
SUPPORTING STATEMENT

U.S. Small Business Administration
Paperwork Reduction Act Submission for
Intermediary Lending Pilot Program
(Intermediary Pilot Program Reporting and Record Keeping Requirements)

Non-substantive revision: SBA no longer accepts applications for this program. Therefore, to avoid any confusion, the agency has made one minor change to remove the words “Loan Application” from the title of the collection.

JUSTIFICATION

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

Section 1131 of the Small Business Jobs Act of 2010 (Public Law 111-240) authorizes the Small Business Administration (SBA) to make direct loans to eligible intermediaries for the purpose of making loans to startup, newly established, and growing small business concerns for working capital, real estate, or the acquisition of materials, supplies, or equipment (the pertinent statutory provision is attached).

SBA established a loan program, the Intermediary Lending Pilot Program (ILP), to carry out this authority to assist small business concerns in areas suffering from a lack of credit due to poor economic conditions or changes in the financial market. SBA regulations at 13 CFR §109.360 contain the ILP reporting requirements that must be met by participating intermediaries for continued participation in the program. This information collection sets forth the specific information that is necessary to fulfill those requirements.

This information collection is also necessary for SBA to meet requirements imposed by § 4(b)(3) of the Small Business Act (Risk Management Database) and OMB Circular A-129 (Policies for Federal Credit Programs and Non-tax Receivables), among other statutory and regulatory provisions.

Authority for the ILP has expired; however, intermediaries that received financial assistance during the term of the program are required to continue to meet the following reporting and recordkeeping requirements until the loans are repaid.

(a) SBA Form 2418: ILP Program Activities Report: This form collects quarterly account activity information in the ILP Relending Fund and the ILP Loan Loss Reserve Account. Selected ILP Intermediaries must use these accounts to receive ILP loan proceeds from the SBA, to disburse loan proceeds to the small business borrower, and to maintain adequate loan loss reserves. The form collects information such as principal repayment from borrowers, interest paid by borrowers, interest earned on the ILP Relending Fund, disbursements to small business borrowers, and repayments to SBA. Intermediaries must also submit accompanying bank statements (3 months) to support the data reported in the ILP Relending Fund and the ILP Loan Loss Reserve Account.

(b) SBA Form 2419: Intermediary Lending Program Electronic Reporting System (ILPERS): Electronic Loan Data. This form collects identifying information on each small business borrower such as demographic information, use of proceeds, payment terms, payment status, and jobs created and retained. The form identifies the required data elements for each of the following two reports, which are to be collected on an intermittent and quarterly basis to measure program performance and ensure statutory goals are met.

- i. Portfolio Identification Reports: All loans made by an ILP Intermediary to an eligible small business concern must be entered into ILPERS within seven days of loan closing.
- ii. Portfolio Status Report: An ILP Intermediary must update the payment status of loans to small business borrowers and the outstanding principal balance on a quarterly basis.

(c) Audited Financial Statements. ILP Intermediaries are required to submit audited financial statements as prepared by a certified public accountant. ILP Intermediaries subject to the Single Audit Act must submit audits in accordance with that Act.

(d) Reports of Changes. ILP Intermediaries must submit ad hoc summaries of any changes in the ILP Intermediary's organization or financing (within 30 calendar days of the change). Examples of reported changes include Intermediary contact information, changes to bylaws or officers or directors, changes in financial condition, and changes affecting an intermediary's eligibility to participate in the program. The Reports of Changes do not require the intermediary to use a prescribed form.

(e) Records Retention. ILP Intermediaries will be required to maintain records of their activities in the ILP program, including financial records and all documents and supporting materials relating to the ILP Intermediary's activities in the ILP program, such as files on loans made to small businesses. Records may be preserved electronically if the original is available for retrieval within 15 calendar days.

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 will be used by program managers and top Agency management for portfolio risk management and lender oversight. The data will also be used to monitor the disbursement of ILP loan proceeds and monitor program effectiveness while minimizing risk to the federal taxpayer. Annual financial statements will be analyzed by program management to assess the selected intermediaries' financial strength. SBA will also use the information to report to its various oversight authorities regarding the number, dollar volume, portfolio payment performance, and demographic characteristics of its ILP intermediaries.

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.

Data collection related to the loans between the intermediary and the small business borrowers, including the quarterly ILP Program Activities Report, are filed electronically via ILPERS. Other reports such as financial statements for review are sent via email to the analyst for review and filing.

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 collection is unique to each ILP intermediary's portfolio and the circumstances and conditions of its business operation. There are no other sources of information that are currently available that would meet SBA's purposes for the ILP program. SBA sought to minimize the burden on ILP intermediaries by providing an electronic interface for updating loan accounts. This will speed the delivery of information at little or no cost to lender participants.

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 83-1), describe any methods used to minimize burden.

The information collection does not have a significant economic impact on the ILP intermediaries or the small businesses that they serve.

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.

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 intermediary data trends and risks. This information is particularly important to SBA's oversight of intermediaries, because most intermediaries are not regulated by federal or state financial institution regulators. Less frequent collection of this information would subject SBA to greater financial risk and would lessen the Agency's understanding of the operating conditions of the intermediaries.

7. Existence Of Special Circumstances

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

This information collection requires submission of some proprietary information, and other business information on the small business concerns that receive loans with ILP loan proceeds. SBA maintains the confidentiality of such information to the extent permitted by law, including the Freedom of Information Act (5 USC 552) and other related Federal laws.

SBA requires that intermediaries submit small business loan data to SBA within seven (7) days of the loan's closing. This reporting timeframe is critical for SBA to remain fully abreast of the financial condition of the loan portfolio originated by the intermediary participants. This will help SBA to maintain integrity of the use of proceeds from the loan between SBA and the intermediary.

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.

SBA published the required 60-day notice and request for comments in the Federal Register on March 2, 2017, at 82 FR 12389 (copy attached). The comment period closed May 1, 2017, no comments were received.

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.

The information collected is protected to the extent permitted by law, including the Freedom of Information Act (5 U.S.C § 552), Right to Financial Privacy Act of 1978 (12 U.S.C. § 3401), and the Privacy Act (5 U.S.C. § 552a). Assurances to that effect are provided with this information collection.

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 information on a small business borrower's ethnicity, race, gender, and veteran status. The Agency collects this demographic information to assess the extent to which the ILP assists all demographics. This personal information is maintained in a Privacy Act system of records – See attached Federal Register Notice for SBA-21, Loan System, at 74 FR 14890 (April 1, 2009) as amended by notices published at 77 FR 15835 (March 16, 2012) and 77 FR 61467 (October 9, 2012).

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

Provide estimates of the hour burden of the collection of information, 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 burdens are based on the 35 intermediaries that currently participate in the ILP Program. The GS-12, Step 1 salary referred to below is based on the locality pay for the Washington-Baltimore-Northern Virginia area.

The estimated burden hours and costs for each component of the revised information collection are as follows:

SBA Form 2418: ILP Program Activities Report: The estimated burden hours are 4 hours annually (1 hour per quarter) times 35 intermediaries, or 140 total annual hours. SBA anticipates that a Program Analyst of the intermediary will fill out the Program Activities Report. A GS-12 salary is used to estimate the average salary of a Program Analyst for a non-profit organization. Based on a GS-12 annual salary, the hourly rate is \$38. The annual cost to respondents would be 140 hours x \$38 per hour = \$5,320

SBA Form 2419: ILPERS: Electronic Loan Data. The estimated burden hours for each submission are 3.5 hours or an annual total of 122.5 hours.

These burden hours include (1) the intermittent Portfolio Identification Reports (1.5 annual hours, based on each intermediary closing approximately 6 loans and requiring 15 minutes to submit each Portfolio Identification Reports for those loans); and (2) the quarterly Portfolio Status Reports (2 annual hours, based on each intermediary requiring 30 minutes to submit each quarterly Portfolio Status Report).

SBA anticipates that a Program Analyst of the intermediary will fill out the Portfolio Identification and Portfolio Status Reports. A GS-12 salary is used to estimate the average salary of a Program Analyst for a non-profit organization. Based on a GS-12 annual salary, the hourly rate is \$38. The annual cost to respondents would be 122.5 hours x \$38 per hour = \$4,655.

Audited Financial Statements. The estimated burden hours are 80 hours annually per respondent intermediary or an estimated total for the collection of 2,800 hours. Based on information published by the American Institute of Certified Public Accountants (AICPA) for CPA-credentialed individuals, the hourly rate is \$100. The total estimated annual cost to respondents would be 2,800 hours x \$100 per hour = \$280,000.

Reports of Changes. The estimated burden hours are 30 minutes annually for each intermediary or 18 hours. We estimate that all 35 intermediaries will submit on average one ad hoc Report of Changes annually. Based on a GS-12 annual salary, the hourly rate is \$38. A GS-12 salary is used to estimate the average salary of a Program Analyst for a non-profit organization. The total estimated annual cost to respondents would be 18 hours x \$38 per hour = \$684.

Records Retention, In General: The annual hour burden as a result of this program is de minimis because ILP Intermediaries would maintain such records in the ordinary course of business.

Total Costs: Estimated Total hours = 3,080.5
Estimated Total costs = \$290,659

13. Estimate of Total Annual Cost

Provide an estimate for the total annual cost burden to respondents or recordkeepers resulting from the collection of information. Do not include hour cost burden from above.

No additional annual costs beyond those identified in #12 above are anticipated.

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.

The cost to government is approximately \$7,904 annually.

To analyze reporting submissions, the estimated annual cost to the Federal government would be approximately 70 hours of financial analyst time to review quarterly report submissions (30 minutes per quarterly report per intermediary), approximately 47 hours of financial analyst time to review ILPERS (20 minutes per quarter per intermediary) and 35 hours of financial analyst time to review audited financial statements (1 hour per audited financial statement per intermediary). Based on a GS-13 annual salary, the hourly rate is \$52. The annual cost for the financial analyst review is equal to approximately 152 hours x \$52 per hour = \$ 7,904.

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 is a negligible change in the burden due to a decrease in the number of intermediaries in the ILP.

16. Collection of Information whose Results will be Published.

For collection of information whose results will be published, outline plans for talulation and publication. Address complex analytical techniques. Provide time schedules for the entire project.

Only summary data will be published. This will be in the course of providing information to Congress, Agency leaders, constituent organizations, and others that will be interested in SBA reports. SBA does not anticipate publishing information beyond summary data.

17. Expiration Date for Collection of this Data

If seeking approval to not display the expiration date for OMB approval of the information collection, excplain the reasons why the display would be inappropriate.

Not applicable; expiration date will be published.

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.

Because each report submission is unique to the intermediary for a particular time period, a statistical survey methodology to obtain the required information for the loan program is not a viable approach. Such a survey for this area would not be representative and could increase SBA's financial risk if relied upon.

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.