

2018 SUPPORTING STATEMENT

7 CFR Part 1951-R

Rural Development Loan Servicing

OMB No. 0570-0015

Terms of Clearance: In accordance with 5 CFR 1320, OMB is approving the collection for three years. As terms of clearance, OMB requires the Agency to provide instructions for filling out the forms as part of its subsequent review package.

In response to the terms of clearance the Agency has made the instructions to the forms available at the following link <https://formsadmin.sc.egov.usda.gov/eFormsAdmin/instruction?FileType=RevisionInstruction&FileName=RD1951-0004.htm> and also uploaded them into ROCIS.

A. Justification

1. Explain the circumstances that make the collection of information necessary.

Rural Development is requesting Office of Management and Budget (OMB) clearance of the reporting requirements contained in 7 CFR Part 1951, Subpart R. The Rural Development Loan Servicing was legislated in 1985 under Section 1323 of the Food and Security Act of 1985. This action is needed to implement the provisions of Section 407 of the Health and Human Services Act of 1986, which amended Section 1323 of the Food Security Act of 1985.

Subpart R of part 1951 contains regulations for servicing and liquidating existing loans previously approved and administered by the U.S. Department of Health and Human Services (HHS) under 45 CFR Part 1076 and transferred from HHS to the U.S. Department of Agriculture. However, the Agency no longer has Rural Development Loan Fund (RDLF) loans on the books, as all the accounts have paid out of the program. This subpart contains regulations for servicing and liquidating loans made by Rural Development under the Intermediary Relending Program (IRP) to eligible intermediaries and applies to ultimate recipients and other involved parties.

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.

The information requested is a statement of financial condition from the intermediary, i.e. assets and liabilities, income statement and a summary of the intermediary's total lending program. This information is vital to Rural Development for the Agency to make credit and financial analysis decisions based on financial information provided by the intermediary.

Rural Development has determined that the financial reporting requirements are necessary to provide the Agency with current information in order to monitor the program, to make various reporting requirements to Congress, and for program innovation and expansion under the Government's Performance Review.

IRP and the RDLF servicing of that program are administered by the Rural Business-Cooperative Service (RBS), Business Programs in Washington, DC, which will be the primary user of the information collected. Under the Freedom of Information Act (FOIA), the general public can request the majority of the data by the Agency from the intermediaries, except for information that is classified as confidential. Approximately 450 intermediaries have received loans under these programs. An estimated 284 respondents will answer the financial data collected.

Specifically, the burden to be cleared with the regulation is as follows:

REPORTING REQUIREMENTS - NO FORMS

Weighted Average

As a result of the RDLF no longer having active accounts, this requirement in the regulation has been eliminated. Section 1951.860 is now "Reserved."

Insurance

The collateral should be secured by key man life insurance to assure loan repayment. In addition, hazard insurance is a standard lending requirement which names Rural Development as beneficiary at the lesser of the depreciated replacement value of the property being insured or the amount of the loan. The hazard insurance is required in order to protect the collateral.

Intermediary Visitations

This requirement is a servicing procedure to assure that the intermediary is operating as planned and for Rural Development to physically review the collateral, employment, and general operations for the ultimate recipient. This is essential to protect the Government's interest.

Audited Financial Statement

An annual audit of the intermediary's financial operations is needed and required in order to accurately assess the intermediary's compliance with the appropriate regulatory agencies having jurisdiction over the intermediary as well as a tool for Rural Development to monitor the use of Agency loan funds. It is a method of assessing the strength of the intermediary and diagnosing problems and weaknesses regarding the intermediary and taking appropriate steps to protect the interest of the Federal Government, when necessary.

Employment/Income Narrative

This requirement is necessary to ensure that the loan funds are used by ultimate recipients to increase employment, income, and ownership to low-income persons, farmers and their families, displaced farm families, etc.

Proposed Budget

This requirement is necessary to ensure that the intermediary has adequate financial resources to implement its program in the coming year.

Intermediary's Report of Loans 90 Days in Arrears

The intermediary is required to notify the Agency whenever an ultimate recipient is more than 90 days in arrears in payment of principal and interest.

Assumption Agreement

Rural Development must review the assumption agreement for legal sufficiency and conformity to the regulations governing the program prior to the transfer and assumption.

Transferee Financial Statements

This requirement is necessary to ensure that the transferee is financially capable to successfully operate the program.

REPORTING REQUIREMENTS - FORM

Form RD 1951-4, "Report of IRP/RDLF Lending Activity" or Lender Interactive Network Connection (LINC)

This form remains necessary for those intermediaries and microlenders that aren't taking full advantage of electronic reporting (LINC). This is the alternative that allows the Agency to evaluate the financial and lending activity and performance of the intermediary. New and existing IRP intermediaries will be required to report quarterly. The form gathers information about jobs created or saved for the IRP/RDLF programs. This form is available at https://formsadmin.sc.egov.usda.gov/efcommon/eFileServices/eFormsAdmin/RD1951-0004_041200V03.pdf. The Agency no longer has RDLF accounts to service.

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.

The Agency has fully automated the form and it is now accessible via the Guaranteed Loan System (GLS) for field staff. GLS has been modified to allow external customers, intermediaries and microlenders, to input recipient data and loan status data directly into

GLS. This is being accomplished via the LINC which interfaces with GLS. More than 70 percent of intermediaries are submitting reports electronically. However, there remain some borrowers that are not fully taking advantage of the electronic reporting. As such, Form RD 1951-4 is accessible at https://formsadmin.sc.egov.usda.gov/efcommon/eFileServices/eFormsAdmin/RD1951-0004_041200V03.pdf and can be filled out online and printed hardcopy and submitted to the Agency. The Department has not given the clearance to accept digital records at this time due to security and legal issues that are currently being worked out.

This reporting will allow the intermediary and microlender to provide the information necessary for the Agency to meet the General Performance Results Act requirements in measuring program impact. The majority of the information requested in the application is generally available to the intermediary, but simply placed in the format requested and submitted to the Agency. The form Rural Development uses consolidates credit information in a meaningful manner, which enables the Agency to more expeditiously review and analyze the material to make decisions. The complexity, variety, and uniqueness of loan types make it difficult to review a case properly if it is not adequately documented. Rural Development's role is primarily one of monitoring intermediaries and microlenders actions, which requires considerable analysis and verification to assure compliance with Agency requirements. The intermediary is required to certify the information provided to the Agency. In addition, the Office of Management and Budget (OMB) and the General Accounting Office (GAO) have both requested information from the Agency on its revolving loan programs for Rural Development.

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.

The legislative authority for this program limits the types of assistance for loan funds to a limited number of specialized recipients. The program is not actively duplicated elsewhere in the Government at this time.

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.

As a lender, the intermediary should be collecting this information from its ultimate recipients and it should be readily available from either its own internal records or their borrowers. The collection of financial data is from nonprofit entities and public organizations. There are no applicants considered small businesses.

6. Describe the consequences to Federal program or policy activities if the collection is not conducted or conducted less frequently, as well as any technical or legal obstacles to reducing burden.

The consequences of not collecting this information would result in the intermediary and microlender receiving Federal funds and there would be no oversight or monitoring to

determine compliance with the regulations governing the program. The information collected under this program is considered the minimal necessary to conform to the requirements of existing program regulations and OMB circulars, such as A-102, 2 CFR 215, A-129, A-133, and other requirements.

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

a. Requiring respondents to report information more than quarterly.

The intermediary or microlender may be required to report if the borrower's loan agreement calls for completion more often than semi-annually, or if the borrower is in default or in liquidation.

b. Requiring written responses in less than 30 days.

The intermediary or microlender may be required to submit written information in less than 30 days; however, this would be extremely rare. For example, the Agency may be required to respond to an Office of Inspector General Audit (OIG) or Congressional inquiry in which up-to-date information may be necessary to fulfill external requirements.

Requiring more than an original and two copies.

None.

d. Requiring respondents to retain records for more than 3 years.

There is no such requirement.

e. Not utilizing statistical sampling.

None.

f. Requiring use of statistical sampling which has not been reviewed and approved by OMB.

None.

g. Requiring a pledge of confidentiality.

All records are available through the FOIA, except information that may be classified as confidential that could not be released under FOIA.

h. Requiring submission of proprietary trade secrets.

None.

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

A Notice was published in the Federal Register on May 17, 2018, [83 FR 22945]. No comments were received.

A sampling of intermediaries, who are knowledgeable in financial services similar to the Business and Industry Loan Program upon which the regulations for the IRP are based, are actively involved in the program and have not expressed any additional public burden associated with completing the requested information required by the Agency. In general, the borrowers agree with the burden estimates as changed based on an increase in usage of the program (where applicable.) These intermediaries have been recipients of program funding for many years and are familiar with the purpose of the forms as well as how to complete them. Estimates were fair based on the intermediaries' portfolio of recipients. There have been some questions generated regarding the completion of "IRP Lending Activity" which is now in an automated format via GLS. The Agency has provided numerous training on how to access the screens as well as how to navigate throughout the system. We believe, the numbers as stated, provide a fair sampling necessary to make a judgment on Rural Development program requirements.

The following RDLF/IRP intermediaries were contacted:

(a) Kentucky Highlands Investment Corporation London, KY - - Telephone Number (606) 864-5175 - - Contact person – Jerry Rickett.

(b) Robert A. Rapoza Associates, Washington, DC - - Telephone Number (202) 393-5225 - - Contact person – Robert Rapoza

(c) Northern Initiative, Marquette, MI - - Telephone Number (906) 228-5571 - - Contact person – Dennis West.

9. Explain any decision to provide any payment or gift to respondents other than remuneration of contractors or grantees.

There is no payment or gift 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 under the provisions of the program is not considered to be of a confidential nature. The data collected from organizations is ordinarily required to make their activities open and available to public scrutiny, such as nonprofit entities.

11. Provide additional justification for any question of a sensitive nature, such as sexual behavior or attitudes, religious beliefs, and other matters that are commonly considered private.

The information collected does not contain any sensitive information such as sexual behavior and attitudes, religious beliefs, or other matters commonly considered private.

12. Provide estimates of the hour burden of the collection of information.

See attached spreadsheet for a detailed breakout of the burden.

This renewal submission is for 450 respondents, 3,741 responses for a total of 11,253 burden hours.

The \$131/hour cost estimate is based on discussions with intermediaries to determine an estimated rate. Cost represents the aggregate of applicable staff assigned to relevant duties. It was advised that calculating the wages for the clerical staff, loan technician, involvement of accountants and other staff, plus the Executive Director, the outside cost per hour to prepare the form and review in addition to 31% to account for benefits and overhead would calculate out to \$131/hour.

13. Provide an estimate of the total annual cost burden to respondents or record keepers resulting from the collection of information.

There is no capital/start-up or operating/maintenance costs associated with this collection.

14. Provide estimates of annualized cost to the Federal Government.

RBS estimates the total cost to the Federal Government to administer the activities of this program to be \$2,510,455 per year, which includes the time to collect the information provided by the respondents, analyzing the data, etc. There are approximately 47 Government employees working on the IRP program, one full-time person in the National Office and 46 in the State Offices. These individuals worked approximately one-half day on the IRP/RDLF program. The average employee is a GS-12 and we used this information (from the 2018 Base General Pay Schedule) to calculate the annual cost to the Government.

[A D.C. locality GS-12, step 1 earns \$81,548 multiplied by 31% for benefits and overhead costs (106,827)/year divided by 2 (spends half the day on this program) times 47 Government employees nationwide equals \$2,510,455.]

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

The number of respondent increased from 445 to 450. There is also an increase of 40 and 125 in responses and burden hours respectively. This is due to the small increase in the number of respondents since the last submission.

16. For collection of information whose results will be published, outline plans for tabulation and publication.

Rural Development has no plans to publish this collection of information.

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 requesting not to display expiration dates because several forms are used in other Paperwork Reduction Act packages and having expirations dates would cause confusion as there are different dates for each package the form is covered under.

18. Explain each exception to the certification statement identified in item 19 on OMB 83-I.

There are no exceptions requested.

19. How is this information collection related to the Service Center Initiative (SCI)? Will the information collection be part of the one stop shopping concept?

SCI has no impact on this information collection package.