

United States Department of Agriculture
Farm Service Agency (FSA)
Supporting Statement
OMB Number-0560-NEW
7 CFR 761 and 762, “EZ Guarantee Program; Micro Lender Program (MLP)”

This document supports the information collection requirements of a final rule to be published in the Federal Register. The Farm Service Agency (FSA) in Farm Loan Programs (FLPs) is implementing an EZ Guarantee Program and establishing new MLP lender status. FSA is establishing the EZ Guarantee Program to provide a guarantee for Operating Loans (OLs) and Farm Ownerships (FOs) Loans up to \$50,000, which are expected to be most used by beginning farmers and farmers with small farms (farms with annual gross agricultural products sales from \$1,000 to \$99,999) with less traditional farm operations who are not typically FSA Guaranteed loan customers. FSA is implementing the MLP to allow nontraditional lenders to participate in the EZ Guarantee Program.

FSA is requesting an emergency approval on the new collection because ICR will become effective on the day of publication. FSA will merge the information in ICR with 0560-0155 upon OMB approval. There is discretion involved in designing and implementing the EZ Guarantee Program and MLP. FSA was not required to do a proposed rule for those programs. FSA is doing an emergency request processing instead of the regular processing because OMB’s ROCIS system requires this request be submitted as an emergency request because there is no proposed rule.

FSA will incorporate new provisions that include:

- Making the program available in credit deserts, tribal communities and rural areas that are underserved.
- Extend eligibility to include nontraditional lenders.
- Establish new program requirements under new CFR part 761 and 762.
- Incorporate new instructions into internal handbooks used by State and County Offices.
- Further, as required by the Departmental guidance and Freedom to E-File Act, FSA handbooks and forms must be made available in electronic format.

The collected information is needed to evaluate an applicant’s eligibility, determine the feasibility of the proposed operation, and the adequacy of the security being offered. In addition, a new lender status for nontraditional lenders is being added. The collection of information is need to evaluate those lenders that are nontraditional lenders who typically underwrite smaller size loans. The new status would allow for lenders who are not regulated by the typical federal regulatory agencies that oversee FSA’s current eligible lenders to underwrite EZ guarantee loans.

Justification

1. Explain the circumstances that make the collection of information necessary.

FSA is implementing a new EZ Guarantee Program and MLP. The EZ Guarantee Program will help remove a competitive disadvantage for small farming operations compared to more established or larger farming operations with adequate financing. In many areas of the United States, farmers arrange their financing needs for the upcoming growing season during the fall and winter time periods. This will also result in many of these farmers using other sources of financing for production year 2016, often at a higher interest rate, or not being able to adequately finance their farming operation.

FSA is establishing the EZ Guarantee Program to provide a guarantee for OLs and FOs up to \$50,000. The reporting and record keeping requirements imposed on the public by regulations set out in 7 CFR part 761 and 7 CFR part 762 are necessary to administer the EZ Guarantee Program and MLP in accordance

with the statutory requirements and are consistent with commonly performed lending practices. Periodic collection of information after loans are made is necessary to protect the Government's financial interest.

2. Indicate how, by whom, and for what purpose the information is to be used.

Under the EZ Guarantee Program and MLP, FSA uses the FSA forms and written evidence to collect needed information. The information collected is used to determine lender and loan applicant eligibility for farm loan guarantees.

The information is necessary to thoroughly evaluate each request for EZ Guarantee and MLP, and is used by FSA officials to:

- Ensure the applicant and the micro lender meet the program eligibility requirements.
- Ensure cash flow projections are reliable to repay the loan.
- Ensure that security property being purchased by buyer is being maintained.
- Ensure the lender protects the government's financial interests.

The information is stored in FSA Service Center loan files, State Office Lender files, or in FSA's computer systems. FSA requires original lender signatures on the documents submitted. Original signatures from loan applicants are required on the applications for loan guarantees. The regulations require submission of information essential to protect the Government's interest.

The information collection requirements established in 7 CFR 761 and 762 are described below and on the attached form FSA-85-1, Reporting and Recordkeeping Requirements.

FORMS:

**Form FSA-2205 "Guaranteed Micro Lender Application" (New)
7 CFR 762.107**

FSA-2205 is a new form created by FSA specifically for the MLP. This form is used by the Lender to apply for MLP status. The lender submits this form to the appropriate FSA servicing office. Information collected on FSA-2205 includes: lenders name, address, loan portfolio characteristics (delinquency and default rates), source(s) of loan funding, and various certifications by the lender.

The information is used to:

- evaluate the MLP application against the criteria in 7 CFR 762 107(b)(2);
- ensure nontraditional lenders are subject to credit examination and supervision by an acceptable regulatory agency; and
- determine if the nontraditional lender qualifies under the proposed Guaranteed MLP provisions.

Lenders who are already participating in FSA's Guaranteed Farm Loan Program will continue under their current Form FSA-2201 "Lenders Agreement" and not be required to execute Form FSA-2205.

FSA estimates 20 new nontraditional lenders will participate and execute FSA-2205. The time to complete and execute this document is 60 minutes (1 hour) per response.

**Form FSA-2210 "EZ Application for Guarantee" (New)
7 CFR 762.110**

FSA-2210 is a new form created by FSA specifically for the EZ Guarantee Program. The new form is an all-inclusive application form to be used only for EZ Guarantee loans. Unlike other guaranteed applications, no supporting information will need to be submitted to FSA. EZ Guarantee loans can be

made for the same purposes under the regular guaranteed program, however the maximum loan amount will be up to \$50,000. The form FSA-2210 will be formatted differently than the application forms (Form FSA-2211 and Form FSA-2212) now being used by FSA guaranteed lenders. The EZ Application for Guarantee will include a series of questions that pertain to eligibility, loan repayment prospects, collateral, and environment. Therefore, the application process will require significantly less time.

FSA has required different submission requirement for each type of lender, Standard Eligible Lenders (SEL), Certified Loan Program (CLP) and Preferred Lender Program (PLP). Application requirements vary for each type of lender. SEL and CLP lenders are required to provide more documentation than a PLP lender. All lender types, including SEL, CLP, PLP, and MLP will use the FSA-2210 to apply for EZ guarantee loan.

The current burden (OMB 0560-0155) for SEL and CLP lenders using Form FSA-2211 “Application for Guarantee” shows average time to respond is 30 minutes (.5) hours for the applicant and (3.5) hours for the lender. The current burden (OMB 0560-0155) for PLP lenders using Form FSA-2212 “Preferred Lender Application for Guarantee” shows average time to respond is 15 minutes (.25) hours for the applicant and (1) hour for the lender. The application requirements and documentation for an EZ Guarantee loan will be significantly less than under the regular guaranteed program.

In FY 2013 and FY 2014 over 900 guaranteed loans equal to or less than \$50,000 were closed. FSA estimates 1000 EZ guarantee loans will be made. Of the 2000 active lenders, FSA estimates 100 lenders will participate in this new guaranteed loan program and 20 nontraditional lenders will participate as new MLPs. The estimated time to furnish this information is 15 minutes (.25) per response for each applicant and 1 hour per response for each lender.

1000 EZ Guarantee loan-Applicants	15 min. (.25) x 1000 = 250 Hours
120 Micro lenders	60 min. (1 Hr.) x 1000=1000 Hours

The following information summarizes the information collections included in 7 CFR, for which approval has been obtained or requested under the OMB 0560-0155 Control Numbers.

**Form FSA-2201 “Lenders Agreement”
7 CFR 762.105**

This form is used to establish the Lender as an approved participant in the Guaranteed Loan Program of FSA and the status approved for participation. This agreement sets forth the lenders and FSA’s responsibilities regarding loans made under the guaranteed program. Agreements with CLPs and PLPs are valid for 5 years. Agreements with SELs are valid indefinitely. The agreement does not need to be completed for each loan, rather the lender completes the agreement and it covers all loans made during the effective period.

Under the new EZ Guarantee Program and MLP status provisions, active SEL, CLP and PLP lenders will continued to operate under their current “Lenders Agreement.” FSA expects future expansion of the MLP to include other types of nontraditional lenders and allow these types of lenders to participate in the EZ Guarantee Program. Once approved, MLP Status will be valid for 5 years.

FSA estimates 20 new nontraditional lenders will participate and execute FSA-2201. The time to review and execute this document is 60 minutes (1 hour) per response.

Form FSA-2232 “Conditional Commitment”
7 CFR 762.130

This form is used by the lender to certify that the requirements listed on this form have been or will be met. All loans guaranteed require the lender to review and accept the conditions set forth in the Conditional Commitment. FSA estimates approximately 1000 EZ guarantee loans will be received and the estimated time to review and execute this document is 15 minutes (0.25 hours) per response

Form FSA-2233 “Lender Certification”
7 CFR 762.130

This form is used to document certain conditions and requirements that have been or will be met in closing a farm loan and execution of loan documents required to obtain an FSA Loan Guarantee. The lender is certifying that no major changes have been made in the lender’s loan or line of credit conditions since submission of the application. All loans guaranteed require the lender to complete a Lender Certification form. FSA estimates approximately 1000 EZ guarantee loans will be closed and the estimated time for lender to review and execute this document is 15 minutes (0.25 hours) per response.

Form FSA-2236 “Guaranteed Loan Closing Report”
7 CFR 762.130

This form is used to prepare many types of actions on the guarantee. This form must accompany all guarantee fee payments. The lender delivers this form and applicable fee to FSA representative. FSA estimates approximately 1000 EZ guarantee loans will be closed and the estimated time for lender to review and execute this document is 15 minutes (0.25 hours) per response.

Form FSA-2241 “Guaranteed Loan Form FSA-2241 “Guaranteed Loan Status Report”
7 CFR 762.141

This form is used by FSA Guaranteed Lenders. It is used to update the status of each borrower’s loans and to keep data for all guaranteed loans up to date in FSA accounting records. All lenders will submit the appropriate guaranteed loan status reports as of March 31 and September 30 of each year. FSA estimates 1000 EZ guarantee loans will be made annually. Therefore, approximately 2000 forms will be submitted annually with each requiring approximately 20 minutes (0.33 hours) preparing and submitting.

Form FSA-2242 “Assignment of Guarantee”
7 CFR 762.160(a)(6)

This form is used to assign an existing FSA guarantee to a holder. Once the lender accepts a specific buyer’s offer, the lender notifies FSA that the loan is being assigned. FSA projects 10 percent of the estimated 1000 EZ Guarantee loans or (10) will be sold annually. The estimated time for purchaser to review and execute this document is 30 minutes (0.50 hours) per response.

Non-form collections

7 CFR 762.106-Training

A representative of each CLP and PLP Lender must agree to attend FSA sponsored training once every 12 months. FSA estimates 120 MLP Lenders and at least one representatives per lender will attend this training. FSA provides training by way of webinars. Lenders can register for training through email and join the training sessions by using their office computers. Therefore, FSA does not expect any travel time will be required for lenders to attend training. Webinar training sessions last approximately 60 minutes (1 hour) per session.

Travel Time

Applicants will need to travel once to the lenders office to compete the application process. FSA estimates 1000 applicants will visit with lender and estimates applicants will spend 60 minutes (1 hour) per visit.

Information Collections Approved Under Other Control Numbers

7 CFR 762.128(a) Environmental and Special Laws

This is covered under 7 CFR part 1940, subpart G, therefore no additional burden is required of the lender.

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 decisions for adopting this means of collection. Also describe any consideration of information technology to reduce burden.

Information collections obtained using agency forms may be submitted electronically provided the lender has obtained and activated a USDA account with Level 2 access that allows for electronic submissions. All forms that the lender and applicant have to complete in their entirety, or review and execute, are posted on the e-Gov website at <http://www.sc.egov.usda.gov>. For forms the applicant is required to complete in their entirety, the fillable version of the form, as well as detailed instructions on completing the form, are included on the e-Gov website. Forms prepared by the agency, that the public simply reviews and signs, are also provided on the e-Gov website. However, in lieu of detailed instructions for completing those forms, the instructions simply state that the forms are provided on the website for information purposes only.

Non-form information collections require providing copies of documents in the applicant's possession or providing written replies to agency requests or offers. Non-form collections, as well as all the forms, may be submitted in person at the local agency office, by mail, or by facsimile. Further, lenders with established Level 2 accounts may provide non-form information collections as any kind of non-executable attachments, such as PDF, doc, xls, or text formats.

Lastly, even though USDA and FSA have publicized and provided information in outreach materials, during stakeholder meetings, as well as agriculture-related meetings and symposiums, on the option to provide information electronically, applicants and lenders still prefer going to the agency office to obtain forms and information on how to apply for loans and servicing than obtaining forms and information from the internet. Therefore, FSA estimates that less than one percent of responses will be provided through the internet.

4. Describe efforts to identify duplication.

The final rule incorporates new CFR part 761 and 762, which pertains to the EZ Guarantee Program and MLP. Much of the burden established in this proposed regulation is required which mandates specific actions be taken when making EZ Guarantee Program; MLP to FLP lenders and applicants.

FSA personnel with expertise in making loans have reviewed the information collections required under this proposed rule to eliminate any duplicative or unnecessary collections of information. The information contained in this collection is made part of the case file and, when reasonably current, may be used in lieu of re-submission by the lender/applicant. However, financial information that is collected at another time may be dated and not useful for the specific action being considered. Various program areas within the agency share data; however, information collections established in this regulation would typically not be available from another agency. Therefore, the potential to share data with other USDA agencies is limited.

5. Methods to minimize burden on small business or other small entities (Item 5 of OMB Form 83-I), describe any methods to minimize burden.

FSA has made every effort to minimize burden on small businesses and other small entities. FSA only requires the information collections when necessary to act on an applicant's or borrower's request for guaranteed loan assistance; therefore, it is unable to further reduce the frequency of the collections. Collections are limited to those that are essential in determining that loan applicants meet statutory requirements and have adequate repayment ability and security for the requested loan. The information required by this regulation is financial in nature and similar to that required to complete Federal tax returns, make business decisions or to obtain a loan from any commercial lender. Thus, it places no additional burden on small businesses above that required in the normal course of business.

6. Describe the consequences if information collection was less frequently.

FSA relies on current information to carry out the business of the program as intended and to protect the government's interest. If the information were not collected, or collected less frequently, FSA would be unable to meet the congressionally mandated mission of the guaranteed loan program.

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

- a. Requiring respondents to report information more frequently than quarterly. There are no information collection requirements that require reporting more frequently than quarterly.
- b. Requiring written responses in less than 30 days. There are no information requirements that require written responses in less than 30 days.
- c. Requiring more than an original and two copies. There are no information collection requirements that require more than an original or single copy of a document.
- d. Requiring respondents to retain records for more than 3 years. Lenders are expected to retain records of loan transactions for at least the life of the loan. This is necessary to provide documentation in the event of a loss claim. It is standard business practice for a financial institution to keep loan records for the life of the loan in a customer file.
- e. Not utilizing statistical sampling. There are no such requirements.
- f. Requiring the use of statistical sampling which has not been reviewed and approved by OMB. There are no such requirements.
- g. Requiring a pledge of confidentiality. There are no such requirements.
- h. Requiring submission of proprietary trade secrets. There are no such requirements.

8. Describe efforts to consult with persons outside the Agency to obtain their view on the availability of data, frequency of collection, the clarity of instructions and record keeping disclosure, or reporting format (if any), and on data elements to be recorded, disclosed, or reported.

The 60-day notice embedded in the final rule requesting for public comments on the information collection.

The information requested is standard throughout the credit industry, and FSA has the expertise to make the required determinations. However, the estimate is based on the experience and expertise of the national experts on FSA Farm loans and agricultural lending. Also, FSA consults with its borrowers, representatives of private lending institutions, Agency and other USDA employees, representatives of the Farm Credit Administration and employees of the legislative branch on a frequent basis as part of ongoing program administration, national oversight and national internal reviews.

9. Explain any decision to provide any payment or gift to respondents.

There are no payments or gifts provided to respondents.

10. Confidentiality provided to respondents.

No assurance of confidentiality is provided. Requests for information received by FSA will be handled in accordance with the provisions of the Freedom of Information Act and the Privacy Act.

11. Questions of sensitive nature.

The information collected is of a financial nature. As a condition for the receipt of program benefits, respondents must provide total disclosure of income data and a history of their business dealings that is often considered sensitive. Regardless, the information is required to properly evaluate the request for guarantee.

12. Provide estimates of the hour burden of the collection of information.

The estimate of hour burden of the information collections is as follows:

Total Number of Unduplicated Respondents.....	6290
Reports Filed Per Person.....	1.3
Total Annual Responses.....	8170
Total Annual Burden Hours.....	3832
Average Burden per Collection.....	28.1 Minutes
Average Burden per Respondent.....	0.6 Hours

The estimate of annual cost for the information collection is as follows:

Respondent’s Cost Per Hour	Applicants (Farmers).....	\$34.89
	Lenders.....	\$35.42
Total Annual Respondent Cost	Applicants (Farmers) (1250 Hours)	\$ 43,613
	Lenders (2582Hours)	<u>\$ 91,454</u>
Total	(Rounded)	\$135,067

The respondents are commercial banks, the Farm Credit System, nontraditional lenders, farmers and ranchers. FSA estimates the number of respondents to be 1,000 loan applicants and 20 new nontraditional lenders annually.

Respondent cost per hour was derived by using U.S. Bureau of Labor Statistics Occupational Employment and Wages, May 2014, Table 11-9013-Farmers and Ranchers, and Other Agricultural Managers. The U.S. mean hourly wage for this group is \$34.89 hourly and \$72,570.00 annually, as measured by the Bureau of Labor.

Respondent cost per hour was derived by using U.S. Bureau of Labor Statistics Occupational Employment and Wages, May 2014, Table 13-2072-Loan Officers. The U.S. mean for loan officer’s income, as measured by the Bureau of Labor is \$73,670 annually or \$35.42 hourly.

The final rule will govern the processing of EZ Guarantee Program and MLP and requires these collections. FSA estimates a maximum of 1000 loans will be made each fiscal year using the EZ Guarantee Program and MLP application process. Cost per hour for all respondents was derived from the U.S. Department of Labor's Occupational Employment and Wages, May 2014, tables which are found at the Bureau of Labor Statistics website at <http://stats.bls.gov/oes>.

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

There are no burden costs on respondents for capital, start-up, total operation, maintenance or purchase of services other than what is usual and customary for normal business operations.

14. Provide estimates of annualized cost to the Federal Government.

FSA employees review information provided by applicants, borrowers, and lenders and make eligibility and feasibility determinations. FSA estimates that its employees spend 1000 hours reviewing and processing the collections included in this docket

Averaging the GS-9, GS-11, GS-12 Step-5 (2014 RUS-Salary Table) salaries indicates an average employee salary of \$67,707 per year. Standard adjustments recommended by FSA's Budget Division of 33.3% are added for benefits and miscellaneous expenses (\$22,546), for a total average cost for an FLP employee salary of \$90,253 per year, which divided by 2,080 hours equals an hourly salary of \$43.00.

The estimated annualized cost to the Federal Government is: \$43,000.

15. Explain the reason for any program changes or adjustments reported in items 13 or 14 of the OMB form 83-I.

This is a new collection.

16. For collection of information whose results will be published, outline plans for the tabulation and publication.

The information collections required under this regulation will not be tabulated or published.

17. If seeking approval to not display the expiration date for the OMB approval of information collection, explain the reasons that display would be inappropriate.

While FSA forms are made available electronically at www.sc.egov.usda.gov, hard copies of each form are also maintained in State and County Offices. Displaying the expiration date results in the need to dispose of existing supplies and reprinting of the form with the new expiration date each time the approval is renewed. This increase printing costs for FSA and results in the need to revise forms posed to the website.

18. Explain each exception statement to the certification statement identified in items 19 and 20 on OMB 83-I.

There are no exceptions requested.

19. Explain how this information collection relates to the Secretary of Agriculture's Service Center Implementation Team Initiative.

FSA employees collect the required information from the lender, applicant, or borrower. Information collected is program specific and would not be part of one-stop shopping, except for basic information dissemination between Service Center agencies. Employees utilize information already available at the Service Center and work directly with other FSA programs and USDA agencies to minimize the amount of information collected from applicants and borrowers. Information collected is stored at the Service Center.