

**PAPERWORK REDUCTION ACT SUBMISSION
SUPPORTING STATEMENT
PREMIER CERTIFIED LENDERS PROGRAM (PCLP) QUARTERLY LOAN RESERVE
Form 2234 (OMB Control Number 3245-0346)**

A. Justification

Changes to the information collection:

This information collection consists of SBA Form 2233 and SBA Form 2234, Parts A, B, and C. A statutory change on December 22, 2015 in the Consolidated Appropriations Act, 2016, made debt refinance a permanent part of the 504 loan program. Slight revisions to the currently approved forms are required to reinstate the debt refinance program requirements that were previously removed due to the expiration of the authority for that program in 2012. SBA is requesting emergency approval of this submission to enable the agency to re-establish the program as expeditiously as possible. The justification for this request is outlined in the letter uploaded as a supplementary document to this Supporting Statement.

There were no changes made to Form 2233. The revisions made to Form 2234, Parts A, B, and C are summarized below.

Form 2234 Part A:

- Updated reference to current version date of SBA Form 1244

Form 2234 Part B:

- Page 2, amended language related to “Other Expenses” in Use of Loan Proceeds grid to be consistent with SBA Form 1244

Form 2234 Part C:

- Page 7: Added language related to loan eligibility in the case that debt refinance is included in the project costs without an expansion.

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 applicable section of each statute and regulation that mandates or authorizes the collection of information.

The PCLP program was designed to further the Agency’s transformation from the transactional oversight of individual loans to the management of loan portfolios processed by qualified CDCs. The PCLP lenders – Certified Development Companies (CDCs) in this instance - are authorized to process, approve, close and service SBA 504 loans, subject to only a brief eligibility review and assignment of a loan number by SBA. The SBA reviews a PCLP’s portfolio at least annually and approves PCLP status for periods of no more than two years at a time. Currently, PCLP loan approvals represent approximately less than 5 percent (numbers) of all 504 loan approvals and less than 5 percent of the dollars. SBA has a responsibility to monitor and evaluate the efficiency and effectiveness of the SBA PCLP Program consistent with section 508 of the Small Business Investment Act of 1958, codified at 15 U.S.C. 697e (c)(8); Section 4(b)(3) of the Small Business Act (Risk Management Database), 15 U.S.C. 633(b)(3); the Federal Managers Financial

Integrity Act (FMFIA) codified at 31 U.S.C. Section 3512 *et. seq.*, OMB Circulars A-123 (Management's Responsibility for Internal Control) and A-129 (Policies for Federal Credit Programs and Non-tax Receivables). This collection of information facilitates SBA's ability to carry out its responsibility.

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 information collected is used by the SBA and the CDCs to ensure that the small business applicant is eligible for SBA financial assistance. Additionally, the information collected is used for loan monitoring, portfolio risk management, and CDC oversight. The data is also used to determine how effectively SBA's loan programs are meeting the needs of various geographical, demographical, and industry markets and segments; the safety and soundness of SBA's loan policies and procedures; and as a factor in determining program fees consistent with the subsidy rate model. SBA also uses the information to report to its various oversight authorities regarding the number, dollar volume, and demographic characteristics of its 504 loan guaranty recipients.

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.

PCLP Lenders (CDCs) submit the collected information via regular mail to a centralized SBA processing center in Sacramento, California. An electronic submission method for PCLP applications has not been developed due to the minimal and declining number of PCLP loans submitted annually.

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.

The information collected under this program is unique to the individual applicant and the circumstances and conditions of its business operation, so there are no other sources of the information. In developing the forms, SBA sought to minimize burdens by primarily considering for collection, data that a PCLP CDC already collects and maintains in its files. One of the cornerstones of the PCLP concept was for the program to fit as seamlessly as possible with CDCs' normal business practices and data collection. This reduces CDC processing costs. The Agency, therefore, went to great lengths to minimize data collection and to avoid duplicate data collection.

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.

There are two broad constituencies impacted by this data request, PCLP CDCs and prospective small business borrowers. While the major portion of SBA's loan volume accrues from large CDCs, the Agency does have a number of small CDCs that participate in SBA's loan programs. The Agency is aware that data collection affects the cost of processing loans, particularly for very small loans, and on a per dollar basis can be as prohibitive for large CDCs as it is for small CDCs. SBA worked very carefully with large and small CDCs to minimize and streamline the PCLP data collection without sacrificing the usefulness of the information collected. These same efforts have also reduced the collection of data from the Agency's principal constituency, small business borrowers.

6. Consequences If Information Is Not Collected

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.

Failure to collect the information may compromise the effectiveness and integrity of the 504 loan program, SBA's recoveries, and the program's contribution to improving the nation's economy. SBA is responsible for providing small business access to capital in an efficient and timely manner, while maintaining its fiduciary responsibility to the taxpayer. This collection of information facilitates SBA's ability to fulfill those responsibilities by providing the critical information needed by SBA to monitor and analyze loan and CDC data trends and risks. This minimal reporting is a critical means of controlling the additional risk that SBA assumes in delegating authorities and expediting processing. SBA collects data to allow CDCs and borrowers to modify significant loan terms as needed after the loan is approved, such changes can significantly modify SBA's position and increase the potential for loss.

7. Existence of Special Circumstances

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

PCLP CDCs submit loan data for SBA's loan guarantee approval on a loan-by-loan basis. Because PCLP CDCs want SBA to approve loans on a rolling basis, they submit this information more than once a quarter. Some of the data collected includes business information. SBA has procedures to protect the information's confidentiality to the extent permitted by law. This information can be accessed only with the approval of the Office of Financial Assistance Technology Project Manager.

8. Solicitation of Public Comment

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.

As part of its request for emergency review and approval, SBA has requested that OMB also waive the 60-day comment notice required under 5 CFR § 1320.8(2)(d)(1). If that approval is granted, SBA will subsequently publish the required notice to solicit feedback on the reinstated provisions.

9. Payments or Gifts

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 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.

SBA does not provide any specific assurances of confidentiality; nonetheless, the information collected will be protected to the extent permitted by law, including 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, 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 social security numbers and information on ethnicity, race, and criminal records in connection with PCLP loans. The social security number is the unique identifier associating a person with the loan SBA also uses social security numbers to facilitate critical credit searches in the federal databases listing defaulted loans, in consumer credit databases and in fraud detection systems. SBA collects demographic information to assess the extent to which SBA's loan programs assist all demographics. However, this information is collected through the use of SBA Form 912, which is currently approved for use under OMB Control Number 3245-0178.

12. Estimate of the Hourly Burden of the Collection of Information

Provide estimates of the hour burden of the collection of information, as 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.

The estimated burden for this collection of information is based on consultation with a sample of PCLP CDCs. Current, only 16 CDCs hold PCLP authority and it should be noted that only 1 PCLP CDC has recent loan activity.

SBA anticipates that the changes to Form 2234 A, B and C will not result in any changes for the hourly burden of the collection of information from respondents. The Agency has seen a decline in the loan volume for the PCLP program over the past several years. With the economic recession and the capital reserves required by the PCLP program, CDCs are less inclined to

utilize the PCLP program, as most have found it more advantageous to use the money that would be required in the reserve for regular operational expenses in order to remain financially solvent.

As a basis for our hourly burden estimates for Form 2233 and Form 2234 (A, B, and C), we have combined PCLP submission data from the Sacramento Loan Processing Center over the past three fiscal years with data of actual PCLP loan submissions during the time in which the Temporary Debt Refinance program was in place as a part of the Small Business Jobs Act.

The total estimated responses for Forms 2233, and 2234 A, B, and C based on historical rates are 20 per year. The currently reported average time spent completing the Form 2233 is 30 minutes and the currently reported average time spent completing the Form 2234, Parts A, B, and C is 60 minutes. The estimated annual hourly burden for PCLP loan approval submissions is therefore approximately **30 hours annually**

Form 2233: $20 \times (30 \text{ min. divided by } 60) = 10 \text{ hours}$

Form 2234 A, B, C: $20 \times (60 \text{ min. divided by } 60) = 20 \text{ hours}$

13. Estimate of Total Annual Cost

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.

The total estimated cost burden for this collection of information based on the equivalent of a GS-11 loan officer's salary at approximately \$32/hour is **\$1,230 annually**. This cost is broken down as follows:

- Form 2233 = 10 hours (20 submissions x 30 minutes) x \$41.00 per hour = \$410
- Form 2234 (A,B,C) – 20 hours x \$41.00 = \$820

SBA estimates that the information in this form is collected and compiled by a CDC loan officer whose annual salaries are equivalent to Federal employment grades of a GS-12/GS-13, averaged at approximately \$41/hour.

14. Estimated Annualized Cost to the Federal Government

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.

Because PCLP CDCs have delegated authority to process, approve, and close loans associated with this collection of information, the immediate burden for the agency is primarily to review for completeness and input the data for submissions. The e504 E-tran system was never built to support the PCLP loan applications, therefore 100% of PCLP loans are submitted in paper form.

Therefore, based on the cost of a GS-7 clerk in the locality pay area of Sacramento, CA (\$23.34 per hour) taking approximately 60 minutes to review the forms for completeness and input the data, SBA estimates that the cost to the government would be approximately **\$466.80 annually** (20 PCLP submissions x 60/60 minutes/hrs. per application x \$23.34 per hour = \$466.80).

As noted above, SBA uses the information to facilitate its analysis of loan trends and monitoring and assessment of risks in the program and CDC operations. The burden related to those functions is an integral part of SBA's overall loan monitoring and risk assessment process, and would be incurred even without this collection.

15. Explanation of Program Changes in Items 13 or 14 on OMB Form 83-I

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

There has been a decrease in the number of burden hours since the last submission due to a decline in the number of submissions of Form 2234 Parts A, B, and C.

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 this Data

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.

18. Exceptions to the Certification 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.

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.

Not applicable.