

Supporting Statement for Paperwork Reduction Act Submission
OMB Control Number 3245-0110
SBA Form 1366, Borrower's Progress Certification

This submission covers the SBA Form 1366, Borrower's Progress Certification, and associated record-keeping requirements. The purpose of this submission is to request OMB renewal authorization of this form.

The following minor changes have been made to the Form 1366 since the last submission, primarily based on the revised Disaster Assistance Program SOP 50 30 8, which was effective July 1, 2015: The borrower no longer has to (a) provide documented evidence that 100% injection of funds (outside the SBA loan) has been used for disaster damages repair/replacement before SBA will provide additional loan funds; and (b) document 80% of disbursed SBA loan funds have been spent before further SBA funds may be requested. The removal of these requirements will allow the borrower to simply submit disaster damage-related repair/replacement receipts to SBA; SBA employees will apply good judgment in the review of submitted receipts. Changes were also made to the Penalties section of the Form.

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.*

SBA's disaster loan proceeds are available to restore or replace a borrower's primary residence, personal or business property as nearly as possible to pre-disaster conditions. 13 CFR 123.7. The disaster program regulations and procedures require borrowers to submit and maintain records to show that loan proceeds were used solely for authorized purposes. 13 CFR 123.12. In addition, prior to subsequent disbursement of funds, borrowers are required to provide certain certifications regarding no substantial adverse change(s) in borrower's financial condition, or the amount of fees previously reported as being paid to borrowers' agents. The pertinent portions of each referenced authority are 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.*

SBA Form 1366 provides a simple format for borrowers to organize and present the documentation and information to SBA to show how loan funds have been used in the disaster restoration, and to provide the necessary certifications prior to subsequent disbursements. The form was developed in response to an expressed need by the borrowers for a concise way to document the use of loan proceeds and make the required certifications. The information collected provides assurances to SBA that loan proceeds are used for authorized purposes only. The information collected includes (1) exceptions to the certifications, and/or (2) a listing of expenditures and copies of certain receipts. Exceptions

to the certifications might involve credit factors and would be referred to a loan officer for review. All information related to the use of proceeds is reviewed by Office of Disaster Assistance (ODA) legal section (attorneys and support staff) to assure that loan proceeds have been used as authorized. Representatives of the SBA's Inspector General and other auditors also use the information collected on Form 1366 and the records which borrowers are required to retain for audit trail purposes. Evidence of misuse of proceeds would be used by U.S. Attorneys and the Office of Inspector General prosecuting for misuse of loan proceeds.

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*

The Form 1366 is currently available online at www.sba.gov for downloading and printing. For loans requiring multiple disbursements, Form 1366 is generally filed an average of 1.5 times during the course of the loan. We currently require a hard copy of the form with an original signature for fraud prevention purposes, or a fax of a hard copy where an original signature is on file in the office for comparison purposes.

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.*

Because the records regarding expenses by borrowers for repair or replacement are only kept by borrowers, there is no duplication in SBA's files and any similar information that might be available could not be substituted. If Form 1366 is submitted on multiple occasions the information is not cumulative but is specific to use of disbursed funds not previously reported. In other words, the borrower is not asked to submit the same information more than once. Minimal duplication (borrower name, loan number, etc.) is necessary to distinguish and organize records appropriately.

5. *If the collection of information impacts small businesses or other small entities (Item 5 of OMB Form 83-1), describe any methods used to minimize burden.*

The respondents to this information collection include small businesses; however the information collection does not impose a substantial burden on these respondents. Record-keeping requirements are not in excess of usual and customary records maintained by businesses for internal management and tax and securities law purposes. The information collected is limited to specific program requirements and has been designed to minimize paperwork while satisfying legal and policy mandates.

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.*

The information collection is conducted only as needed. If the record-keeping and reporting requirements were not imposed, SBA would not have a basis for assuring proper data documentation of loans and proper use of loan proceeds, or that subsequent disbursements are prudent and justified. Failure to conduct this collection of information could also impair SBA's ability to conduct audits or take actions in cases of misuse. When loan proceeds are not used properly, SBA effectively subsidizes loans for purposes unrelated to the disaster, and which should be privately financed. As the disaster-damaged property is generally the collateral securing the loan, misuse of loan proceeds can also weaken the value of the collateral securing the loan and therefore may impact SBA's recovery on the loan.

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

There are no special circumstances.

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.*

A copy of the Federal Register notice soliciting comments is attached 80FR 64473, dated October 23, 2015. The comment period closed December 22, 2015 and no comments were received.

Routine observations, particularly in closing workshops conducted by SBA, and direct feedback from borrowers indicate that estimates of public burden hours are valid and the format in which the information is requested is reasonable and simplified.

9. *Explain any decision to provide any payment or gift to respondents, other than remuneration of contractors or grantees.*

There are no payments made or gifts given to respondents.

10. *Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or agency policy.*

No assurance of confidentiality is provided with respect to this information collection. However, SBA will protect the information collected to the extent permitted by law.

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 steps to be taken to obtain consent.*

No questions of a sensitive nature are asked in this information collection; however because certain loan records are retrieved by a personal identifier, SBA maintains a Privacy Act system of record to protect the disclosure of collected information that is covered by that act. See SBA 20 – Disaster Loan Case Files.

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.*

Burden estimates are based on typical mix of secured and unsecured disaster loans over the past 4 fiscal years, that is, FY 2012 through 2015.

SBA approved 19,959 disaster loans annually on average during this period. Following is an average per year for all loans during this period:

	17,712 home:	9,780 unsecured 7,932 secured
	2,247 businesses:	704 unsecured 1,543 secured
TOTAL	19,959	

PUBLIC BURDEN

HOURS

For the Form 1366, the public burden includes organizing records of expenditures and compiling that information as directed on the form, and it includes copying and providing certain receipts as directed by the form.

The public burden is generally limited to secured loans, as few unsecured loans have multiple disbursements. For secured loans, the average number of disbursements is about 2.5. The Form 1366 is required for subsequent disbursement(s), for an average of 1.5 uses for each secured loan (respondent). This average is based on past experience with the form. The anticipated number of secured loans (average) is 9,475. With 1.5 uses per respondent, the Form 1366 would be used 14,213 per year on average.

Based on feedback and previous experience, the Form 1366 is estimated to require about 0.5 hours per response, for **total estimated burden hours of 7,106** ($1.5 \times 9,475 = 14,213 \times .5 = 7,106$).

COST

The cost to the public is determined on the same basis as that for the Government, which is at the GS-9 level. Costs for the Form 1366 are estimated to be as follows:

Total estimated burden hours of 7,106 x 24.52 cost per hour (based on hourly rate of GS 9, step 1, expertise required for Fort Worth, TX locality which is where the work is being completed) = \$174,239. The **estimated public cost for Form 1366 is \$174,239.**

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 is no capital and start-up cost component. No additional annual costs beyond those identified in #12 above are anticipated.

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.*

Total Agency burden hours are also based on the number of respondents. The processing time (to review and act upon the information and documentation submitted by borrowers in accordance with Form 1366) for the Agency is estimated to be an average of 1 hour per response. The total Agency burden hours is calculated as follows:

1 hour average processing time per response x 14,213 uses = 14,213 Agency burden hours

The typical grade level required to process this form is GS 9, Step 1.

14,213 uses x \$24.52 (GS 9, step 1 for Fort Worth, TX locality) per hour = \$348,503 x 130% provision for overhead and operational expenses = **\$453,054** estimated Agency cost.

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

Both the annual hour burden and cost for the SBA Form 1366 slightly increased as a result of an increase in loan approvals (increase in the number of uses of the form) over the last 3 FYs as compared to previous 3 FYs. There are no program changes.

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.*

Not applicable. No publication is planned and no statistical methods will be employed.

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 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 to the certification statement.

- B. Collections of Information Employing Statistical Methods.
N/A