

# Supporting Statement for Paperwork Reduction Act Submissions

## General Instructions

A Supporting Statement, including the text of the notice to the public required by 5 CFR 1320.5(a)(i)(iv) and its actual or estimated date of publication in the Federal Register, must accompany each request for approval of a collection of information. The Supporting Statement must be prepared in the format described below, and must contain the information specified in Section A below. If an item is not applicable, provide a brief explanation. When Item 17 of the OMB Form 83-I is checked "Yes", Section B of the Supporting Statement must be completed. OMB reserves the right to require the submission of additional information with respect to any request

## Specific Instructions

### A. Justification

1. 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.
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
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 adoption this means of collection. Also describe any consideration of using information technology to reduce burden.
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
5. 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.
6. Describe the consequence to 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
7. Explain any special circumstances that would cause an information collection to be conducted in a manner:
  - requiring respondents to report information to the agency more often than quarterly;
  - requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it;
  - requiring respondents to submit more than an original and two copies of any document;
8. 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 in response to that notice and describe actions taken by the agency in response to these comments. Specifically address comments received on cost and hour burden.

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, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.

Consultation with representatives of those from whom information is to be obtained or those who must compile records should occur at least once every 3 years-even if the collection of information activity is the same as in prior periods. There may be circumstances that may preclude consultation in a specific situation. These circumstances should be explained
9. Explain any decision to provide any payment or gift to respondents, other than re-enumeration of contractors or grantees.
10. Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or agency policy.
11. 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
  - requiring respondents to retain records other than health, medical, government contract, grant-in-aid, or tax records for more than three years;
  - in connection with a statistical survey, that is not designed to produce valid and reliable results that can be generalized to the universe of study;
  - requiring the use of a statistical data classification that has not been reviewed and approved by OMB;
  - that includes a pledge of confidentiality that is not supported by authority established in statute or regulation, that is not supported by disclosure and data security policies that are consistent with the pledge, or which unnecessarily impedes sharing of data with other agencies for compatible confidential use;
  - or requiring respondents to submit proprietary trade secret, or other confidential information unless the agency can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law.
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. Unless directed to do so, agencies should not conduct special surveys to obtain information on which to base hour burden estimates. Consultation with a sample (fewer than 10) of potential respondents is desirable. If the hour burden on respondents is expected to vary widely because of differences in activity, size, or complexity, show the range of estimated hour burden, and explain the reasons for the variance. Generally, estimates should not include burden hours for customary and usual business practices
  - If this request for approval covers more than one form, provide separate hour burden estimates for each form and aggregate the hour burdens in Item 13 of OMB Form 83-I.
  - Provide estimates of annualized cost to respondents for the hour burdens for collections of information, identifying and using appropriate wage rate categories. The cost of contraction out or paying outside parties for information collection activities should not be included here. Instead, this cost should be included in Item 14.
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 estimate should be split into two components: (a) a total capital and start-up cost component (annualized over its expected useful life); and (b) a total operation and maintenance and purchase of services component. The estimates should take into account costs associated with generating, maintaining, and disclosing or providing the information. Include descriptions of methods used to estimate major cost factors including system and technology acquisition, expected useful life of capital equipment, the discount rate(s), and the time period over which costs will be incurred. Capital and start-up costs include, among other items, preparations for collecting information such as purchasing computers and software; monitoring, sampling, drilling and testing equipment; and record filing
  - If cost estimates are expected to vary steps to be taken to obtain their consent.

widely, agencies should present ranges of cost burdens and explain the reasons for the variance. The cost of purchasing or contracting out information collection services should be a part of this cost burden estimate. In developing cost burden estimates, agencies may

consult with a sample of respondents (fewer than 10), utilize the 60-day pre-OMB submission public comment process and use existing economic or regulatory impact analysis associated with the rulemaking containing the information collection as appropriate.

- Generally, estimates should not include purchases of equipment or services, or portions thereof, made: (1) prior to

October 1, 1995, (2) to achieve regulatory compliance with requirements not associated with the information collection, (3) for reasons other than to provide information or keep records for the government, or (4) as part of customary and usual business or private practices.

14. Provide estimates of annualized cost 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. Agencies also may aggregate cost estimates from Items 12, 13, and 14 in a single table.
15. Explain the reasons for any program changes or adjustments reported in Items 13 or 14 of the OMB Form 83-I
16. For collections of information whose results will be published, outline plans for tabulation, and publication. Address any complex analytical techniques that will be used. Provide the time schedule for the entire project, including beginning and ending dates of the collection of information, completion of report publication dates, and other actions.

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.
18. Explain each exception to the certification statement identified in Item 19, "Certification for Paperwork Reduction Act Submissions," of OMB Form 83-I.

### **B. Collections of Information Employing Statistical Methods**

The agency should be prepared to justify its decision not to use statistical methods in any case where such methods might reduce burden or improve accuracy of results. When Item 17 on the Form OMB 83-I is checked "Yes", the following documentation should be included in the Supporting Statement to the extent that it applies to the methods proposed:

1. Describe (including a numerical estimate) the potential respondent universe and any sampling or other respondent selection method to be used. Data on the number of entities (e.g., establishments, State and local government units, households, or persons) in the universe covered by the collection and in the corresponding sample are to be provided in tabular form for the universe as a whole and for each of the strata in the proposed sample. Indicate expected response rates for the collection as a whole. If the collection had been conducted previously, include the actual response rate achieved during the last collection.
2. Describe the procedures for the collection of information including:

- Statistical methodology for stratification and sample selection,
- Estimation procedure,
- Degree of accuracy needed for the purpose described in the justification,
- Unusual problems requiring specialized sampling procedures, and
- Any use of periodic (less frequent than annual) data collection cycles to reduce burden.

3. Describe methods to maximize response rates and to deal with issues of non-response. The accuracy and reliability of information collected must be shown to be adequate for intended uses. For collections based on sampling, a special justification must be provided for any collection that will not yield "reliable" data that can be generalized to the universe
4. Describe any tests of procedures or methods to be undertaken. Testing is encouraged as an effective means of refining collections of information to minimize burden and improve utility. Tests must be approved if they call for answers to identical questions from 10 or more respondents. A proposed test or set of tests may be submitted for approval separately or in combination with the main collection of information.
5. Provide the name and telephone number of individuals consulted on statistical aspects of the design and the name of the agency unit, contractor(s), grantee(s), or other person(s) who will actually collect and/or analyze the information for the agency

## SUPPORTING STATEMENT

for Paperwork Reduction Act Submission

SBA Supervised Lenders Reports to SBA: Provisions of 13 CFR 120.460-464, 473, 475, and 1511

OMB Control Number 3245-0077

### A: JUSTIFICATION

1. *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.*

This information collection is authorized by 15 U.S.C 650, 13 CFR Sections 120.460- 464, 473, 475, and 1511; and Federal Register Notices 76 FR 9628 (2/18/2011), 77 FR 67433 (11/9/2012), and 80 FR 80872 (12/28/2015), and is necessary for SBA to provide effective oversight of Small Business Lending Companies (SBLCs) and Non-Federally Regulated Lenders (NFRLs) (together SBA Supervised Lenders). A copy of each provision setting out the requirements is attached. SBA Supervised Lenders are 7(a) lenders for which SBA is the primary Federal regulator and in some cases the sole regulator. This submission is an extension of a currently approved collection, which is due to expire on June 30, 2018. There are no substantive changes; only a minor change to add other regulatory authorities for the reports to the title of the collection and clarify to whom the collection applies. These are not new requirements. The citations were previously omitted from the title.

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.*

SBLCs and NFRLs are required to provide annual audited financial statements, capital certifications, quarterly interim financial statements and other reports as needed. Lenders participating in the Community Advantage Pilot Program (Community Advantage Lenders), considered to be SBLCs or NFRLs for the duration of the pilot program, are also required to submit information on their Loan Loss Reserve Account, technical assistance provided, and underserved market distributions. SBA uses the information collected and the records lender is required to retain to facilitate safety and soundness examinations and assess the financial condition of lenders, as well as compliance with program requirements. This information allows SBA, as guarantor of 50 – 85% of a SBA Supervised Lender's SBA portfolio to intervene, when necessary, to address any identified deficiencies in a timely manner and to protect the interests of the United States.

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 adoption this means of collection. Also describe any consideration of using information technology to reduce burden.*

All reports are submitted electronically to DebtX, an approved, secure web-hosted platform.

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.*

None of the information collected is publicly available. The information collected and records requested to be maintained, including for example, the annual and quarterly financial statements submitted by SBA Supervised Lenders and the Board minutes and internal control policies they are to maintain, are largely information and reporting already produced by lenders, as they are necessary for reports to Boards, management, and outside funders. The additional information submitted by Community Advantage Lenders is necessary for assessment of compliance with program requirements. There is no other source for this information.

5. *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 will not have a significant economic impact on a substantial number of the affected SBA Supervised Lenders. Further, this collection allows SBA Supervised Lenders to submit financial reports that have been prepared for other purposes, and does not require them to submit them in a specified format.

6. *Describe the consequence to 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.*

Failure to collect this information could result in lenders' continuing to operate under unsafe and unsound conditions, and would impair SBA's ability to determine whether the Community Advantage program was reaching the underserved market target audience. Failure to collect the information, or to collect it less frequently, would also increase the risk of losses and have an adverse impact on the costs of operating the SBA 7(a) loan guaranty loan program.

7. *Explain any special circumstances that would cause an information collection to be conducted in a manner:*

- *requiring respondents to report information to the agency more often than quarterly;*
- *requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it;*
- *requiring respondents to submit more than an original and two copies of any document;*
- *requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records for more than three years;*
- *in connection with a statistical survey, that is not designed to produce valid and reliable results that can be generalized to the universe of study;*
- *requiring the use of a statistical data classification that has not been reviewed and approved by OMB;*
- *that includes a pledge of confidentiality that is not supported by authority established in statute or regulation, that is not supported by disclosure and data security policies that are consistent with the pledge, or which unnecessarily impedes sharing of data with other agencies for compatible confidential use;*
- *requiring respondents to submit proprietary trade secret, or other confidential information unless the agency can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law.*

If it is determined that a lender's financial condition is very weak, or if significant concerns with compliance, risk, or program integrity are identified, SBA may require monthly reporting, but this is very unusual. In addition, this collection of information requires retention of certain records for a period of 6 years after the life of a loan, and the permanent preservation of certain records and documentation related to financial statements and other reports pursuant to 13 CFR §120.461(c). The 6 year retention requirement is consistent with the statute of limitations for causes of action involving loan debts. 28 USC 2415.

8. *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 in response to that notice and describe actions taken by the agency in response to these comments. Specifically address comments received on cost and hour burden.*

*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, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.*

*Consultation with representatives of those from whom information is to be obtained or those who must compile records should occur at least once every 3 years-even if the collection of information activity is the same as in prior periods. There may be circumstances that may preclude consultation in a specific situation. These circumstances should be explained.*

Notice of this information collection with request for public comment was published in the Federal Register. See 82 FR 52763, published November 14, 2017. The comment period ended on January 16, 2018. No comments were received. We regularly consult with lenders regarding the clarity of instructions and the burden of the reporting requirement. We allow lenders to submit the information in a report format that they choose which lessens the burden upon them.

9. *Explain any decision to provide any payment or gift to respondents, other than re-enumeration of contractors or grantees.*

No payments or gift to respondents will be provided for this collection.

10. *Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or agency policy.*

The financial information primarily required in this information collection describes the operating condition of each lender. Disclosure of the information could create a condition of competitive harm to entities with limited financial resources. The information collected will be protected to the extent permitted by law, including the Freedom of Information Act.

11. *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.*

No information of a sensitive nature, as described in these instructions, is required.

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. Unless directed to do so, agencies should not conduct special surveys to obtain information on which to base hour burden estimates.*
- *Provide estimates of annualized cost to respondents for the hour burdens for collections of information, identifying and using appropriate wage rate categories. The cost of contraction out or paying outside parties for information collection activities should not be included here. Instead, this cost should be included in Item 14.*

The information collection is required for 150 lenders, consisting of 14 SBLCs, 22 NFRLs, and 114 Community Advantage (CA) lenders (78 active and 36 inactive). While most of the information collected, like the annual and quarterly condition reports is required, some is ad hoc and occurs on an exception basis. The annual and quarterly reports for SBLCs and NFRLs (other than CA Lenders) are produced for other recipients, and will not require additional preparation time. As submission is electronic, submission time is minimal. The recordkeeping is also information lenders would already maintain. The quarterly reports for active CA lenders, however, are specific to this program. With each active CA lender taking 8 hours to respond annually (2 hours per quarter), the total burden for collection of this information is estimated to be 624 hours. Reporting required for other than annual and quarterly reports is extremely unusual and would add a minimal burden, as the information is usually relayed in an email or letter.

Loan Officer/Compliance Officer (responsible for preparation of these reports) salary rate of \$107 per hour used was based on information published by Robert Half International (2017 salary guide for accounting and finance) on the Association of International Certified Professional Accountants' (AICPA) website. The 8 hours per active CA Lender estimate is based on an informal survey of CA Lenders. SBA estimates an annual cost of \$856 per active CA Lender (or approximately \$66,768 for all SBLCs, NFRLs, and CA Lenders) to comply with the information collection process.

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 estimate should be split into two components: (a) a total capital and start-up cost component (annualized over its expected useful life); and (b) a total operation and maintenance and purchase of services component. The estimates should take into account costs associated with generating, maintaining, and disclosing or providing the information.*

*Capital and start-up costs include, among other items, preparations for collecting information such as purchasing computers and software; monitoring, sampling, drilling and testing equipment; and record.*

Other than outlined above, there are no additional costs resulting from the collection of information.

14. *Provide estimates of annualized cost 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. Agencies also may aggregate cost estimates from Items 12, 13, and 14 in a single table.*

The reports submitted are analyzed by contractor staff and reviewed by SBA financial analysts. The cost to SBA for all technical assistance performed by the contractor is \$52,696 per month in fiscal year 2018. Approximately 75% of technical assistance performed by the contractor is devoted to review of these annual and quarterly reports. Total annual expenditure is approximately \$474,264 ( $\$52,696 \times 12 \times .75$ ).

The 600 annual responses are reviewed by SBA financial analysts. Each review takes approximately 15 minutes, for approximately 150 hours per year in total. The work is completed by three financial analysts at a GS – 13 step 2, step 3, and step 10, with an average salary of \$109,900 plus 24.8% benefit allocation, or approximately \$66 per hour. The total cost to the government of this work (150 x \$66) is approximately \$9,900 per year.

15. *Explain the reasons for any program changes or adjustments reported in Items 13 or 14 of the OMB Form 83-I.*

Total annual hours have declined by 2,776 because lenders have reported efficiencies in reporting as they have become more experienced, SBA has switched to electronic submission, and lenders are already maintaining these mostly financial records for other purposes. The annual cost to the government has increased because the agency has increased its oversight and review of these critical financial reporting requirements.

16. *For collections of information whose results will be published, outline plans for tabulation, and publication. Address any complex analytical techniques that will be used. Provide the time schedule for the entire project, including beginning and ending dates of the collection of information, completion of report publication dates, and other actions.*

None of the information collected will 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.*

We are not seeking approval to not display an expiration date.

18. *Explain each exception to the certification statement identified in Item 19, "Certification for Paperwork Reduction Act Submissions," of OMB Form 83-I.*

There are no exceptions to the certification statement.