is used to retrieve the loan file/record. A copy of this notice, as amended on 3/16/2012 and 10/9/2012, is attached.

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.

This information collection applies to the approximately 170 microloan intermediaries that participate in SBA's Microloan Program. The estimated burden hours and costs for each reporting requirement are as follows:

MPERS: Electronic Loan and Technical Assistance Data. The estimated burden hours are 6 hours annually times 170 intermediaries, or 1020 total hours. These burden hours include:

- Intermittent Portfolio Identification Reports. The estimated burden hours are based on approximately 3800 microloan borrowers in any given year. It is estimated that intermediaries will spend approximately 10 minutes for data input of each microloan, or approximately 4 hours per intermediary annually. Based on a GS-7 annual salary, the hourly rate is \$16.28. The annual cost to respondents is 680 hours x \$16.28 per hour = \$11,070.40, or \$65.12 per intermediary.
- Quarterly Portfolio Status Reports. The estimated burden hours are based on 4 quarterly updates per intermediary, or 680 Portfolio Status Reports annually. It is estimated that intermediaries will spend approximately 30 minutes for data input of each loan status per quarter, or 2 hours annually. Based on a GS-7 annual salary, the hourly rate is \$16.28. The annual cost to respondents is 340 hours x \$16.28 per hour = \$5,535.20, or \$32.56 per intermediary.
- Quarterly MRF/LLRF Status Reports. The estimated burden hours are based on 4 quarterly reports per intermediary, or 680 MRF/LLRF Status Reports annually. It is estimated that intermediaries will spend approximately 1 hour per quarter, or 4 hours annually. Based on a GS-11 annual salary, the hourly rate is \$24.10. The annual cost to respondents is 680 hours x \$24.10 per hour = \$16,388, or \$96.40 per intermediary.
- Technical Assistance Data. The estimated burden hours are based on 4 quarterly submissions per intermediary, or 680 technical assistance data submissions annually. It is estimated that intermediaries will spend approximately 2 hours per quarter, or 8 hours annually. Based on a GS-11 annual salary, the hourly rate is 24.10. The

annual cost to respondents is 1360 hours x \$24.10 per hour = \$32,776, or \$192.80 per intermediary.

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.

There will be minimal start-up or other costs to the respondents.

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 cost to government is approximately \$131,512 annually.

To analyze reporting submissions, the estimated annual cost to the Federal government would be approximately 2720 hours of financial analyst time to review quarterly report submissions in MPERS (4 hours per quarter per intermediary). Based on a GS-13, Step 5 annual salary, the hourly rate is \$48.35. The annual cost for the financial analyst review is equal to 2720 hours x \$48.35 per hour = \$131,512, or \$773.60 per intermediary annually.

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.

This submission includes higher estimated hours than previous burden estimates because loan volume has increased and also due to an adjustment in hours previously underreported.

16. Collection of Information whose Results will be Published.

For collection of information whose results will be published, outline plans for talulation and publication. Address complex analytical techniques. Provide time schedules for the entire project.

Only summary data will be published. This will be in the course of providing information to Congress, Agency leaders, constituent organizations, and others that will be interested in SBA reports. SBA does not anticipate publishing information beyond summary data.

17. Expiration Date for Collection of this Data

If seeking approval to not display the expiration date for OMB approval of the information collection, exclaim 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.