

Small Business Administration (SBA)
Supporting Statement for Paperwork Reduction Act Submission
OMB Control Number 3245-0018
SBA Form 5C, Disaster Home Loan Application

The purpose of this submission is to request an extension of the SBA's Disaster Home Loan Application, "Disaster Home Loan Application"—the paper version of the application (SBA Form 5C) and the Electronic Loan Application (ELA).

The changes to the SBA Form 5C and corresponding sections of the ELA are as follows:

- On page 3, reworded language in Box 12, Other Information, number 6 to be consistent with CFR 13 §123.101.
- On page 3, reworded language in Box 12, "Other Information" number 7, to be consistent with recently revised SBA Form 912, Statement of Personal History.
- On page 3, Box 12, "Other Information" number 13, revised to expand the scope of applicant's consent for SBA to release or share information with (Federal, state, local, tribal or nonprofit organizations (e.g. Red Cross, Salvation Army, Mennonite Disaster Services, SBA Resource Partners) for the purpose of assisting applicants with their SBA applications, evaluating eligibility for additional assistance, or notifying them of the availability of such assistance.

A. Justification

1. *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.*

Section 7(b) of the Small Business Act (attached), 15 U.S.C. 636, as amended, authorizes SBA to make loans to victims of Federally-declared disasters. This information collection (IC) is used by individual homeowners or renters who are eligible to apply for physical disaster loans. The loan application and supporting documentation are basic requirements of any lending function. OMB Circular A-129, *Policies for Federal Credit Programs and Receivables*, require federal agencies to determine, among other things, whether loan applicants comply with statutory, regulatory, and administrative eligibility and other requirements for loan assistance. This information collection helps SBA to make that determination.

The requirement for the use of the Form 5C is found in the Standard Operating Procedure (SOP) for Disaster Assistance, SOP 50 30, paragraph 18 (attached).

2. *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.*

ODA personnel analyze the information from the application to determine whether the applicant is eligible for an SBA disaster loan and has repayment ability. The credit analysis is also necessary to determine whether a loan is an acceptable risk to the Government.

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

As stated above, this information collection provides loan applicants the option to complete the disaster loan application on-line (the ELA) and submit it electronically. The ELA is part of SBA's Disaster Credit Management System (DCMS), the Disaster's loan processing system and enables disaster loan applicants to retrieve and modify existing data records allowing some reduced data entry on their part.

4. *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.*

There is no duplication with other SBA programs because home loans are not made by any other program within SBA.ODA and the Federal Emergency Management Agency (FEMA share information electronically) in a joint Federal effort to avoid duplicating disaster assistance.

5. *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.*

There is no impact on small businesses or other small entities as this collection does not involve them.

6. *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 information cannot be conducted less frequently because we only collect it once from each individual. The consequence of not collecting this information would be an inability to determine which disaster survivors are eligible for assistance and an inability to begin the credit/financial analysis necessary to make loan decisions. The SBA could not conduct the program without the collection of this information.

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

No special circumstances exist. No confidential information is required that is not

protected to the extent permitted by law including the Privacy Act and the Freedom of Information Act.

8. *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*

Comments were solicited in a Federal Register notice published on September 9, 2014 in 79 FR 53503, copy attached. The comment period closed on November 10, 2014 and no comments were received.

9. *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 respondents.

10. *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, including the Privacy Act 5 U.S.C. 552a and the Freedom of Information Act, 5 U.S.C. 552 and becomes a part of SBA's System of Records (SBA 20, Disaster Loan Case Files). Notice of the rights afforded loan applicants regarding disclosure of or access to confidential information is part of the loan application.

11. *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 sensitive information such as birth date, and financial and criminal records information. This information is required in order for an applicant to receive a benefit under SBA's Disaster Loan Program. This information helps SBA make an informed credit and eligibility determination and to assess whether there is a reasonable assurance of loan repayment.

This collection also requests taxpayer identification numbers, including Social Security numbers. The Debt Collection Improvement Act requires any agency administering a Federal loan program (such as SBA's disaster assistance program) to require persons applying for a loan to provide their taxpayer identifying number. 31 U.S.C.7701(b). The primary reason is to enable the agency to collect and report on any delinquent loan amounts. SBA also uses the Social Security Numbers to distinguish between people with the same or similar name and to conduct investigations, as necessary, to determine whether

a recipient of SBA assistance is engaged in or has engaged in any practices which violate the Small Business Act.

Providing Social Security Numbers is required for the ELA for security purposes due to the significant amount of sensitive data contained online about the applicant, and will be used to ensure the identity of the person who received access to federal systems. This requirement is in keeping with the National Institute of Standards Technology (NIST), level III security standards. If the applicants do not wish to share their Social Security Numbers, they have the option of completing the paper form instead of the ELA.

12. *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.*

Estimates are based on an average of home loan applications accepted during the last five fiscal years; however, the high and low activity years (FY 13 & FY 14, respectively) have been excluded to arrive at an average three-year period.

The computation is below:

<u>FY</u>	<u>Home Loan Applications Accepted</u>
10	33,863
11	39,494
12	<u>35,451</u>
Total	108,808

108,808 divided by 3 = **36,269 average home loans accepted per year (number of respondents)**. During FY 10-12, approximately 30% of all applications were accepted using the ELA.

ODA estimates that the home loan application (both paper and ELA) takes approximately 1.25 hours to complete based on feedback and testing of the ELA and based on feedback received from applicants and observation for paper forms.

36,269 respondents x 1 response per applicant x 1.25 hours = 45,336
Total annual hour burden = 45,336

Cost to respondent for hour burden for this collection. Average cost is based on GS 1, Step1 (\$9.84 per hour) which reflects the level of expertise (minimal) that is required to respond.

45,336 burden hours x \$9.84 + 20 percent overhead for printing, etc. = **\$535,327 total cost to respondent.**

13. *Provide an estimate for the total annual cost burden to respondents or record keepers resulting from the collection of information. Do not include hour cost burden from above.*

There are no additional costs that have not been identified and explained in 12 above.

14. *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.*

Estimated annualized cost to the Federal Government:

It takes ODA personnel approximately 2 hours per loan application to evaluate the information provided, perform a credit analysis, and process the application (both paper and ELA) to a decision.

Typically, expertise equivalent to a GS-9, Step 1 (\$22.96 per hour) is required to process these applications using either method.

45,336 responses at 2 hours per response = $90,672 \times \$22.96 = \$2,081,829$ plus 30% for printing, supplies, leased equipment, etc. = **\$2,706,377 estimated cost to Federal Government.**

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

All burden and cost information increased with this submission as compared to the last submission due to the fact that we revised the methodology used to calculate this information. Specifically, ODA used the loan applications accepted instead of loan applications approved to arrive at a more accurate calculation.

16. *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.*

Published SBA disaster loan data includes verified loss and approved loan amount totals for both home and business disaster loans, segmented by city, county, zip code and state.

17. *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.*

Expiration date will be displayed.

18. *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.

19. *Describe (including a numerical estimate) the potential respondent universe and any sampling or other respondent selection method to be used.*

N/A