

SMALL BUSINESS ADMINISTRATION  
Paperwork Reduction Act (PRA) Submission  
SBA Form 1050, Settlement Sheet (OMB Control # 3245-0200)

**Justification**

This PRA submission is for SBA Form 1050, Settlement Sheet. This form is required to be completed by the lender and small business borrower for when certain 7(a) loans are closed and disbursed. At this time SBA is requesting a six-month extension during which time SBA intends to solicit public comments on changes that the current program manager would like to make, particularly with respect to the information collected. The belief is that the current information does not adequately meet the Agency's needs at the time of guaranty purchase review since form does not collect enough details about the loan closing and disbursement actions. The proposed changes are currently being evaluated; once SBA has completed its evaluation and developed a revised draft form, it will publish a new 60-day comment notice in the Federal Register.

**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.*

Under Agency regulations at 13 CFR 120.520, lenders may demand that SBA honor its guaranty on a loan. According to 13 CFR 120.524 in order for SBA to honor a guarantee purchase request, lenders must have, among other things, disbursed the loan proceeds in a prudent manner and in accordance with the Loan Authorization (Authorization). (A copy of this regulation is attached.) Lenders and borrowers use SBA Form 1050 to document how the loan proceeds were disbursed and to certify their compliance with these 7(a) Loan Program Requirements.

**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.*

SBA Form 1050 is completed by the lender and small business borrower when the lender makes the first disbursement on an SBA-guaranteed loan (except 7(a) Small, Community Advantage, SBA Express and Export Express loans). By signing the form, both the lender and the borrower make certain certifications, including but not limited to whether: the loan proceeds have been disbursed and received, and will be used in accordance with the Authorization; there are no liens or encumbrances against the collateral securing the loan except what is stated in the application; there have been no unremedied adverse changes affecting the business since the loan was approved; and all fees charged or to be charged are permitted by SBA and have been disclosed. During lender oversight activities, or at the time of guaranty purchase when the lender requests that SBA purchase its guaranteed interest, the agency reviews the form to determine that the conditions, as certified were met. These measures help SBA ensure that loan proceeds are being used for eligible purposes, and that the cost of the program to the government and to future borrowers (who pay guaranty fees to SBA based on projected costs of the program) as a result of defaults net of recoveries is kept at a reasonable level.

### **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 1050 is available in fillable format at [www.sba.gov](http://www.sba.gov). In addition, private software vendors have created user-friendly versions of this and other SBA forms used by 7(a) lenders in a format compatible with most proprietary automated underwriting systems. At time of purchase, lenders are encouraged to submit the purchase package, including SBA Form 1050 and supporting documentation, electronically. SBA estimates that approximately 90 percent of lenders do so. The remaining lenders choose to mail the purchase package.

### **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 requested on SBA Form 1050 is necessary to document proper loan disbursement and obtain necessary certifications in connection with loan closing and disbursement and is not available by other means. Further, the information collected is unique to the individual borrower and the circumstances and conditions of its business operations, so there are no other sources of the information.

### **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 respondents to this collection of information are small businesses and lenders. However, there will be no significant economic impact on any of these entities. SBA has minimized the burden on small businesses and lenders by simplifying the forms to the extent possible and by requesting the minimum information necessary to determine whether the loan proceeds were disbursed in accordance with the Authorization and that due diligence was demonstrated by the lender. In addition, to further reduce the burden on respondents, SBA previously reduced the number of times that the form must be completed to only at the time of initial disbursement, instead of with each disbursement.

### **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.*

Failure to obtain the necessary certifications in connection with the use of loan proceeds and closing of the loan may adversely impact the Agency's ability to recover from the lender and/or borrower in the event of fraud in connection with the loan. Further, a lender's practice of disbursing funds for undocumented, and possibly ineligible purposes, and to borrowers that had experienced an adverse change between approval and closing, could go undetected and lead to increased program costs. The increased cost would impact both the government and future borrowers, whose guaranty fees to SBA are calculated on projected costs of the program.

### **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 that would cause an information collection to be conducted in the manner specified in each instance.

#### **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.*

The Federal Register Notice for comments was published on October 3, 2017 at 82 FR 46119. The comment period expired December 4, 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."*

No assurances are provided with this form specifically. However, the "Statements Required by Law and Executive Order," is provided with each 7(a) loan application to advise lenders and loan applicants that, among other things, SBA will protect the sensitive and/or confidential loan related information against disclosure to the extent permitted by law. Such statutory protection may fall under the "Freedom of Information Act" (5 U.S.C. 552), "Privacy Act" (5 U.S.C. 552a), and the "Right to Financial Privacy Act of 1978" (12 U.S.C. 3401). Personally identifiable information collected is maintained in SBA's Privacy Act System of Records, System 21- Loan System.

#### **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.*

No questions of a sensitive nature are involved.

#### **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.*

Total estimated annual responses are 28,224. This figure is based on the number of projected 7(a) loans for FY 2018 (64,000) minus those processed as 7(a) Small, Community Advantage, SBA Express or

Export Express loans (51 percent), and minus those approved loans that are cancelled and never closed (10 percent). The time to complete the form is estimated at 10 minutes.

The estimated annual burden hours and costs for Form 1050 are as follows:

28,224 responses x .17 hours = 4,800 hours

Annual Cost:

The annualized cost to respondents is approximately:

\$39.07/hour x 4,800 respondents = \$187,536

(SBA estimates that the information in this form is collected and compiled by a person with an average salary equivalent to a financial analyst at a grade of a GS-12, Step 1, located in the Washington, DC locality, averaged at approximately \$39.07 per hour).

### **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.*

Any cost to the lenders and borrowers is de minimis.

### **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 following is the estimated annual costs to the Federal government/SBA:

SBA Form 1050 requires an average of .25 hours to review. The hourly rate is based on that of a liquidation loan specialist with an average grade of GS-12, Step 1, located in the Washington, DC locality, at \$39.07 an hour.

28,224 7(a) loan closings x 7 percent x .25 hours x \$39.07/hr. = \$1,929.75.

### **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.*

The burden hours for SBA Form 1050 have decreased since the last submission of the PRA package from 6,094 to 4,800 due to a re-estimation of the time spent on each form and an adjustment on the projected annual loan volume. This is based on activity for FY 2018. Loan volume is expected to be about the same for FY 2019 and 2020.

### **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 will not be published.

**17. Expiration Date for Collection of this Data**

*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 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.*

Not applicable.

**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