

PAPERWORK REDUCTION ACT SUBMISSION
Supporting Statement for
U.S. Small Business Administration
Application for Section 504 Loans
(OMB Control Number 3245-0071)

Justification

This information collection, as approved by OMB for use in SBA’s Certified Development Company (504) loan program, consists of SBA Form 1244 *Application for Section 504 Loans* and Form 2450, *Eligibility Information Required For 504 Submission (Non PCLP)*. 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.

The revisions made to Form 1244 and Form 2450 to reinstate previous language are summarized below.

Form 1244

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| Page 1, Part A | Added options to “Check if Debt Refinancing Loan Application With Expansion” or “Without Expansion” for statistical data tracking purposes |
| Page 12, Part D | Under Item 3, added “Option B,” for information regarding “Debt Refinancing Without Expansion” |

Form 2450

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| Page 3-4, Section IV | Added language related to loan eligibility in the case that debt refinance is included in project costs without expansion |
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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 Investment Act authorizes SBA to guarantee a debenture issued by a Certified Development Company (CDC). The proceeds from each debenture are used to fund loans to eligible small business concerns. 15 U.S.C. §697(a). The Small Business Act and the Small Business Investment Act mandate that all SBA guaranteed loans provided to small business concerns (SBCs) must have a reasonable assurance of ability to repay. See 15 U.S.C.

§§636(a) (6) and 13 C.F.R. §120.150. In general, the information requested on Form 1244 helps SBA to assess compliance with this statutory requirement and facilitates the 504 loan financing process, including approving of the CDC's request for guarantee of the debentures.

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.

SBA uses the information collected on the SBA Form 1244 *Application for Section 504 Loans* and the Form 2450 *Eligibility Information Required for 504 Submission* to review the creditworthiness and repayment ability of the Small Business Concern (SBC), the eligibility of the SBC for SBA financial assistance, and the terms and conditions of the 504 loan for which the SBC is applying. The form is also used by CDCs to request debenture guarantee.

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 1244 and the Form 2450 are available electronically to the general public from SBA's website, www.sba.gov, as fillable PDF forms. In addition, CDCs may submit applications to SBA electronically through E-Tran, an electronic loan submission method. SBA estimates it collects 80 percent of all 504 applications through E-tran and 20 percent in paper form.

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.

SBA has determined that, except for minimal identifying data, the information being requested is not obtainable through other means.

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 collection of information impacts the small business concerns that apply for 504 loan financing. Only the minimum information necessary for the SBA to make an eligibility determination, as well as to ensure that the loan meets SBA's credit standards, is required. The financial data required should be readily available from the SBC's bookkeeping or accounting systems. The estimated number of small entities affected is approximately 9,100. This number was derived by averaging the number of 504 applications submitted to the Sacramento Loan Processing Center over the past three fiscal years and adding approximately 2,100 additional applicants. The additional applicants are incorporated in order to account for the increase in

lending that the program expects with the return of the option to refinance debt without expansion, based on the actual increase experienced during the temporary instatement of the program as part of the Small Business Jobs Act.

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.

SBA has a statutory obligation to ensure that SBA's eligibility and credit criteria are met. The data requested is necessary to determine the viability and eligibility of the SBC applicant. If the information were not collected, SBA could not fulfill its statutory duties and would likely provide assistance to SBCs that are ineligible or pose a greater financial risk to the Agency.

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 on the availability of data, frequency of collection, clarity of instructions.

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. Payment or gifts.

Explain any decision to provide any payment or gift to respondents, other than remuneration 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.

Form 1244 includes a section entitled, "Statements Required by Law and Executive Order." This section of Form 1244 advises each respondent of, among other things, the protections against disclosure of sensitive and confidential information under the Freedom of Information Act, (5 U.S.C. 552), Privacy Act (5 U.S.C. 555a), the Right to Financial Privacy Act of 1978 (12 U.S.C. 3401), and other statutes or executive orders related to financial assistance from the

Federal government. Form 2450 is an attachment to Form 1244 and is therefore covered by this notification.

11. Questions of a sensitive nature

Provide additional justification for 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 information necessary, specific uses for 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.

SBA collects social security numbers and information on a borrower’s ethnicity, race, and criminal records. The social security number is the unique identifier associating a person with a specific loan. The Debt Collection Improvement Act requires any agency administering a Federal loan program to require persons applying for a loan to provide their taxpayer identifying number. 31 U.S.C. 7701(b). SBA 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 and to aid in the collection and reporting of any defaulted loans. SBA also uses the demographic information to assess the extent to which SBA’s loan programs assist all demographics. SBA maintains a Privacy Act System of Records governing the disclosure of an individual’s loan related personal information. See attached Federal Register Notice for SBA-21, Loan System, at 74 FR 14890 (4/1/2009) as amended by notices published at 77 FR 15835 (3/16/2012) and 77 FR 61467 (10/9/2012).

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. Also provide estimates of annual costs to respondents for the hour burden for the information collection; identifying and using appropriate wage rate categories.

The estimate of the burden hours imposed by use of this form, including exhibits, is expected to be similar to the hourly burden experienced during the two years that Temporary Debt Refinancing was in place through the Jobs Act. The estimated hourly burden is as follows:

The total number of small business concerns that will respond and subsequently complete Form 1244 and Form 2450 is approximately 9,100 based on the average submission of applications (responses) submitted from CDCs over the past three fiscal years using both the Abridged Submission Method (ASM) and non-ASM methods* considered with the average number of applications submitted during Temporary Debt Refinance.

Annual Burden Hours

Form 1244

Total burden hours = 20,839

Submission through the ASM (80%) – 7,280 X 2.25 = 16,380 burden hours

Submission through non-ASM (20%) – 1,820 x 2.45 = 4,459 burden hours

Form 2450

Total burden hours = 910

Submission through the ASM and non-ASM – 9,100 X 0.1 = 910 burden hours

TOTAL BURDEN HOURS = 21,749

*SBA has established a streamlined loan application processing procedure known as ASM. Under this process, the CDC is required to collect and retain all exhibits to SBA Form 1244, but is only required to submit selective documents. Non-ASM requires the submission of all documents and exhibits required for Form 1244.

Annual Cost Burden

Total annualized cost to respondents is approximately: \$891,709

ASM - \$41.00/hour x 2.35 (2.25+.1) hours x 7,280 applicants = \$701,428

Non-ASM - \$41.00/hour x 2.55 (2.45+.1) hours x 1,820 applicants = \$190,281

(SBA estimates that the information in this form is collected and compiled by CDC employees whose annual salaries are equivalent to Federal employment grades of a GS-12/GS-13, averaged at approximately \$41.00 per hour).

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 start-up costs to the respondents but there are duplication and shipping costs for those CDCs that do not submit applications electronically. Currently less than 20% of all applications are submitted by CDCs by mail or courier. Based on cost information that the National Association of Certified Development Companies (NADCO) has provided to SBA the copying and shipping costs using the ASM ranges from \$15-\$50 and for non-ASM from \$25-\$60.00. This variance in the costs depends on the complexity of the loan application and whether the application is submitted through the ASM or non-ASM Method.

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.

The following is the estimated annual cost to the Federal Government/SBA:

SBA Form 1244 and supplemental Form 2450 requires approximately 1.75 hours to review an application submitted using the ASM, of which SBA estimates it will receive about 7,280 annually, and approximately 2 hours to review an application submitted not using the ASM, of which SBA estimates it will receive about 1,820 annually. It should be noted that approximately 7,000 applications are received from the CDCs on an annual average and therefore with the

reinstatement of debt refinancing without expansion, SBA anticipates an additional 2,100 applications per year for a total of 9,100 submissions.

ASM - \$45.00/hour x 1.75 hours x 7,280 applicants = \$573,300

Non-ASM - \$45.00/hour x 2 hours x 1,820 applicants = \$163,800

Total - \$737,100

(The form is reviewed by employees with average grades of a GS-12/GS-13 in the locality pay area of Sacramento, CA, whose salaries are averaged at approximately \$45.00 per hour.)

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.

We do not anticipate a change in response time due to the revisions made to SBA Form 1244 and SBA Form 2450. It should be noted that while SBA does not anticipate an increase in the amount of time required for respondents to complete the Forms 1244 and 2450, or for the Federal Government to review said forms, the reinstatement of debt refinance in the 504 loan program is expected to increase the number of applications submitted.

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 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.

No such approval sought.

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.

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.

This collection of information does not employ statistical methods.