

Supporting Statement for SBA Form 1253
Certified Development Company (CDC) Annual Report Guide
(3245-0074)

Justification

This information collection is currently approved for use in SBA's Certified Development Company (504) loan program. The collection consists of SBA Form 1253 and an exhibit, *Job Creation Calculation for CDCs*, which details the preferred method for reporting jobs data. . As discussed below, SBA is revising Form 1253 to make the changes necessary to conform to recent changes to the 504 loan program regulations. The exhibit has no changes

The changes to SBA Form 1253 include:

- removing the membership requirement;
- requiring that CDCs provide compensation details of staff, officers, directors, board members, and contractors and proof of CDC Directors' and Officers' and Errors and Omissions insurance.
- requiring reports on the CDC's economic investment in each State in which it has an outstanding 504 loan, and compensation paid within the CDC's most recent tax year to current and former officers and directors, and to current and former employees and independent contractors with total compensation of more than \$100,000 during that period; and
- adding an annual certification from the Board of Directors that they have read and understand the requirements set forth in 13 CFR 120.823.

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 appropriate section of each statute and regulation mandating or authorizing the collection of information.

As the sole regulatory oversight agency for Certified Development Companies (CDCs), SBA is responsible for performing the necessary due diligence to assure that CDCs are meeting the regulatory and operational requirements of the CDC program. To facilitate carrying out these responsibilities, SBA requires all CDCs to complete and submit annual reports containing financial statements, operational and management information. Form 1253, Certified Development Company (CDC) Annual Report Guide, outlines the standards for meeting these annual reporting requirements. These requirements are codified in agency regulations at 13 C.F.R. §§ 120.822 through 120.826, 120.829, and 120.830, which were promulgated under the authority of 15 U.S.C. 697.

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 Annual Report Guide is used by all SBA district offices, the 504 Program Branch, Office of Financial Assistance, and the Office of Credit Risk Management to obtain information from CDCs in

regard to their financial condition, their compliance with regulations and the impact of their assistance to small business, as well as to prepare reports to Congress.

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 1253 and the exhibit to the form are available in electronic form on SBA's website at: <http://www.sba.gov/category/type-form/lending-forms> under the "forms" option. Also, CDCs may submit their responses electronically. We are estimating 50% of the Annual Reports will be provided electronically.

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.

SBA has determined that, except for minimal identifying data, the information being requested is not obtainable through other means.

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.

Electronic submission of the annual reports reduces the administrative burden on the CDC as well as the costs of printing and mailing documentation that would be associated with paper submission. This will be the first time we are explicitly allowing the submission of Annual Reports electronically.

6. Consequences if collection of information is not conducted.

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.

This form serves as SBA's primary means of collecting information to assess lender regulatory compliance. CDCs are regulated only by SBA. If the information is not collected it would impact SBA's ability to determine program regulatory and operational compliance.

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.

8. Solicitation of public comments.

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.

Notice and request for public comment was included in the proposed rule *504 and 7(a) Loan Programs Update* that was published on February 25, 2013 at 78 FR 12633. SBA received comments on removing membership as a requirement. Comments were generally in support of this change. Those opposing the comments did so for three reasons: some thought members provided good insight into the local community, the IRS requires non profits be membership based and expansion could be negatively affected. SBA received comments regarding additional requirements for Board of Directors, executive committees and loan committees. These comments were also generally positive. The comments in opposition didn't think the changes went far enough. SBA received comments related to adding insurance requirements. The comments were generally supportive however, there was concern about the increase in cost. SBA has stated in the final rule that it will develop a sliding scale for the insurance requirements to minimize costs to CDC. There were also comments received regarding the affiliation rule. These comments were also generally positive, however a few comments were in opposition of the affiliation rule because of current affiliation with for-profit entities or because of current relationships with other CDCs. The affiliation portion of the proposed rule was held for further study.

9. Payment or gifts.

Explain any decision to provide any payment or gift to respondents, other than re-enumeration 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 will be protected to the extent permitted by law. The CDC's financial data are protected from disclosure under exemptions 4, 6, and 8 of the Freedom of Information Act, 5 U.S.C. 552.

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, the specific uses to be made of the information, the explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their consent.

There are no such questions on this form.

12. Estimates of hourly burden of the collection of information.

Provide estimates of the hour burden of the collection of information. Indicate the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated.

All CDCs must provide an annual report. Currently there are 260 CDCs. SBA has prepared an estimate based on the fact that respondents keep the information requested in the ordinary course of business (all the loan information including jobs created and retained).

SBA estimates the time needed to complete this collection will average 28 hours at \$25.00 an hour, which is the salary of a program analyst with an average salary equal to a GS 9. This is based on the Washington D.C. locality pay.

The estimated **burden hours** imposed by the use of this form are as follows:

The number of respondents annually is 260. There is 1 form per respondent. Time to complete the form is 28 hours. **Total burden hours are 7,280 hours.**

(260 respondents x 1 form per respondent = 260 x 28 hours = 7,280 total annual burden hours)

The estimated **annual cost** to the respondents of this collection would be \$182,000 and is broken down as follows:

260 CDCs per year x 28 hours = 7,280 hrs. to complete @ \$25/hr. = \$182,000.

The burden hour has decreased from the last submission because the number of CDCs has decreased.

13. Estimate of total annual cost burden for submission.

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

There are no start-up or operational costs resulting from this information collection.

14. Estimated annualized costs to the Federal government.

Provide estimates of annualized costs to the Federal Government. Also provide a description of the method used to estimate cost, which should include 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 cost to the Federal Government/SBA:

Analyzing reports: 260 x 1 hour = 260 hours x \$25/hr. = \$6,500.

(\$25.00 an hour, the salary of a program analyst with an average salary equal to a GS 9)

The cost has decreased because the number of CDCs has decreased.

15. Explanation of program changes in Items 13 or 14 on Form 83-I.

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

There are no changes.

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.

From time to time or as part of annual program performance reporting, SBA publishes aggregated data (e.g., number of loans approved; total dollar value of loans approved) based on this information collection.

17. Expiration date for collection of information.

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; no such approval sought.

18. Exceptions to certifications 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; 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.

This collection of information does not employ statistical methods.