

Paperwork Reduction Act Submission
Personal Financial Statement
(OMB Control #3245-0188)

To date SBA has used the same version of Form 413 to collect personal financial information in various programs. SBA has determined that Form 413 in its current format does not adequately meet the needs of the multiple programs. The regulations and other guidance for each affected program (7(a) and 504 Loan Programs and the Surety Bond Guarantee Program (SBG); (ii) Disaster Assistance Loan Program; (iii) the 8(a) Business Development (BD) and Small Disadvantaged Business (SDB) Programs; and (iv) the Women-Owned Small Business (WOSB) Program.), clearly direct the applicants or participants for these programs to submit the Form 413. However, the instructions on the currently approved form regarding who is required to submit it for each program, why that information is necessary, the consequences for submitting false information, and where that information is to be submitted is not as clearly stated. As a result, SBA is revising this information collection by separating Form 413 into four separate forms to better meet the needs of these specific programs.

Revised information collection:

(i) Form 413 - 7(a)/504/SBG, Personal Financial Statement

- No substantive changes to the information currently approved for collection;
- Included the reference to the Surety Bond Guarantee Program to clarify use of existing information collection;
- Removed inapplicable references; and
- Amended the notice regarding consequences for false statements to specify criminal and civil penalties under the False Claims Act, as well as administrative remedies such as suspension and debarment. These are not new penalties. The current iteration only includes a few of the penalties/remedies; this is a more comprehensive notification.

(ii) Form 413 - Disaster, Personal Financial Statement

- No substantive changes to the information collected;
- Certification and other notices amended to remove inapplicable references;
- Clarified who is required to report information and reason for collecting it; and
- Notice regarding penalties for False Claims Act, as well as administrative remedies such as suspension and debarment.

(iii) Form 413 8(a) BD Program/SDB, Personal Financial Statement

- No substantive changes to the information collected;
- Clarified who is required to report information and reason for collecting it;
- Certification and other notices amended to remove inapplicable references; and
- Amended the notice regarding consequences for false statements to specify criminal and civil penalties under the False Claims Act, as well as administrative remedies such as suspension and debarment. See above.

(iv) Form 413 – WOSB, Personal Financial Statement

- No substantive changes to the information collected;
- Clarified who is required to report information and reason for collecting it;
- Certification and other notices amended to remove inapplicable references; and
- Amended the notice regarding consequences for false statements to specify criminal and civil penalties under the False Claims Act, as well as administrative remedies such as suspension and debarment. See above.

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

The Small Business Administration (“SBA”) administers a number of financial and contracting assistance programs. For financial assistance programs authorized by Sec. 7(a) and (b) of the Small Business Act, 15 U.S.C. §631 et seq., and Title V of the Small Business Investment Act of 1958, 15 U.S.C. 695, et seq., SBA regulations require any loan guarantor and individual owners of the small business applicant to submit a personal financial statement to disclose their assets and liabilities. See, 13 CFR 120.191 and 13 CFR 123.6. The information is necessary for the Agency, the participating lender, CDC, or Surety Company to make responsible credit decisions.

For the 8(a) Business Development (BD) Program, Small Disadvantaged Business (SDB) certification and the Women-Owned Small Business (WOSB) Program the information is necessary for SBA to determine if the applicant or participant meets the economic disadvantaged and financial eligibility requirements to participate in the program. SBA regulations at 13 CFR 124.104, 124.112, and 124.1002, as well 13 CFR 127.203 require, among other things, that applicants and participants submit financial information to facilitate this determination.

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.

For the financial assistance programs, the SBA, its participating lenders, CDCs, and Surety Companies use the information required by SBA Form 413 as one of a number of data sources to determine repayment ability or creditworthiness of applicants for an SBA loan guaranty or a disaster loan. SBA (or the lender or CDC) reviews the form at the time of the loan application, and maintains it in the loan file for use in servicing or auditing a loan, if necessary.

For the 8(a) BD, SDB and WOSB programs, the SBA uses the information to determine if the applicant or participant meets the economic disadvantage and financial eligibility requirements for the 8(a) BD program, SDB certifications, or the WOSB program. Participants in the 8(a) BD and the WOSB programs are required to submit updated information annually to help SBA confirm that the participant continues to meet the economic disadvantage requirements of those programs. When collected in connection with the 8(a) BD program and SDB certifications, Form 413 is maintained in the case file, and in the WOSB Program Repository when collected in that program. The information may be reviewed for audit purposes.

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 413 is available in electronic format at www.sba.gov. In addition, in lieu of completing the actual Form 413, individuals submitting information as part of a 7(a) or 504 loan may use automated

accounting systems (software) to submit the data required by this information collection. Such automated systems must provide the same requested data in a format acceptable to SBA (generally any format acceptable to the lending industry).

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.

Personal financial statements are time sensitive and it is unusual to utilize the same statement for more than one application for benefit. Some respondents, particularly in the 8(a) BD/SDB programs and the WOSB program are required to submit updated Form 413s annually but, as stated above, that is necessary to ensure continued economic disadvantaged status. Any previously submitted data would likely be outdated and not provide an accurate picture of current financial condition of the applicant.

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.

The information collected would generally be required by most lending institutions. To minimize the burden on small businesses for 7(a) and 504 loan program purposes, SBA accepts personal financial statements in other formats that might have been prepared for such lending institutions, provided that the statement submitted contains the same data required by SBA Form 413. (Alternate formats generally accepted include the majority of Office of Thrift Supervision (OTS), Federal Deposit Insurance Corporation (FDIC) or Federal Reserve member bank forms, and accountant-prepared statements. We note that for purposes of the Disaster program, 8(a) BD/SDB programs and the WOSB program, the applicants or participants must use Form 413 to ensure complete collection of data.

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.

For the financial assistance programs, if this information is not collected, it could impact the accurate assessment of eligibility for any of the SBA programs. To maintain sound credit and lending policies, the SBA must gather this information for loan analysis and to provide documentation for audit purposes. For the 8(a) BD and SDB programs, as well as the WOSB program, this information must be collected so that SBA can comply with its statutory mandate to ensure assistance is granted only to firms owned and controlled by economically disadvantaged individuals.

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.

The notice soliciting comments on this information collection was published on April 18, 2014, in 79 FR 21988. SBA received no comments on the collection.

9. Payment or gifts.

Explain any decision to provide any payment or gift to respondents, other than re-enumeration of contractors or grantees.

There are no payments or gifts to 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 collection on Form 413 is confidential and is protected by the Privacy Act of 1974, and further protected from disclosure under Exemption 4 of the Freedom of Information Act, 5 U.S.C. 552, which prohibits disclosure of confidential or privileged commercial or financial information. The form includes notices to the respondents regarding the use and disclosure of information submitted to SBA on Form 413.

11. Questions or 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.

This form collects the social security number of the respondents. For the financial assistance programs, the social security number is helpful in making distinguishing the applicant/participant from other individuals that may have the same or similar name or other personal identifiers. Information collected on Form 413 is maintained in the agency's Privacy Act System of Records: SBA 20 -- Disaster Loan Case File; SBA 21-- Loan System; and SBA 30 -- Servicing and Contracts System/Minority Enterprise Development Headquarters Repository. SBA has also promulgated regulations at 13 CFR Part 102 that specify standards for the use and collection of social security numbers and other sensitive information and compliance with the Privacy Act and the Freedom of Information Act.

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.

(a) Estimate of the hour burden of the collection of information for the respondents:

The 7(a)/504/SBG programs have approximately 110,000 business applicants. Business applicants for the 7(a) and 504 programs are permitted to use personal financial statement formats other than SBA Form 413. Since each 20 percent or more owners must complete this information, SBA is estimating an average of 3 completed forms per application. Our representatives in the field who have direct exposure to the public estimated the hours per response.

7(a)/504/SBG:

330,000 respondents per year (110,000 applications x 3 per application)

$\underline{x \quad 1.0}$	hours per response for respondents to complete form
330,000	total burden hours for all respondents

Disaster:

14,608	respondents per year (based on 4-year avg.)
$\underline{x \quad 1.5}$	hours per response for respondents to complete form
21,912	total burden hours for all respondents

8(a) BD/SDB:

15,500	respondents per year
$\underline{x \quad 1.5}$	hours per response for respondents to complete form
23,250	total burden hours for all respondents

WOSB:

11,000	respondents for certification
$\underline{x \quad 1.5}$	hours per response for respondents to complete form

16,500 Total (11,000 x 1.5 hours)

100	Total number of respondents for eligibility examinations, protests and appeals:
$\underline{x \quad 1.5}$	hours per response for respondents to complete form
150	(100 x 1.5 hours = 150)

16,650 WOSB Total

Total combined burden hours for Respondents: 330,000 + 21,912 + 23,250 + 16,650 = 391,812

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 capital or start-up costs to the respondents for this collection of information.

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.

Estimate of the burden hours of the collection of information for the Agency:

7(a)/504/SBG:

162,318	respondents to SBA per year (54,106 business applications x 3 per application)
$\underline{x \quad 0.5}$	hour per response for the Agency to review the form
81,159	total hour burden for the Agency

Using as a base the number of loans approved under programs, which make use of the Form, then calculating the number of applicants and guarantors, the total number of respondents can

be estimated. Our representatives in the loan processing centers who actually review this Form estimated the hours per response.

Disaster:

14,608	respondents per year (based on 4-year avg.)
<u>x 0.5</u>	hours per response for the Agency to review the form
7,304	total burden hours for the Agency

8(a) BD/SDB:

15,500	respondents per year (based on fiscal year 2007)
<u>x 0.5</u>	hours per response for the Agency to review the form
7,750	total burden hours for the Agency

WOSB:

16,650	respondents per year includes eligibility examinations, protests, and appeals
<u>x 0.5</u>	per response for agency to review the form
8,325	total burden hours for the Agency

Total combined burden hours for Agency: 81,159 + 7,304 + 7,750 + 8,325 = 104,538

Estimate of the annualized cost to the Agency for the hour burden:

7(a)/504/SBG:

\$1,981,091	\$24.41 cost per hour x .5 x 162,318 responses (generally reviewed by a GS-11, Step 1, no adjustment for locality) total annualized cost to the Agency for the burden hours.
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Disaster:

\$202,905	\$24.41 cost per hour x .5 x 14,608 responses (generally reviewed by a GS-11, Step 1, no adjustment for locality) total annualized cost to the Agency for the burden hours.
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8(a) BD/SBD:

\$226,765	\$29.26 cost per hour x .5 x 15,500 responses (generally reviewed by a GS-12, Step 1) total annualized cost to the Agency for the burden hours.
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WOSB:

\$289,710	\$34.80 cost per hour x .5 x 16,650 responses (generally reviewed by a GS-13, Step 1) total annualized cost to respondents for the burden hours.
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Total combined cost for the Agency: \$1,981,091 + 202,905 + 226,765 + 289,710 = \$2,700,471

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.

The increase in burden reflects in part the actual use of the form by applicants to the WOSB program. When the ICR for that program was submitted 3 years ago, SBA reported that the same participants in the 8(a) BD program would be applying to the WOSB program. As a result, no separate burden was

submitted. Now that the program has been established, SBA has a clearer picture of the WOSB program participants. The increase is also due to a recalculation of the burden for the 7(a)/504/SBG programs. As stated above, applicants for the 7(a) and 504 programs may submit an alternate form in lieu of Form 413. The previous submission incorrectly did not account for those respondents who opted to submit the requested information in another format.

16. Collection of information whose results will be published.

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

The results of this collection of information will not be published.

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; expiration date will be displayed.

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.

There are no exceptions to the certification statement (Item 19) of the "Certification for Paperwork Reduction Act Submissions" of OMB Form 83-1.

B. Collections 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.

Items 1-5 are not required, as the collection of this information does not employ statistical methods.