

Supporting Statement  
U.S. Small Business Administration  
Paperwork Reduction Act Submission  
All 7(a) Loan Programs  
(OMB Control # 3245-0348)

This information collection is currently approved for use in all of SBA's 7(a) Loan Programs . The collection consists of SBA Forms 1919, 1920, and 2237. As discussed below, SBA is revising this information collection to conform to changes to the final rule governing the 7(a) and 504 loan programs.

**1. Form 1919, Borrower Information Form**

This form collects identifying information regarding the applicant, loan request, indebtedness, information about the principals, information about current or previous government financing, and certain other disclosures. The information also facilitates borrower background checks as authorized by the Section 7(a)(1)(B) of the Small Business Act, 15 U.S.C. 636(a)(1)(B).

Changes:

There are changes to this form as a result of the rule.

**2. Form 1920, Lender's Application for Guaranty for All 7(a) Programs**

Changes:

Currently, Form 1920 asks the lender to provide information related to the borrower's personal resources. With the removal of the Personal Resources Test in the new rule, Form 1920 will no longer collect that information; therefore, SBA has removed the section titled "Utilization of Personal Resources Test." SBA also made a minor change to the Use of Proceeds by combining *Purchase Furniture and Fixtures and Purchase Equipment* into one purpose titled *Purchase Furniture, Fixtures or Equipment (FFE)*.

**3. Form 2237, 7(a) Loan Post Approval Action Checklist:**

This form is completed by the Lender and submitted to SBA for post-approval changes such as a change in the approval amount or notification that the loan approval has been cancelled.

Changes:

No changes are being proposed to this form at this time.

**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(a) of the Small Business Act , (15 U.S.C. § 636(a)) authorizes the Small Business Administration to guarantee loans made by banks or other financial institutions to qualified small

businesses for the purposes of “plant acquisition, construction, conversion, or expansion, including acquisition of land, material, supplies, equipment, and working capital.” (See attached copy of this provision).

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) require a federal agency to evaluate the character and performance of individuals participating in its federal credit programs. (A copy of the relevant portions is attached).

This information collection facilitates SBA’s ability to carry out these authorities or responsibilities.

## **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 program managers, top Agency management, and government entities with oversight authority over SBA primarily for loan monitoring, portfolio risk management, and lender oversight. These groups use the data to determine how effectively SBA’s loan programs are meeting the needs of various geographic, demographic, and industry markets and segments; the safety and soundness of SBA’s loan policies and procedures; and as a factor in developing the subsidy model and determining program fees. SBA also uses the information to report to its various oversight authorities regarding the number, dollar volume, and demographic characteristics of its 7(a) loan guaranty recipients.

## **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.*

Lenders currently submit the data collected via E-Tran (an electronic submission methodology), e-mail or through a website to a centralized and automated SBA processing center.

## **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 collected is unique to the individual applicant and the circumstances and conditions of its business operation, so there are no other sources of the information nor is it currently available electronically. In developing the forms, SBA sought to minimize burdens by primarily considering for collection, data that lenders already collect. Additionally, as noted above, the application process has been streamlined for both borrowers and lenders in an effort to move forward to a totally electronic and uniform application for all parties. This reduces lender processing costs, particularly for very small loans. The Agency, therefore, went to great lengths

to minimize data collection and to avoid duplicate data collection. We note that the private sector's development of electronic data transfer software also reduces duplication of effort.

#### **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-I), describe any methods used to minimize burden.*

This information collection impacts 7(a) lenders as well as 7(a) borrowers. The Agency is aware that data collection affects the cost of processing loans, particularly for very small loans, and on a per dollar basis can be as prohibitive for large lenders as it is for small lenders. SBA worked very carefully with large and small lenders to minimize and streamline data collection without sacrificing function. These same efforts have also reduced the collection of data from the Agency's principal constituency, small business borrowers.

#### **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.*

Failure to collect the information contained in the forms may compromise the effectiveness of the programs, SBA's recoveries, and the program's contribution to improving the nation's economy. SBA is responsible for providing small business access to capital in an efficient and timely manner, while maintaining its fiduciary responsibility to the taxpayer. This collection of information facilitates SBA's ability to fulfill those responsibilities by providing the information needed by SBA to monitor and analyze loan and lender data trends and risks. This minimal reporting is a critical means of controlling the additional risk that SBA assumes in delegating authorities and expediting processing. SBA collects data to allow lenders and borrowers to modify significant loan terms as needed after the loan is approved, such changes can significantly modify SBA's position and increase the potential for loss. Real-time monitoring allows for early warning triggers that indicate an increase in risks, and assist the Agency to identify where its resources should be employed to mitigate risks and ultimately reduce potential loan losses.

#### **7. Existence Of Special Circumstances**

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

Lenders submit loan data to SBA for its loan guaranty approval on a loan by loan basis. Because lenders want SBA to approve loans on a rolling basis, they submit this information more than once a quarter. Some of the data collected includes business information. SBA has procedures to protect the information's confidentiality to the extent permitted by law. This information can be accessed only with the approval of the Office of Financial Assistance Technology Project Manager.

#### **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.*

On February 25, 2013, SBA published a proposed rule, 504 and 7(a) Loan Programs Update, in the Federal Register at 78 FR 12633, which solicited comments from the public on the proposed changes to this information collection.

### **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.*

The information collected is protected to the extent permitted by law. SBA has incorporated various statements required by law and executive orders into Form 1919 to advise each respondent of among other things, the protections against disclosures of sensitive and confidential information under the “Freedom of Information Act (5 U.S.C Section 552), “Right to Financial Privacy Act of 1978 (12 U.S.C. Section 3401), and other significant executive orders or legislation governing federal financial assistance.

### **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 social security numbers and information on a borrower’s ethnicity, race, and criminal records. The social security number is the unique identifier associating a person with a specific loan. SBA also uses social security numbers to facilitate critical credit searches in the federal databases listing defaulted loans, in consumer credit databases and in fraud detection systems. SBA collects demographic information to assess the extent to which SBA’s loan programs assist all demographics. SBA maintains a Privacy Act System of Records governing the disclosure of an individual’s loan related personal information. See attached Federal Register Notice for SBA-21, Loan System, at 74 FR 14890 (April 1, 2009) as amended by notices published at 77 FR 15835 (3/16, 2012) and 77 FR 61467 (10/9/2012).

### **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.*

The estimated burden hours and costs for each form are as follows:

Form 1919: Borrower Information Form – 9 minutes. The estimated burden hours are 45,000 applications x 9 minutes divided by 60 minutes or 6,750 hours. Based on a GS-11 loan officer's annual salary, the hourly rate is \$26. The annual cost to respondents would be 6,750 hours x \$26 per hour = \$175,500.

Form 1920: Lender's Application for Guaranty for All 7(a) Programs – 26 minutes. The estimated burden hours are 45,000 applications x 24 minutes divided by 60 minutes or 19,500 hours. Based on a GS-11 loan officer's annual salary, the hourly rate is \$26. The annual cost to respondents would be 18,000 hours x \$26 per hour = \$468,000.

Form 2237: 7(a) Loan Post Approval Action Checklist – 5 minutes. The estimated burden hours are 20,000 applications x 5 minutes divided by 60 minutes or 1,667 hours. Based on a GS-11 loan officer's annual salary, the hourly rate is \$26. The annual cost to respondents would be 1,667 x \$26 per hour = \$43,000.

### **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 is no appreciable cost burden other than as reported in number 12 above.

### **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.*

For 100% of the applications, the information contained in Form 1919 and 1920 is submitted electronically to SBA; the related cost for this collection of information is minimal.

For servicing actions using Form 2237, the cost to the Federal Government is approximately \$580,000. This is based on a GS-11 reviewing the request and making a recommendation (including updating the accounting system) which takes approximately 30 minutes and a GS-12 reviewing the recommendation and acting on it which takes approximately 30 minutes. The hourly rate for a GS-11 is \$26. The hourly rate for a GS-12 is \$32. (20,000 submissions x 30 minutes x \$26/hour divided by 60 minutes equals \$260,000. 20,000 submissions x 30 minutes x \$32/hour divided by 60 minutes equals \$320,000.)

### **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.*

### **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.*

Except for summary data that might be included in various agency reports (e.g., number or percentage of loans processed using this form) this information 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.*

There are no exceptions.

**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.