

Supporting Statement
U.S. Small Business Administration
Paperwork Reduction Act Submission
All 7(a) Loan Programs
(OMB Control # 3245-0348)

OMB clearance is requested for the following forms:

1. SBA Form 1919, Borrower Information Form
2. SBA Form 1920, Lender's Application for Loan Guaranty
3. SBA Form 1971, Religious Eligibility Worksheet
4. SBA Form 2237, 7(a) Loan Post Approval Action Checklist
5. SBA Form 2449, Addendum for Community Advantage Applicants only

Introduction:

Since this information collection was last approved, there have been changes in Agency regulations and Standard Operating Procedures (SOPs) related to the 7(a) loan program, including changes related franchise operations and affiliation determinations. In addition, during the three years the current forms were in use, suggested improvements were received from sources such as SBA District Offices, the SBA's Loan Guaranty Processing Center (LGPC), and Lenders who work directly with Small Business Applicants. This submission reflects changes that were made in response to those suggestions.

Summary of Changes:

1. SBA Form 1919
 - a. Incorporated a definition section, which should decrease the time a respondent may spend researching certain SBA defined terms;
 - b. Reworded existing questions to improve clarity by being more concise and consistent in format;
 - c. Moved the following two questions and one statement from SBA Form 1919 to SBA Form 1920, Lender's Application for Guaranty, where they are more applicable:
 - (i) Question 15. "Will more than \$10,000 of the loan proceeds be used for construction? If Answer is "Yes", a SBA Form 601 will need to be completed."
 - (ii) Question 17. "Is the Loan request for a Community Advantage Pilot Program loan? If answer is "Yes", a SBA Form 2449, Community Advantage Addendum will need to be completed".

- (iii) Statement attached to question 14 regarding the need to complete SBA Form 159, “If answer is “Yes”, a SBA Form 159(7a) will need to be completed by the Applicant and the lender.”
- d. Incorporated additional questions regarding co-applicants, bankruptcy, and legal actions to ensure the Lender and SBA obtain the relevant information to make an informed eligibility and credit decision; and
- e. Divided the form into two distinct sections: one section completed by the Small Business Applicant (i.e., the business), and a separate section completed by each of the Applicant’s Associates/principals. The current form’s layout resulted in multiple principals unnecessarily providing the same information pertaining to the applicant business. With the revised instructions and format, it is the SBA’s intent to reduce duplication and the time required to complete the form when there is more than one respondent.

2. SBA Form 1920

- a. Changed the overall formatting and question grouping;
- b. Reworded existing questions to improve clarity;
 - i. The questions were reworded to be more concise, provide guidance for non-routine situations, and asked in a more consistent and understandable format.
 - ii. Questions now require a response of “Yes/No” with the response determining whether or not the application may proceed based on compliance with SBA Loan Program Requirements. Eligibility questions that require an affirmative answer can only be answered “True” to proceed.
- c. Incorporated the two questions and the statement that are on the currently approved Form 1919 (see above);
- d. Incorporated questions regarding alternate contact information, pricing (split pricing on the guaranteed and un-guaranteed portions of the loan and interest rate changes), and requirements for 7(a) Small Loan processing, such as confirmation that the Lender received and reconciled applicable tax return transcripts;
- e. Removed the question regarding the qualifications of the individual conducting the business valuation; and
- f. Incorporated the disclosure concerning lobbying activities into this form, which eliminates the need for a separate form (SBA Form 1846, Statement Regarding Lobbying) to make the required disclosure.

3. SBA Form 1971

This form is being added to this information collection because the process to determine the eligibility of a Small Business Applicant with a religious component changed to require the Lender (for a 7(a) loan) or Certified Development Company (CDC) (for a 504 loan) complete the worksheet based on the documents submitted to the Lender of CDC by the Small Business Applicant.

4. SBA Form 2238, Supplemental Information for SBA Express and Patriot Express (Eligibility Authorized Lenders)

As stated in the Supporting Statement of the February 2014 submission, this form was discontinued at its last expiration (April 2014) because the information collected was integrated into SBA Form 1919, Borrower Information Form, and SBA Form 1920, Lender's Application for Loan Guaranty. However, the form was inadvertently included in the last submission, and currently appears in the inventory as part of this collection. That oversight is being corrected with this submission.

5. SBA Form 2237

No changes to the information requested; however, the information will now be submitted to SBA via E-Tran (a secure web site where lenders can enter loan information for a single loan or send multiple applications simultaneously via an XML (Extensible Markup Language) file transfer) or SBA One (an SBA automated lending platform that assists Lenders with determining loan eligibility, and with closing and servicing actions).

6. SBA Form 2449

- a. Changed the name from "Addendum for Community Advantage Applicants only" to "Community Advantage Addendum (7(a) Pilot Program);"
- b. Replaced "Patriot Express" (discontinued program) with "SBA Veterans Advantage;" and
- c. Added "Promise Zone" to the list of categories to identify where the business is located (e.g., in a low-to-moderate income area) or the type of business (e.g., a start-up).

A. Justification

1. *Explain the circumstances that make the collection of information necessary.*

Section 7(a) of the Small Business Act (15 U.S.C. 636) authorizes the Small Business Administration to guarantee loans made by banks or other financial institutions to qualified small businesses for the purposes of "plant acquisition, construction, conversion, or expansion, including acquisition of land, material, supplies, equipment, and working capital" (a copy of this provision is attached). The 7(a) loan program regulations at 13 CFR Part 120 establish the requirements that prospective small businesses and lenders are to comply with when applying for an SBA-guaranteed loan. This collection of information is also necessitated by requirements imposed on SBA by OMB Circular A-129 (Policies for Federal Credit Programs and Non-tax Receivables), to among other things, evaluate the character and performance of individuals participating in its federal credit programs (copy of this provision is attached).

2. *How, by whom, and for what purpose will the information be used.*

SBA Form 1919

This form is currently approved for use with the 7(a) loan program and it is the first step in the SBA 7(a) loan origination process. The form is completed by the Small Business Applicant for submission to an SBA Participating Lender. The form is comprised of questions that help determine whether the Applicant and the requested financing are eligible and, if so, what areas may require additional exploration or documentation by the SBA Participating Lender. In order to determine loan eligibility, SBA, through the Lender, collects information about the Applicant and its principal(s), their indebtedness, current or previous government financing, and certain other matters. The information collected also facilitates background checks as authorized by Section 7(a)(1)(B) of the Small Business Act (15 U.S.C. 636(a)(1)(B).)

In addition, as part of a Risk Based Review, the SBA uses the information on this form and other documents to ensure Lenders are originating loans meeting SBA Loan Program Requirements as it pertains to eligibility. Data can be extracted from the form to compile reports used by SBA management (Executive, Senior, and Mid-Level) and entities with oversight authority over the SBA. The entities use the data to evaluate the effectiveness of the 7(a) loan program in meeting the needs of various demographics, as well as the safety and soundness of the SBA's policies and procedures;

SBA Form 1920

The information collected on SBA Form 1920 is primarily used to ensure basic eligibility and processing requirements are met. The form guides the Lender through required information about the Small Business Applicant and its principal(s) with the purpose of ensuring all applicable 7(a) loan program eligibility and specific processing requirements are met. Processing requirements determines whether the Lender may process the loan under its delegated authority, and among other things the maximum pricing, maximum term, and the maximum SBA guaranty percentage.

In addition, as part of a Risk Based Review, the SBA uses the information on this form, among other documents, to ensure Lenders are originating loans meeting SBA Loan Program Requirements as it pertains to eligibility and credit standards. Data can also be extracted from the form to compile reports used by SBA management (Executive, Senior, and Mid-Level) and entities with oversight authority over the SBA. The data is primarily used to evaluate the effectiveness of the 7(a) loan program in meeting the needs of various demographics, geographic and industry performance, the safety and soundness of the SBA's policies and procedures.

SBA Form 1971

This form is completed by the Lender for 7(a) loans and by the Certified Development Company (CDC) for 504 loans when a Small Business Applicant has a religious component. For non-delegated applications, the Lender/CDC submits the form with the application to the appropriate SBA loan processing center and SBA counsel uses the information collected to determine whether or not a Small Business Applicant with a religious business component is eligible to receive SBA loan assistance. For applications processed under a Lender or CDC's delegated authority, the Lender or CDC completes the form and makes the appropriate eligibility determination and retains the form in its loan file. The form is reviewed by SBA when conducting lender oversight activities or, in the event of default on a 7(a) loan, at time of guaranty purchase request.

SBA Form 2237

The information requested on this form used by Lenders to communicate loan changes to the SBA regarding routine modifications (increase/decrease loan amount and/or guaranty percentage; cancellation of a loan approval; changes to the loan term/ maturity; and name (legal and/ or trade) and address changes). With advances in electronic collection, the physical form is no longer submitted. On delegated loans the information is now input by delegated Lender's into SBA One/ E-Tran, and on non-delegated loans, Lender's work directly with personnel at the applicable SBA loan processing center (usually via email) who input the information into SBA One or E-Tran. The information is pertinent to the SBA to ensure that the Agency's records reconcile with the Lender's as well as with the loan documents.

SBA Form 2449

SBA Form 2449 is submitted to SBA electronically by the Community Advantage Lender and is used to collect information about the Small Business Applicant and any management and technical assistance training or counseling the Applicant may have received. In addition, the form is used to ensure the Lender is complying with SBA Loan Program Requirements for the Community Advantage Pilot Program.

3. Technological collection techniques

SBA Form 1919

This form is available on the SBA website as a PDF (fillable form) (<https://www.sba.gov/managing-business/forms/lending-forms/borrower-information-form>). Lenders are also able to assist respondents by generating the form through many third-party software platforms and SBA One.

After respondents complete the form, Lenders with delegated authority are required to retain it in the respective loan file. For loans processed under non-delegated authority, the form must be submitted electronically to the SBA's LGPC.

SBA Form 1920

This form is also available on the Agency's website as a PDF (fillable form) (https://www.sba.gov/sites/default/files/SBA_1920.pdf).

Certain sections of SBA Form 1920 must only be completed if applicable. After the Lender completes its internal processes, it must input the application into SBA One or E-Tran. The applicable information in SBA Form 1920 is ultimately transferred into SBA One or E-Tran.

After completion of this form, Lenders are required to retain the original in the respective loan file. For loans processed under non-delegated authority, the form must be submitted electronically to the SBA's LGPC. For loans processed under a Lender's delegated authority, the form is not submitted to the Agency but must be signed by an authorized Lender official and retained in the respective loan file.

SBA Form 1971

This form is available in PDF-fillable and is remitted to the Agency, when required, electronically.

SBA Form 2237

This information only collected through E-Tran or SBA One (both are electronic submissions).

SBA Form 2449

The information is collected via SBA One or E-Tran (both are electronic submissions).

4. Avoidance of duplication

The information collected is unique to each Small Business Applicant, its principals and the circumstances of the particular loan. All information must be collected by the Lender during the origination of an SBA loan and there are no other sources for this information.

5. Impact on small businesses or other small entities

SBA Form 1919

This form is completed by small businesses and the Agency is cognizant of the burden completing the form places on the respondents. As the revised SBA Form 1919 was

drafted, the Agency made a concerted effort to ensure the form was more user friendly without sacrificing function.

SBA Forms 1920, 1971, and 2449

These forms are completed by Lenders, some of which may be classified as small. The Agency is cognizant of the burden completing the form places on its lending partners and continues to work with them to determine ways to reduce the burden.

6. Consequences if information is not collected.

Failure to collect the information contained in the forms would likely compromise the 7(a) program's effectiveness and contribution to the nation's economy. Collection of the information contained in the forms allows the Agency to provide small businesses access to capital in an efficient and timely manner while complying with its statutory and regulatory authority, and maintaining its fiduciary responsibility to the taxpayer.

The information is only collected once per application. As the forms collect information on eligibility and credit standards established by SBA Loan Program Requirements, not completing the required forms in their entirety at application may result in loans entering the program which are not eligible or creditworthy; creating the potential for improper payments to occur. Failure to collect the information could also impact SBA's ability to ensure its lending partners are complying with SBA Loan Program Requirements.

7. Existence of special circumstances

Except as noted below, none of the iterated circumstances are applicable to this information collection:

(a) Lenders submit loan data to SBA for its loan guaranty approval on a loan by loan basis. Because Lenders want SBA to approve loans on a rolling basis, they submit information more than once a quarter.

(b) Respondents, both loan Applicants and Lenders, are not typically required to retain records, other than government documents or tax records, for more than three years. The only exception is customary record retention requirements levied upon Lenders, typically by the primary federal regulator (e.g. Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, National Credit Union Association, Small Business Administration, etc.), as it pertains to loan documents.

8. Solicitation of public comment.

On November 1, 2016, SBA published the required 60-day notice and request for comments in the Federal Register at 81 FR 75895. SBA did not receive any comments on the notice; a copy of the notice is attached. However, as noted above, the Agency

received feedback from the lending community on Forms 1919 and 1920 in particular. The changes discussed above reflect that feedback. SBA continues to engage with the Lenders in an effort to identify future enhancements.

9. Payments or gifts.

No gifts or payments are provided to any respondents.

10. Assurances of confidentiality.

The information collected is protected to the extent permitted by law. SBA incorporated various statements required by law and executive orders to advise each respondent (both the loan Applicant(s) and Lenders) of, among other things, the protections against disclosure of sensitive and confidential information under the “Freedom of Information Act” (5 U.S.C. § 552), “Right to Financial Privacy Act of 1978” (12 U.S.C. § 3401), the Privacy Act (5 U.S.C. § 552a), and other executive orders or legislation governing federal financial assistance.

11. Questions of a sensitive nature.

SBA Forms 1919 and 1920 collect information about each applicable principal’s veteran status, gender, race, ethnicity, and criminal record. The veteran status, gender, race, and ethnicity are collected for program reporting purposes only and have no bearing on the credit decision. However, SBA’s collection of information concerning a respondent’s criminal history is necessary to ensure an ineligible loan to an Associate of poor character is not approved by the SBA.

SBA maintains a Privacy Act System of Records governing the disclosure of an individual’s loan related personal information. See attached Federal Register Notice SBA-21, Loan System, at 74 FR 14890 (April 1, 2009) as amended by notices published at 77 FR 15835 (03/16/2012) and 77 FR 61467 (10/09/2012).

12. Estimate the hourly burden of the collection of the information.

Number of Respondents - The total number of respondents (341,060) takes into account three respondents for each form 1919 (203,970), one respondent for each 1920 (67,990), one respondent for each 1971 (10), one respondent for each 2237 (67,990), and one respondent for each 2449 (1,100).

SBA Form 1919

Each 7(a) loan requires one SBA Form 1919 to be completed. The Small Business Applicant (the business) and any co-applicant (if applicable) complete Section I of SBA Form 1919 and each principal completes Section II. To estimate the number of principals completing Section II of the form, a random sample of E-Tran applications were reviewed. These loans were entered into E-Tran the week of March 6, 2017. Based on

the result, SBA estimates that the typical respondent will fill out Section I - Business Information once, and Section II - Principal Information twice. Prior to the proposed changes, each principal had to fill out a separate form in its entirety, which resulted in a lot of duplicate information about the business.

To determine the number of applications, SBA used data for approved loans which reflected that the average annual increase between Fiscal Year 2012 and 2016 (most recent five full years) was 3,917 loans per year. To estimate the number of forms collected annually, the average annual increase was added to the highest production year during the five year period (FY2016: 64,073 loans) for an estimated annual form collection of 67,990.

Assuming one Business Information Section and two Principal Information Sections are completed for each application, SBA estimates the form will take an average of 8 minutes to complete. The average was derived by having five individuals who were not familiar with the form complete it under timed conditions.

Estimated cost is determined by taking the salary for a GS-11, Step 1 Federal employee's annual salary of \$52,329 or \$25/ hour based on the 2017 General Schedule (Base). The GS-11 pay grade is utilized in preparing this estimate as it is equivalent to the position normally held by a white-collar employee in a mid-level position.

<i>Estimated Number of forms collected annually</i>			
A	FY2017 (estimated)		67,990
<i>Estimated Burden Hours</i>			
B	Number of minutes to complete form		8
C	Total number of minutes to complete form (annually)		543,920
D	Converted to hours	C/60 minutes	9,065
E	GS-11, Step 1 loan officers hourly rate		\$ 25
F	Annual cost to respondents	D x E	\$ 226,625

SBA Form 1920

Each 7(a) loan requires one SBA Form 1920 to be completed by the Lender. Since a Form 1920 must be submitted with each Form 1919, Lenders will submit an estimated 67,900 forms annually. The SBA estimates these Lenders will take an average of 25 minutes to complete the form at an average cost of \$25 per hour. This estimated cost is based on the same rate as the Form 1919.

<i>Estimated Number of forms collected annually</i>			
A	FY2017 (Estimated)		67,990
<i>Estimated Burden Hours</i>			
B	Number of minutes to complete form		25
C	Total number of minutes to complete form (annually)		1,699,750
D	Converted to hours	C/60 minutes	28,329
E	GS-11, Step 1 loan officers hourly rate		\$ 25
F	Annual cost to respondents	D x E	\$ 708,225

SBA Form 1971

The SBA estimates the respondents will take an average of 15 minutes to complete the form at an average cost of \$25 per hour.

<i>Estimated Number of forms collected annually</i>			
A	FY2017 (Estimated)		10
<i>Estimated Burden Hours</i>			
B	Number of minutes to complete form		15
C	Total number of minutes to complete form (annually)		150
D	Converted to hours	C/60 minutes	3
E	GS-11, Step 1 loan officers hourly rate		\$ 25
F	Annual cost to respondents	D x E	\$ 75

SBA Form 2237

The SBA estimates that every loan booked in 2017 will require data regarding a change to be input at some point. Respondents will take an average of 5 minutes to complete the form at an average cost of \$25 per hour.

<i>Estimated Number of forms collected annually</i>			
A	FY2017 (Estimated)		67,990
<i>Estimated Burden Hours</i>			
B	Number of minutes to complete form		5
C	Total number of minutes to complete form (annually)		339,950
D	Converted to hours	C/60 minutes	5,666
E	GS-11, Step 1 loan officers hourly rate		\$ 25
F	Annual cost to respondents	D x E	\$ 141,650

SBA Form 2449

Each 7(a) Community Advantage loan requires one SBA Form 2449 to be completed by the Lender. There were 988 Community Advantage loans processed in FY2016; the estimate below accounts for growth of slightly more than 10%.

The SBA estimates the respondents will take an average of 5 minutes to complete the form at an average cost of \$25 per hour.

<i>Estimated Number of forms collected annually</i>			
A	FY2017 (Estimated)		1,100
<i>Estimated Burden Hours</i>			
B	Number of minutes to complete form		5
C	Total number of minutes to complete form (annually)		5,500
D	Converted to hours	C/60 minutes	92
E	GS-11, Step 1 loan officers hourly rate		\$ 25
F	Annual cost to respondents	D x E	\$ 2,300

13. Estimate of total annual cost.

There is no appreciable cost burden other than as reported in number 12 above. There is no appreciable cost burden to the respondent to submit electronically or by paper. The Lender must maintain the original of the forms in the respective loan files; however, the cost to retain the forms does not materially contribute to the overall file retention cost.

14. Estimated annualized cost to the federal government

When required, all forms are electronically submitted to the Agency; therefore, there is no appreciable collection cost associated with this information. The cost for the staff necessary to review the forms exists whether or not these particular forms are remitted to the Agency for review.

15. Explanation of program changes in items 13 or 14 on OMB Form 83-I.

Changes in item 13 are related to:

- a. Total Number of Responses. The total number of responses changed due to: (1) The 7(a) loan program has been expanding in recent years and is anticipated to continue growing (figures used take into account the most recent fiscal year's activity and the average growth for the most recent three years); (2) the prior submission only accounted for one respondent whereas the current submission reflects three based on current data; and (3) the prior submission did not include forms 1971 and 2449.
- b. Although there were reductions in the estimated time required to complete forms 1919 and 1920 and the burden estimate for form 2237 was constant,

the additional number of annual responses coupled with the addition of form 1971 and 2449 caused the total number of hours requested to increase from the prior submission.

Form	Paperwork Reduction Act Submissions			
	Respondents		Estimated Burden	
	2017	2014	2017	2014
1919	203,970	45,000	8	9
1920	67,990	45,000	25	26
1971	10	-	15	-
2237	67,990	20,000	5	5
2449	1,100	-	5	-
Total	341,060	110,000	58	40
Difference	+231,060		+18	

Form	Paperwork Reduction Act Submissions			
	Annual Responses		Hours Requested	
	2017	2014	2017	2014
1919	67,990	45,000	9,065	6,750
1920	67,990	45,000	28,329	19,500
1971	10	-	3	-
2237	67,990	20,000	5,666	1,667
2449	1,100	-	92	-
Total	205,080	110,000	43,155	27,917
Difference	+95,080		+15,238	

16. Collection of information whose results will be published.

Except for summary data that may be included in various Agency reports (e.g. number of loans processed using this form) this information will not be published.

17. Expiration date for collection of this data.

This is not applicable; expiration date will be published.

18. Exceptions to the certification on Block 19 on OMB Form 83-I.

There are no exceptions.

19. Collections of Information Employing Statistical Methods

This is not applicable.