

**2016 SUPPORTING STATEMENT
(OMB No. 0570-0018) 7 CFR Part 4279-A
Guaranteed Loanmaking (General)**

- 1. Explain the circumstances that make the collection of information necessary.** The Business and Industry (B&I) program was legislated in 1972 under Section 310B of the Consolidated Farm and Rural Development Act, as amended. The purpose of the program is to improve, develop, or finance businesses, industries, and employment and improve the economic and environmental climate in rural communities. This purpose is achieved through bolstering the existing private credit structure through the guaranteeing of quality loans made by lending institutions, thereby providing lasting community benefits. The B&I program is administered by the Agency through Rural Development State and sub-State Offices serving each State.

- 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.** This subpart contains general requirements applicable to the B&I Guaranteed Loan Program administered by the Agency. Most of it is general lender requirements. This includes lender eligibility for participation in Agency guaranteed programs, lender performance, and secondary market activities. The bulk of the other two subparts for the B&I Guaranteed Loan Program (7 CFR 4279-B and 4287-B) concern the loans themselves. The information is used by Agency loan officers and approval officials to determine lender program eligibility and for program monitoring.

The estimates do not include burden hours for customary and usual business practices of entities other than the Agency. Therefore, this package only considers the information the Agency requires in excess of what a lender would typically require of a business, as well as the information the Agency regulation requires from the lender in excess of what it would typically do for a non-guaranteed loan. The burden estimates in this package are based on the assumption that the B&I Guaranteed Loan Program will receive \$1 billion in program funding in each of the next 3 years with which it will guarantee an average of 413 loans per year. **Specifically, the burden to be cleared with this document is as follows:**

REPORTING REQUIREMENTS - NO FORMS

Appeals. The applicant or borrower and lender and/or holder may appeal any adverse Agency decision. Appeals are handled in accordance with Departmental appeal regulations. The burden is reported here.

Eligible Lenders. A lending entity that does not meet the description of a traditional lender may request consideration to become a guaranteed lender. The lender's written request must include documentation concerning capital resources, license or other evidence of authority to make loans, information regarding lending experience, and expertise of the lender and its staff.

Certified Lender Program. To receive approval for participation in the Certified Lender Program (CLP), the lender must prepare a written request to the Agency and provide information regarding its experience in commercial lending. This report also includes the burden associated with renewing CLP status. The burden associated with processing an application submitted by a certified lender is included in the burden with 7 CFR 4279, Subpart B, which is the processing regulation for the B&I loan program. There is no difference between the application requirements for a loan submitted by a CLP lender and a non-CLP lender. However, a CLP lender is not required to submit full documentation to the Agency.

Funds Reservation. CLP lenders may request, in writing, that funds be reserved for a loan application it intends to submit. This assures the CLP lender that funds will be available to fund its loan.

Sale or Assignment of Guaranteed Loans. The lender may sell the loan in the secondary market. This is a typical business practice. The only burden imposed by the Agency is requiring the lender to advise the Agency that it wants to sell the loan and requesting the Agency to execute the appropriate documents. The balance of the burden is imposed by requirements of the secondary market, and is not reported here.

Repurchase from the Holder. When a loan defaults, the holder makes demand for repurchase. A lender has the option to repurchase the unpaid guaranteed portion of the loan from a holder. If the lender does not repurchase the loan, the Agency will. The holder's demand will include documentation and the amount due. If the lender does not repurchase the loan, the lender will provide the Agency with information necessary for the Agency to determine the amount due.

Replacement of Document. If a Loan Note Guarantee is lost, stolen, destroyed, or defaced by the lender or holder, the Agency will replace it when the lender provides the Agency with documentation and an indemnity bond.

REPORTING REQUIREMENTS - FORMS

Form RD 4279-8, "Certified Lender Business and Industry Program" - The Agency uses this document to approve a lender for the Certified Lender Program. The lender prepares and executes the form. The Agency then reviews and executes the form.

REPORTING REQUIREMENTS – FORM BURDEN APPROVED UNDER OTHER NUMBERS

Because this instruction is the general guaranteed instructions for RBS, many program requirements and forms are mentioned here without any burden associated with them. That burden is imposed in the specific program regulation. Accordingly, much of the attached worksheet indicates no responses or burden. Notable exceptions are the requirements for the secondary market and Certified Lender.

Form 4279-1, “Application for Loan Guarantee (Business and Industry and Section 9006 Program)” (OMB No. 0575-0017) - The information collected on the form is used by the Agency to determine applicant eligibility for program assistance and to provide financial and other data about the applicant and lender. The form contains two parts. The borrower completes Part A, and the lender completes Part B.

Form 4279-1A, “Application for Loan Guarantee (Rural Business-Cooperative Service)” (OMB No. 0575-0017) - This form is used to file applications of up to \$600,000, to determine applicant eligibility for program assistance, and to provide financial and other data about the applicant and lender. The form contains two parts. The borrower completes Part I, the lender completes Part II, and the Agency has sections to evaluate and comment throughout the document.

Form 4279-2, “Certification of Non-Relocation and Market and Capacity Report” (OMB No. 0575-0017) - This form is completed by the applicant and used by the Agency to obtain Department of Labor clearance on loan requests in excess of \$1 million which will increase direct employment by more than 50 employees. The information is used to determine if competing businesses would be adversely impacted by the Federally guaranteed loan.

Form 4279-3, “Conditional Commitment” (OMB No. 0575-0017) - This form is used by the Agency to provide notice to the lender and lender acceptance that the guarantee request is approved subject to the conditions established by the Agency and listed on the form.

Form 4279-4, “Lender’s Agreement” (OMB No. 0575-0017) - This form is the signed agreement between USDA and the lender setting forth the lender’s loan responsibilities. Each lender will execute the form once. It will then apply to all B&I, REAP and BAP loans the lender makes thereafter.

Form 4279-6, “Assignment Guarantee Agreement (Business and Industry and Section 9006 Program)” (OMB No. 0575-0017) - This form is the signed agreement among the Agency, lender, and holder, setting

forth the terms and conditions of an assignment of all or a portion of the guaranteed portion of a loan.

Form RD 1940-20, “Request for Environmental Information” (OMB No. 0575-0094)

- The information collected from the applicant is used by the Agency in preparing the environmental assessment. It is needed only for specific loan making or servicing actions. No requirement in this section imposes a burden that is not specified in the specific program regulation.

Section 4279.71 – Public Body Audits – Written (OMB NO. 0570-0016) - Any public body or nonprofit corporation that receives a guaranteed loan that meets the thresholds established by OMB Circulars A-128 or A-133 or successor regulations or circulars must provide an audit in accordance with the applicable circular or regulation for the fiscal year (of the borrower) in which the Loan Note Guarantee is issued. If the loan is for development or purchases made in a previous fiscal year through interim financing, an audit will also be provided for the fiscal year in which the development or purchases occurred. Any audit provided by a public body or nonprofit corporation in compliance with OMB Circulars A-128 or A-133 or their successors will be considered adequate to meet the audit requirements of the B&I program for that year.

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.** The Agency has automated the various forms used to apply for loan guarantees. They are frequently used by lenders and borrowers and are available on the Internet. The lenders complete the automated forms and submit them to the Agency.
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.** The Agency communicates with other institutions involved with business development for the purpose of sharing information and coordinating respective activities. When similar information is identified, action is taken to avoid duplication.
5. **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.** Only the minimum information needed to determine program eligibility and the creditworthiness of a credit proposal is requested. Lenders making loans without guarantees typically require as much or almost as much information from a business applicant. The information required of lenders is needed to determine lender and borrower eligibility and creditworthiness.
6. **Describe the consequences to Federal program or policy activities if the collection is not conducted or conducted less frequently, as well as any technical or legal obstacles to reducing burden.** The information needed for loan approval is typically needed only once. With less information, the Agency would be more likely to guarantee substandard loans, thus increasing Agency losses.

7. **Explain any special circumstances that would cause an information collection to be conducted in a manner:** There are no special circumstances that would cause information collection to be conducted in any manner described in (a) through (h) below:
- (a) **Requiring respondents to report information more than quarterly.**
 - (b) **Requiring written responses in less than 30 days.**
 - (c) **Requiring more than an original and two copies.**
 - (d) **Requiring respondents to retain records for more than 3 years.**
 - (e) **Not utilizing statistical sampling.**
 - (f) **Requiring use of statistical sampling which has not been reviewed and approved by OMB.**
 - (g) **Requiring a pledge of confidentiality.**
 - (h) **Requiring submission of proprietary trade secrets.**

8. **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 record keeping, disclosure, reporting format (if any), and on data elements to be recorded, disclosed, or reported.** In accordance with the Paperwork Reduction Act of 1995, the agency published a Notice in the Federal Register on March 25, 2016 [Vol. 81, no. 58, page number 16136]. No comments were received.

As part of the Agency's internal control measures, it conducts assessments of its loan programs by interviewing commercial lenders, existing borrowers, Agency field employees, and others. Among the topics discussed during these interviews, we ask the interviewees if they feel any of the Agency-imposed requirements are excessive or could be handled differently, and incorporate their suggestions into program regulations. They were generally satisfied with program requirements. We have identified two lenders and the Director of the U.S. Rural Development Council as those interviewed.

- a. Bank of Montgomery
Stephen Vansickle
814 Washington Street
Natchitoches, LA
- b. (318) 352-3060, Ext. 1500

c. Stephen F. Decker
WesBanco Bank, Inc.
415 Market Street
Parkersburg, West Virginia 26102
(304) 480-2501

d. Bob Coleman
Director
U.S. Rural Development Council
P.O. Box 546
La Canada, California 91012
818-541-6610

9. **Explain any decision to provide any payment or gift to respondents, other than remuneration of contracts or guarantees.** No payments or gifts 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.** Confidentiality is not assured. Requests for release of records and information are processed in accordance with the Privacy Act of 1974.
11. **Provide additional justification for any question of a sensitive nature, such as sexual behavior or attitudes, religious beliefs, and other matters that are commonly considered private.** There is no collection of any information that would be considered sensitive in nature or commonly considered private.
12. **Provide estimates of the hour burden of the collection of information. The statement should:**
 - **Indicate the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated.**

This submission is for 225 respondents with 462 responses and 955 hours. The attached worksheet describes burden for each reporting and recordkeeping requirement, as well as the annualized total. There is no contracting out or paying outside parties for information collection. The worksheet is based on the Agency receiving 450 applications, from which 413 loans will be made. Many of the requirements will not be needed from every applicant. Requirements are based on the type of applicant and in what type of business the applicant is engaged. The application type information requested will only be needed once, while servicing type information may be needed annually, for the life of the loan. Depending on the complexity of the loan and skills of the loan applicant, the amount of information actually prepared by the applicant varies considerably. It can range from near zero when the loan applicant hires a professional to put the application together, to virtually all of it. We computed the hours as if the

Agency's customer completed all the information collection. The response time per response ranges from 30 minutes for simple documentation to 12 hours for documentation to become a certified lender or for an appeal.

- **Provide estimates of annualized cost to respondents for the hour burdens for the collection of information, identifying and using appropriate wage rate categories.**

Most of the respondents are professionals including bank officers, accountants, attorneys, certified appraisers, environmental and other consultants, insurance providers, and contractors. We determined that the hourly wage class was \$36 per hour which was based on the [May 2015 National Occupational Employment and Wage Estimates](#).

- 13. Provide an estimate of the total annual cost burden to respondents or record keepers resulting from the collection of information, (do not include the cost of any hour burden shown in items 12 and 14). The cost estimates should be split into two components: (a) a total capital and start-up cost component annualized over its expected use of life; and (b) a total operation and maintenance and purchase of services component.** Any capital and start-up/operation and maintenance costs are customary and usual business practices and, therefore, not included in this package.
- 14. Provide estimates of annualized cost to the Federal Government.** The annual cost to the Federal Government to collect and evaluate this information is estimated to be about \$36,342 per fiscal year (see attached spreadsheet). Most of the review work is completed by GS-9 & 11 State Loan Specialists and GS-13 State Program Directors, with GS-7 & 8 Loan Technicians doing most of the computer data entry and typing. Accordingly, the average rate was determined to be \$27.27 per hour. The hourly rate was determined by using the [GS Pay Scale for 2016](#). The hours were computed by estimating the average time it takes to review documentation, approve requests, and maintain the accounting and tracking systems. In accordance with OMB Memorandum M-08-13, cost of total benefits for Federal Government employees has been calculated by multiplying 36.25% by the hourly \$27.27 + 9.89 (benefits) = \$37.16 hourly wage.
- 15. Explain the reasons for any program changes or adjustments reported in items 13 or 14 of the OMB Form 83-I.** This package reflects changes in the burden from the previous submittal. The hourly wage class for respondents was adjusted from \$70 per hour to \$36 per hour to align with current information from the Bureau of Labor and Statistics.

There was a decrease in the overall number of respondents due to an increase in the upfront guarantee fee in fiscal year (FY) 2012, followed by an increase in annual renewal fees in FY 2013. Adjustments are made because the number of respondents decreased. The number of appeals has reduced from 10 to 7 annually resulting in 36 fewer burden hours. Eligible lender applications have decreased from 25 to 19 annually resulting in 60

fewer burden hours. Certified Lender Program applications have decreased from 30 to 23 annually resulting in 84 fewer burden hours. Funds reservation hours have decreased from 120 to 90 hours annually resulting in 30 fewer burden hours. Sales of guaranteed loans on the secondary market have decreased from 300 to 225 annually resulting in 38 fewer burden hours. Repurchases from holders have decreased from 100 to 75 resulting in 63 fewer burden hours. The total of these adjustments is 315 fewer burden hours and 155 fewer responses.

16. **For collection of information whose results will be published, outline plans for tabulation and publication.** The results of this collection of information will not be published.
17. **If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.** No approval is being sought.
18. **Explain each exception to the certification statement identified in item 19 on OMB 83-I.** There are no exceptions to the Certification.
19. **How is this information collection related to the Service Center Initiative (SCI)? Will the information collection be part of the one stop shopping concept?** Recipients of B&I loan assistance are rural businesses, but typically are not agricultural. Consequently, very little of the information collected for this program would be useful in the Service Center Initiative. The information is used only for administering the B&I Program.