

Small Business Administration (SBA)
Supporting Statement for Paperwork Reduction Act Submission
OMB Control Number 3245-0018
SBA Form 5C, Disaster Home/Sole Proprietor Loan Application

The purpose of this submission is to request an extension of the SBA’s Disaster Home Loan Application, “Disaster Home Loan Application”—the paper version of the application (SBA Form 5C) and the Electronic Loan Application (ELA).

The changes to the SBA Form 5C and corresponding sections of the ELA are as follows:

- Across the entire document, changed the layout to make it easier to understand and create an intuitive flow.
- The title of the form has been changed since this home application will now also be used for sole proprietor business applicants. The information needed to determine creditworthiness and eligibility for a sole proprietor is similar to the information needed for a home loan applicant.
- On page 1, header changed “Physical Declaration Number” to “Declaration Number.”
- On page 1, header changed “Filing Deadline Date” to “Filing Deadline.”
- On page 1, added a question “Are you applying for: Primary Residence, Sole Proprietor-Physical Damage, or Sole Proprietor-Economic Injury” to classify the type of application.
- On page 1, “Information about the applicant(s),” Changed “Family Size” question to “Household Size” to alleviate confusion. The household size question will only be for the primary applicant to remove double counting.
- On page 1, “Information about the applicant(s),” removed “Separated” as an option for Marital Status. Separated does not change an individual’s eligibility or creditworthiness. The information is not used.
- One page 1, “Information about the applicant(s),” added citizenship question under each applicant instead of on the last page of the application.
- On page 1, “Information about the applicant(s)” moved “self-employed” question to “Income Information” section.
- On page 1, “Damaged Property Address” removed the second line for addresses. The information is rarely used and line one provides the necessary spacing.

- On page 1, “Contact Information” reordered the contact information to include “email address” as the first option, followed by “cell phone.” These methods of contact are more readily used.
- On page 1, removed “closest relative not living with you question,” the information is not used.
- On page 1, “Income Information” changed to ask whether each applicant is “employed, unemployed, self-employed, or retired” for application routing and paperwork requirements.
- On page 1, “Income Information” will now ask for “Total Annual Income (before deductions)” to remove confusion caused by the previous question (list income weekly, biweekly, monthly, or yearly). This removes the need for applicant to provide “other income” as well.
- On page 1, “Income Information” removed the requirement to provide employer address. The address can be obtained with information already provided (employer name and phone), if needed.
- On page 1, “Occupation” and “length of employment” removed. This information is no longer necessary to process the application.
- On page 1, removed question regarding 20% or more ownership of a corporation, partnership, limited partnership, or LLC. Total income is now used.
- On page 1, created new section “Damaged Property Information,” which will ask whether the property is the applicant’s Primary Residence and whether the applicant owns or rents the property. These questions were relocated from the “Damaged Property Address” section. If the property is not the applicant’s Primary Residence, an additional question requires applicant’s to identify whether the property is a vacation/secondary home, owned by the applicant but a family member/friend lies in the property, or a business property. In the past, a loan officer requested this information during processing for those applications where the property was not the applicant’s Primary Residence. Asking this follow-up question on the application allows the application to be processed more quickly.
- On page 2, “Insurance Information,” changed “Type of Coverage” to “Policy Type” to alleviate confusion.
- On page 2, modified the “Other Disaster Assistance” section to ask about additional assistance in a “yes/no” format and will now exclude FEMA information since we obtain this information separately directly from FEMA.

- On page 2, “Assets,” combined “Cash, Bank accounts...” and “Market Value of stocks...” to one liquid asset question as “Cash, Bank Accounts, and Marketable Securities...”
- On page 2, “Assets” combined “Estimated resale value...” and “Other (vehicles, boats, RV...” to one question for personal property as “Personal Property (furniture, appliances, vehicles...”
- On page 2, “Assets,” renamed “IRA’s Keoghs and other...” to “Retirement Accounts (e.g. IRAs, Keoghs...)” to remove confusion.
- On page 2, “Assets,” combined “All Other Real Estate” to one box for consolidation purposes.
- On page 2, “Debts,” removed “mortgage holder address” because the information is available by search when necessary.
- On page 2, “Debts,” renamed “Hazard Insurance” as “Homeowners Insurance” to standardize industry vernacular.
- On page 2, “Debts,” removed “Type of Debt” and “How Secured” sections. This information is no longer used.
- On page 2, “Debts,” removed “Extraordinary Expenses” section. ODA will rely on the applicant’s credit bureau report (CBR) to provide applicant’s debt load.
- On page 2, renamed “Other Information” to “Disclosures.”
- On page 2, removed “I have never had an SBA Loan or an SBA guaranteed loan” question. Every application is directly checked against SBA’s internal loan system to make a determination.
- On page 2, removed question regarding delinquent Federal Taxes. This information is obtained through normal processing procedures, such as the CBR, Tax Return, and conversation with applicant.
- On page 2, removed question regarding bankruptcy. This information is found on the CBR and will be addressed by the processing Loan Officer.
- Page 3, “Representative Information” removed signature and date requirement. If that information is necessary, it will be provided on a separate form.
- Page 3, “Consent,” changed the warning to reflect updated language.
- Added sentence describing location of glossary of terms

- Updated the FOIA information section for clarity

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.*

Section 7(b) of the Small Business Act (attached), 15 U.S.C. 636, as amended, authorizes SBA to make loans to victims of Federally-declared disasters. The loan application and supporting documentation are basic requirements of any lending function. OMB Circular A-129, *Policies for Federal Credit Programs and Receivables*, require federal agencies to determine, among other things, whether loan applicants comply with certain statutory, regulatory, and administrative eligibility and other requirements for loan assistance. This information collection helps SBA to make that determination.

The requirement for the use of the Form 5C is found in the Standard Operating Procedure (SOP) for Disaster Assistance, SOP 50 30 8, Appendices 5 and 7 (attached).

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 collection.*

This information collection (IC) is used by individual homeowners or renters to apply for physical disaster loans and sole proprietors to apply for physical disaster loans and economic injury disaster loans. ODA personnel analyze the information from the application to determine whether the applicant is eligible for an SBA disaster loan and has repayment ability. The credit analysis is also necessary to determine whether a loan is an acceptable risk to the Government.

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

This information collection provides loan applicants the option to complete the disaster loan application on-line (the ELA) and submit it electronically. The ELA is part of SBA's Disaster Credit Management System (DCMS), a loan processing system that enables disaster loan applicants to retrieve and modify existing data records and allows some reduced data entry on their part.

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.*

ODA will use information provided from FEMA to ensure less information is requested from applicants. ODA and the Federal Emergency Management Agency (FEMA) share information electronically in a joint Federal effort to avoid duplicating disaster assistance. Sole proprietor information is not available from other sources.

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 form will now collect information for Sole Props. ODA has modified the information collection for this subset of business owners to ease the burden from this application type. Sole Props are no longer required to complete a Form 5 (business application for entities). Form 5 requires information that is not available or not necessary for sole props.

6. *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.*

This information cannot be conducted less frequently because we only collect it once from each individual or sole proprietor. The consequence of not collecting this information would be an inability to determine which disaster survivors are eligible for assistance and an inability to begin the credit/financial analysis necessary to make loan decisions. The SBA could not conduct the program without the collection of this information.

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

No special circumstances exist. No confidential information is required that is not protected to the extent permitted by law including the Privacy Act and the Freedom of Information Act.

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. Describe efforts to consult with persons outside the agency to obtain their views.*

Comments were solicited in a Federal Register notice published on July 27, 2017 in 82 FR 35021, copy attached. The comment period closed on September 25, 2017, and no comments were received.

9. *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 respondents.

10. *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 Privacy Act 5 U.S.C. 552a and the Freedom of Information Act, 5 U.S.C. 552 and is part of SBA's Privacy Act System of Records; specifically SBA 20, Disaster Loan Case Files. In addition, notice of the rights afforded loan applicants regarding disclosure of or access to confidential information is part of the loan application.

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, 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 sensitive information such as birth date, and financial and criminal records. This information is required in order for an applicant to receive a benefit under SBA's Disaster Loan Program. This information helps SBA make an informed credit and eligibility determination and to assess whether there is a reasonable assurance of loan repayment.

This collection also requests taxpayer identification numbers, including Social Security numbers. The Debt Collection Improvement Act requires any agency administering a Federal loan program (such as SBA's disaster assistance program) to require persons applying for a loan to provide their taxpayer identifying number. 31 U.S.C.7701(b). The primary reason is to enable the agency to collect and report on any delinquent loan amounts. SBA also uses the Social Security Numbers to distinguish between people with the same or similar name and to conduct investigations, as necessary, to determine whether a recipient of SBA assistance is engaged in or has engaged in any practices that violate the Small Business Act.

12. *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.*

Estimates are based on an average of home loan and sole proprietor applications accepted during the last five fiscal years; however, the high and low activity years (FY 13 & FY 14, respectively) have been excluded to arrive at an average three-year period.

The computation is below:

| <u>FY</u> | <u>Home Loan Apps</u> | <u>Sole Prop Apps</u> | <u>Total</u> |
|-----------|-----------------------|-----------------------|--------------|
| 15 | 28,267 | 2,002 | 30,269 |
| 16 | 57,267 | 3,234 | 60,501 |
| 17 | 105,410 | 5,857 | 111,267 |
| Total | 190,944 | 11,093 | 202,037 |

202,037 divided by 3 = **67,345 average home loans and sole proprietor loans accepted per year (number of respondents)**. For FY 17, approximately 97% of all applications were accepted using the ELA.

ODA estimates that the home loan application (both paper and ELA) takes approximately 1.25 hours to complete based on feedback and testing of the ELA and based on feedback received from applicants and observation for paper forms.

67,345 respondents x 1 response per applicant x 1.25 hours = 84,181
Total annual hour burden = 84,181.

Cost to respondent for hour burden for this collection. Average cost is based on GS 1, Step1 (\$10.38 per hour) which reflects the level of expertise (minimal) that is required to respond.

84,181 burden hours x \$10.38 + 20 percent overhead for printing, etc. = **\$1,048,561 Total cost to respondent.**

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

There are no additional costs that have not been identified and explained in 12 above.

14. *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.*

Estimated annualized cost to the Federal Government:

It takes ODA personnel approximately 2 hours per loan application to evaluate the information provided, perform a credit analysis, and process the application (both paper and ELA) to a decision.

Typically, expertise equivalent to a GS-9, Step 1 (\$24.24 per hour-RUS) is required to process these applications using either method.

79,560 responses at 2 hours per response = 159,120 x \$24.24 = \$3,857,069 plus 30% for printing, supplies, leased equipment, etc. = **\$5,014,189 estimated cost to Federal Government.**

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

Burden and cost information increased with this submission as compared to the last submission due to the fact that there was an increase in the number of applications and sole proprietors were included in the analysis. Overall, the burden hours will decrease now since sole proprietors do not complete a form 5 (business application for entities) .

16. *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.*

Published SBA disaster loan data includes verified loss and approved loan amount totals for both home and business disaster loans, segmented by city, county, zip code and state. This information is published quarterly on SBA.gov website.

17. *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.*

Expiration date will be displayed.

18. *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.

19. *Describe (including a numerical estimate) the potential respondent universe and any sampling or other respondent selection method to be used.*

N/A