

Paperwork Reduction Act Submission
Personal Financial Statement
(OMB Control #3245-0188)

In the last renewal of SBA Form 413, SBA revised the information collection by separating the form into four separate versions to better meet the needs of the specific programs that use the form to collect personal financial information: (i) the 7(a) and 504 Loan Programs and the Surety Bond Guarantee Program (SBG); (ii) the Disaster Assistance Loan Program; (iii) the 8(a) Business Development (BD) Program; and (iv) the Women-Owned Small Business (WOSB) Program. SBA amended the forms to clearly inform respondents they may decline to respond if the form does not include a currently valid OMB Control Number; this information had been inadvertently omitted. In addition, with respect to the Form 413(7(a)/504/SBG), the Certification field was amended to require the spouse of any 20% or more owner to certify if that spouse's assets were used. The language in the notices about Debt Collection, Privacy Act, and Debarment and Suspension was revised to clarify conditions for use and disclosure of information, and eligibility for assistance. The submission instruction for the WOSB and 8(a) versions was updated; no changes to the information being collected.

A. 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 appropriate section of each statute and regulation mandating or authorizing the collection of information.

The Small Business Administration ("SBA") administers a number of financial and contracting assistance programs. For financial assistance programs authorized by Sec. 7(a) and (b) of the Small Business Act, 15 U.S.C. § 631 et seq., and Title V of the Small Business Investment Act of 1958, 15 U.S.C. § 695, et seq., SBA regulations require any loan guarantor and individual owners of the small business applicant to submit a personal financial statement to disclose their assets and liabilities. See, 13 CFR § 120.191 and 13 CFR § 123.6. SBA's Standard Operating Procedure 50 45 3 also imposes a similar requirement on applicants in the Surety Bond Guarantee (SBG) program. The information is necessary for the Agency, the participating lender, Certified Development Company (CDC), or Surety Company to make informed credit decisions.

For the 8(a) Business Development (BD) Program certification and the Women-Owned Small Business (WOSB) Program, the information is necessary for SBA to determine if the applicant or participant meets the economic disadvantage eligibility requirements to participate in the program(s). SBA regulations at 13 CFR §§ 124.104, 124.112, and 124.1002, as well as 13 CFR § 127.203 require, among other things, that applicants and participants submit financial information to facilitate this determination.

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.

For the financial assistance programs, the SBA, its participating lenders, CDCs, and Sureties use the information required by SBA Form 413 as one of a number of data sources to determine repayment ability and creditworthiness of applicants and their owners for an SBA loan guaranty or a disaster loan or, with respect to a surety bond, to assist in recovery in the event that the contractor defaults on the contract. SBA (or the lender, CDC, or Surety) reviews the form at the time of application, and maintains it in the file for use in loan servicing or auditing a loan or bond application, if necessary.

For the 8(a) BD and WOSB programs, the SBA uses the information to determine if the applicant or participant meets the economic disadvantage eligibility requirements for the 8(a) BD program or the WOSB program. Participants in the 8(a) BD and the WOSB programs are required to submit updated information annually to help SBA confirm that the participant continues to meet the economic disadvantage requirements of those programs.

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 413 is available in electronic format at www.sba.gov, and is pdf-fillable. In lieu of completing the SBA Form 413, individuals submitting information in the 7(a), 504, or SBG programs may submit information in other formats provided that the information submitted is the same as requested on SBA Form 413. Information for the 8(a) and WOSB programs is submitted through certify.sba.gov.

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.

Personal financial statements are time sensitive and it is unusual to utilize the same statement for more than one application for benefit. Some respondents, particularly in the 8(a) BD program and the WOSB program are required to submit updated SBA Forms 413 annually but, as stated above, that is necessary to ensure continued economic disadvantage status. Any previously submitted data would likely be outdated and not provide an accurate picture of current financial condition of the applicant.

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 information collected would generally be required by most lending institutions. To minimize the burden on small businesses for 7(a) loans, 504 loans, and surety program purposes, SBA accepts personal financial statements in other formats that might have been prepared for the lending institutions or surety companies, provided that the statement submitted contains the same data required by SBA Form 413. (Alternate formats generally accepted include the majority of Office of Thrift Supervision (OTS), Federal Deposit

Insurance Corporation (FDIC) or Federal Reserve member bank forms, and accountant-prepared statements.) We note that for purposes of the Disaster program, 8(a) BD program and the WOSB program, the applicants or participants must use SBA Form 413 to provide the requested data.

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.

For the financial assistance programs, failure to collect this information could impact the assessment of the applicant's eligibility and creditworthiness for the SBA program. For the 8(a) BD and WOSB programs, this information must be collected so that SBA can comply with its statutory mandate to ensure assistance is granted only to firms owned and controlled by economically disadvantaged individuals.

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.

The notice soliciting comments on this information collection was published on August 8, 2017, in 82 FR 37158. SBA received no comments on the collection.

9. Payment or gifts.

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

The information collected on SBA Form 413 is confidential and is protected by the Privacy Act of 1974, and further protected from disclosure under Exemption 4 of the Freedom of Information Act, 5 U.S.C. 552, which prohibits disclosure of confidential or privileged commercial or financial information. The form includes notices to the respondents regarding the use and disclosure of information submitted to SBA on this form.

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.

SBA Form 413 collects the social security number of the respondents. For the financial assistance programs, the social security number is helpful in distinguishing the applicant/participant from other individuals that may have the same or similar name or other personal identifiers. Information collected on SBA Form 413 is maintained in the Agency’s Privacy Act System of Records: SBA 20 -- Disaster Loan Case File; SBA 21-- Loan System; and SBA 30 -- Servicing and Contracts System/Minority Enterprise Development Headquarters Repository and SBA 26 – Power of Attorney Files. SBA has also promulgated regulations at 13 CFR Part 102 that specify standards for the use and collection of social security numbers and other sensitive information and compliance with the Privacy Act and the Freedom of Information Act.

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 categories.

Estimate of the hour burden of the collection of information for the respondents:

The 7(a)/504/SBG programs have approximately 80,073 total applicants. This number is based on a 4-year average. Applicants for the 7(a) and 504 programs are permitted to use personal financial statement formats other than SBA Form 413. Since each 20 percent or more owner of the small business applicant must complete this information, SBA is estimating an average of 3 completed forms per 7(a) and 504 application.

In the SBG program, each principal is required to complete this information, so SBA is estimating an average of 2 completed forms per SBG application. Our representatives in the field who have direct exposure to the public estimated the hours per response.

7(a)/504/SBG:

189,966	7(a) respondents per year (63,322 applications x 3 per application)
+ 17,943	504 respondents per year (5,981 applications x 3 per application)
+ <u>21,540</u>	SBG respondents per year (10,770 applications x 2 per application)
229,449	Total 7(a)/504/SBG respondents
<u>x 1.5</u>	Hours per response for respondents to complete form
344,174	Total burden hours for all respondents

Disaster:

11,549	Respondents per year (based on 4-year avg.)
<u>x 1.5</u>	Hours per response for respondents to complete form
17,323	Total burden hours for all respondents (11,549 x 1.5 hours = 17,323)

8(a) BD:

7,569	Respondents per year
<u>x 1.5</u>	Hours per response for respondents to complete form
11,354	Total burden hours for all respondents (7,569 x 1.5 hours = 11,354)

WOSB:

3,322	Economically Disadvantaged Women-Owned Small Business (EDWOSB) firms in Certify.SBA.gov
<u>x 1.5</u>	Hours per response for respondents to complete form
4,983	Total (3,322 x 1.5 hours = 4,983)

45	Total number of respondents for eligibility examinations, protests and appeals
<u>x 1.5</u>	Hours per response for respondents to complete form
68	Total burden hours for respondents (45 x 1.5 hours = 68)

5,051	Total burden hours for WOSB respondents
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Total combined burden hours for Respondents: 344,174 + 17,323 + 11,354 + 5,051 = 377,902

The estimated cost to respondents for the hour burden of information collection is calculated at a salary equivalent to a GS-11, Step 1 Federal employee’s annual salary of \$53,062 or \$25/hour (rounded to the nearest whole number) based on the 2018 General Schedule (Base). The GS-11 pay grade is utilized in preparing this estimate as it is equivalent to the position normally held by an average financial institution employee in a mid-level position.

7(a)/504/SBG:

344,174	Total burden hours for all 7(a)/504/SBG respondents
<u>x \$25.00</u>	Estimated cost per hour
\$8,604,350	Total estimated cost to respondents

Disaster:

17,323	Total burden hours for all Disaster respondents
<u>x \$25.00</u>	Estimated cost per hour
\$433,075	Total estimated cost to respondents

8(a) BD:

11,354	Total burden hours for all 8(a) respondents
<u>x \$25.00</u>	Estimated cost per hour
\$283,850	Total estimated cost to respondents

WOSB:

5,051	Total burden hours for all WOSB respondents
<u>x \$25.00</u>	Estimated cost per hour
\$126,275	Total estimated cost to respondents

Total combined cost to respondents for burden hours: \$8,604,350 + \$433,075 + \$283,850 + \$126,275 = \$9,444,550

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 capital or start-up costs to the respondents for this collection of information.

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.

Estimate of the burden hours of the collection of information for the Agency:

7(a)/504/SBG:

67,978	Respondents per year*
<u>x 0.5</u>	Hour per response for the Agency to review the form
33,989	Total hour burden for the Agency

*SBA estimates that 85% of total 7(a) loan applications are processed by the Lenders using their delegated authority and therefore, only 15% of 7(a) responses (28,495) are reviewed by SBA.

Disaster:

11,549	Respondents per year (based on 4-year avg.)
<u>x 0.5</u>	Hours per response for the Agency to review the form
5,774	Total burden hours for the Agency

8(a) BD:

7,569	Respondents per year
<u>x 0.5</u>	Hours per response for the Agency to review the form
3,784	Total burden hours for the Agency

WOSB:

3,367	Respondents per year includes eligibility examinations, protests, and appeals
<u>x 0.5</u>	Hours per response for Agency to review the form
1,683	Total burden hours for the Agency

Total combined burden hours for Agency: 33,989 + 5,774 + 3,784 + 1,683 = 45,230

Estimate of the annualized cost to the Agency for the hour burden:

7(a)/504/SBG:

\$25.43	Cost per hour (Generally reviewed by a GS-11, Step 1, no adjustment for locality)
x 0.5	Hours per response for Agency to review the form
<u>x 22,878</u>	Respondents per year
\$290,779	Total annualized cost to the Agency for the burden hours.

Disaster:

\$25.43	Cost per hour (Generally reviewed by a GS-11, Step 1, no adjustment for locality)
x 0.5	Hours per response for Agency to review the form
<u>x 11,549</u>	Respondents per year
\$146,845	Total annualized cost to the Agency for the burden hours.

8(a) BD:

\$30.47	Cost per hour (Generally reviewed by a GS-12, Step 1, no adjustment for locality)
x 0.5	Hours per response for Agency to review the form
<u>x 7,569</u>	Respondents per year
\$115,313	Total annualized cost to the Agency for the burden hours.

WOSB:

\$36.24	Cost per hour (Generally reviewed by a GS-13, Step 1, no adjustment for locality)
x 0.5	Hours per response for Agency to review the form
<u>x 3,367</u>	Respondents per year
\$61,010	Total annualized cost to respondents for the burden hours.

Total combined cost for the Agency: \$290,779 + 146,845 + 115,313 + 61,010 = \$583,947

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 decrease in the hour burden for respondents, as well as the hour burden and combined cost for the Agency is due to recent data indicating fewer respondents in all of the programs.

Additionally, the 7(a)/504/SBG program reduced the estimated average burden hours for the completion of the form from 1.5 hours to 1 hour based on feedback from program participants.

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.

The results of this collection of information will not be published.

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; expiration date will be displayed.

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 to the certification statement (Item 19) of the "Certification for Paperwork Reduction Act Submissions" of OMB Form 83-1.

B. Collections 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 this information does not employ statistical methods.