

**Supporting Statement for SBA Form 1253
Certified Development Company (CDC) Annual Report Guide
(3245-0074)**

Justification

This information collection is currently approved for use in SBA’s Certified Development Company (504) loan program. The collection consists of SBA Form 1253 and an exhibit, *Job Creation Calculation for CDCs*, which serves as a format template for the preferred method for CDC reporting data on job creation. As discussed below, SBA is revising this information collection to update, clarify and provide further guidance on the current reporting requirements for Certified Development Companies (CDCs) outlined in the existing 504 loan program regulations.

The changes to SBA Form 1253 include:

Introduction

- Added clarification of submission instructions.

Tab 1 – Economic Development Report

- Reorganized existing reporting requirements on CDC activity for a more efficient and concise report; and
- Added guidance on reporting non-lending investments for “Other Economic Development Activities.”

Tab 2 – Operating Report

- Reorganized existing reporting requirements for improved logistics and efficiency of SBA’s review of Report;
- Clarified existing reporting requirements for information on CDC Board of Directors, Executive Committee, Loan Committee(s), Staff, and Professional Service Contract(s), and CDC affiliations;
- Added “Section F – Independent Loan Review Package.”
 - CDCs are required by 13 CFR § 120.826 and SOP 50 10 to establish a Board-approved internal control policy, which includes providing for a periodic loan review function to be performed at least annually. Previously, SBA had not specified as to how and where CDCs should submit evidence of this requirement to the Office of Credit Risk Management (OCRM). In an effort to streamline and consolidate the review by OCRM, SBA is now requiring that CDCs submit the Independent Loan Review Package as part of the Annual Report.

Tab 3 – Financial Report

- Clarified existing requirements for the CDC’s annual Financial Report required by 13 CFR §§ 120.823 and 120.830;
- Removed duplicative requests for information already included in other Tabs;
- Added “Section H – 159 Reporting”
 - Existing regulations at 13 CFR § 103.5 require the completion of SBA Form 159 (504). SBA has a statutory obligation to monitor the fees charged to SBA applicants. Previously, the review of SBA Form 159 (504) to monitor the fees occurred during an OCRM risk-based review of a CDC (SMART Review), which may occur periodically,

as determined by OCRM. SBA is now requiring that the forms be compiled annually and included in the CDC's Annual Report. This consolidation of the forms will maintain a more consistent mode of monitoring. The forms pertain directly to an existing and required portion of a CDC's annual Financial Reporting, per 13 CFR § 120.830; thus the addition of "Section H - 159 Reporting" as part of "Tab 3" of the Annual Report is a logical outgrowth of the existing requirements.

Tab 4 – Analysis of 504 Employment Impact

- Clarified existing reporting requirements, including additional guidance and examples; and
- Revised the accompanying Exhibit, *Job Creation Calculation for CDCs*, to allow for separate reporting on manufacturing loans.

Tab 5 – Report on Compensation

- Added requirement for reporting on CDC Executive Compensation policy and CDC Board of Directors' acknowledgement, as required by 13 CFR § 120.823.

Tab 6 – Certification of Board of Directors

- Minor clarifying change to improve compliance with this requirement.

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.

As the sole regulatory oversight agency for Certified Development Companies (CDCs), SBA is responsible for performing the necessary due diligence to assure that CDCs are meeting the regulatory and operational requirements of the CDC program. To facilitate carrying out these responsibilities, SBA requires all CDCs to complete and submit annual reports containing financial statements, operational and management information. Form 1253, Certified Development Company (CDC) Annual Report Guide, outlines the standards for meeting these annual reporting requirements. These requirements are codified in agency regulations at 13 CFR §§ 120.816 through 120.830, which were promulgated under the authority of 15 U.S.C. 697.

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 Annual Report Guide is used by all SBA District Offices, the Office of Credit Risk Management, and the Office of Financial Assistance, 504 Program Branch to obtain information from CDCs in regard to their financial condition, their compliance with regulations, and the impact of their assistance to small business. SBA also uses the information collected to prepare reports to Congress.

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 1253 and the Exhibit to the form are available in electronic form on SBA's website at: <http://www.sba.gov/for-lenders> under the "forms" option.

CDCs are encouraged to submit their responses electronically. Based on prior years' submissions, we estimate that 75% of the Annual Reports will be submitted to the District Offices electronically and 90% of those reports will ultimately be forwarded to SBA Headquarters in electronic format.

The electronic submission option eliminates significant cost and time burden to the CDCs, the District Offices, and the SBA Headquarters Staff. CDCs are required to print and ship two copies of the report if submitting in paper form. Therefore, electronic submission saves costs on materials and postage.

The SBA District Offices are required to ship one copy of the report to SBA Headquarters via overnight mail. Electronic submission saves the District Offices time and postage costs, as well.

Finally, the SBA Headquarters staff members who review the reports save time if it is received electronically, as it eliminates the need for an analyst at Headquarters to scan the report. All records of CDC Annual Reports are maintained by Headquarters in electronic format only, so any Annual Report submitted in paper form is required to be scanned prior to the completion of its review.

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.

This collection of information impacts only the population of CDCs authorized by SBA to participate in the 504 Loan Program. The option for electronic submission minimizes the economic burden by eliminating costs of printing and mailing documentation that would be associated with paper submission. The additional direction and clarifications provided in this revision should also help to minimize the burden of time spent compiling the report.

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.

This form serves as SBA's primary means of collecting information to assess CDC regulatory compliance. SBA is the sole regulator of CDCs. If the information is not collected, it would significantly impact SBA's ability to determine program, regulatory, and operational compliance.

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 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.

Notice and request for public comment was published in the Federal Register on November 1, 2016 at 81 FR 75894. SBA received no comments.

9. Payment or gifts.

Explain any decision to provide any payment or gift to respondents, other than re-enumeration 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.

The information collected will be protected to the extent permitted by law. The CDC's financial data are protected from disclosure under exemptions 4, 6, and 8 of 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, the specific uses to be made of 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.

There are no such questions on this form.

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.

All CDCs must provide an Annual Report. Currently there are 231 CDCs. SBA has prepared an estimate based on the fact that respondents gather and maintain the information requested in the ordinary course of business (all loan information, including jobs created and retained).

SBA has removed requests for duplicative information and added guidance to clarify the existing requirements that have caused confusion in reporting in the past. These changes should assist respondents with preparing the Annual Report. SBA has added new reporting sections. The information being reported is not a new requirement for CDCs; however there were no previous instructions for this information to be included in the CDC's Annual Report. Including these reports in the Annual Report will create efficiencies for CDCs to focus their reporting efforts, providing important information to SBA in one place at one time. SBA estimates that any additional time required for including the reports not previously required in the Annual Report guide will be negated by the removal of duplicative requests and added guidance. No additional time to complete is expected.

SBA estimates the time needed to compile the information throughout the course of a CDC's fiscal year in order to complete this collection will average 28 hours at \$24.00 an hour, which is approximately the salary of a program analyst with an average salary equal to a GS 9.

The estimated **burden hours** imposed by the reporting requirements set out in Form 1253 are as follows:

The number of respondents annually is 231. There is 1 report per respondent. Time to complete the report is 28 hours. **Total burden hours are 6,468 hours.**

(231 respondents x 1 report per respondent = 231 x 28 hours = 6,468 total annual burden hours)

The estimated **annual cost** to the respondents of this collection would be **\$155,232** and is broken down as follows:

231 CDCs per year x 28 hours = 6,468 hours to complete @ \$24/hr. = \$155,232.

The burden hour has decreased from the last submission because the number of CDCs has decreased.

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 or operational costs resulting from this information collection.

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:

Analyzing reports: 231 x 4 hours = 924 hours x \$30/hr. = \$27,720.

(\$30.00 an hour is used as the salary of a program analyst with an average salary equivalent to a GS 9 in the Locality Pay Area for Washington-Baltimore-Arlington, DC-MD-VA-WV-PA. The review of Annual Reports is performed at SBA Headquarters, located in Washington, DC.)

Although the number of CDCs has decreased, thus decreasing the number of reports to analyze, the cost has increased because more time is spent analyzing the reports since the last submission to OMB. The responsibility for reviewing the CDC Annual Reports was transferred from the Office of Financial Assistance to the Office of Credit Risk Management (OCRM). The responsibility transferred so that the information provided in these reports could be better utilized as a method of CDC monitoring.

The ability to monitor this information virtually on a more frequent basis prevents, in most cases, the need for more frequent on-site reviews of the CDCs, which can be very costly to the Agency due to the travel and time required to complete such a review.

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.

The annual reporting and recordkeeping hour burden has decreased since the last submission due to changes in the CDC industry. The number of CDCs has decreased and, therefore, fewer respondents are required to submit Reports. The annual reporting and recordkeeping non-hourly cost burden associated with the collection of information remains at zero.

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.

Not applicable; 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.

Not applicable; 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.