

**Supporting Statement for SBA Form1253
Certified Development Company (CDC) Annual Report Guide
(3245-0074)**

Justification

Amendments:

This information collection is currently approved for use in SBA's Certified Development Company (504) loan program. The SBA is revising this information collection to update, clarify and provide further guidance on the current reporting requirements for Certified Development Companies (CDCs), as outlined in the existing 504 loan program regulations, or SOP 50 10, Lender and Development Company Loan Programs.

The proposed changes to the Form 1253 include the following, broken out by section:

- Introduction Section
 - CDCs will have the option of submitting their Annual Reports through the Corporate Governance Repository located on the Capital Access Financial System (CAFS) (https://caweb.sba.gov/cls/dsp_login.cfm) under the CDC Online function. Currently, CDCs may submit the Annual Reports either electronically or by regular mail. Use of the Corporate Governance Repository will avoid the email size limitations of submitting the reports electronically. If CDCs choose to continue submitting the Annual Reports electronically or through regular mail, CDCs will have the option of uploading certain documents into the Corporate Governance Repository.
- Tab 1: Economic Development Report
 - "Local economic changes which impact lending," "Summary of CDC activities in programs other than 504 (either SBA or non-SBA)", and "Summary of CDC activity in non-lending programs (grants or non-lending efforts)," made the headers under "The Economic Development Report is designed to provide local economic information as well as analytical data on the impact of the CDC's non-504 assistance to small business. This report must include the following information in the order described:"
- Tab 2: Operating Report
 - The 504 loan program regulations now give Multi-State CDCs an alternative to creating a separate Loan Committee in each State into which the CDC expanded. Accordingly, the instructions in the Guide are being revised to read: "Multi-State CDCs have the option of either: a) Establishing a separate Loan Committee in each State into which the CDC expanded (the "additional State"); or b) Adding at least two additional members who live or work in the additional State either to the Loan Committee in the CDC's State of incorporation (if established) or to the CDC's Board."
 - Updated the language under "Contracts – CDC must provide:" to clarify the types of contracts that CDCs must identify in the Annual Report and that CDCs do not have to resubmit copies of fully executed contracts that have already been provided to SBA.
 - Updated the language under "Independent Loan Review Package" to reflect that a CDC must obtain prior SBA approval to contract with another CDC to perform the required Independent Loan Review.
 - The 504 loan program regulations now prohibit any person or entity from owning or controlling more than 25 percent of the stock of a for-profit CDC or, for a non-profit

CDC, more than 25 percent of the CDC's voting membership when the members are responsible for electing or appointing the voting directors to the CDC's Board of Directors. For-profit CDCs will be required to provide a list in their Annual Reports of each owner of stock, the percentage of ownership, and the date that the stock was acquired. Non-profit CDCs will be required to provide a list that identifies each member and the entity that the member represents or indicate that the member is serving in their individual capacity. If the CDC has previously submitted this information to SBA in a prior Annual Report and there have been no changes, the CDC will not be required to resubmit the information, but must indicate in which Annual Report the information was previously provided and that there are no changes in stock ownership or membership to report.

- Tab 3: Financial Report
 - The 504 loan portfolio balance of requirement is changed to \$30 million from \$20 million dollars.
 - The "504-Related Income" table is reformatted into a list for 508 compliance
 - CDCs now have the option of uploading Form 159, Fee Disclosure and Compensation Agreement (OMB Control No.: 3245-0201), into the Corporate Governance Repository.
- Tab 4: Analysis of 504 Employment Impact
 - The job opportunity average is being changed from 1 Job Opportunity for every \$65,000 in debenture funding to \$75,000 in debenture funding. In addition, for Projects located in Special Geographic Areas (Alaska, Hawaii, State-designated enterprise zones, empowerment zones, enterprise communities, and labor surplus areas, and opportunity zones), the job opportunity average has been changed from 1 Job Opportunity for every \$75,000 in debenture funding to \$85,000 in debenture funding. Opportunity Zones have also been added to the list of Special Geographic Areas.
 - The job opportunity average for loans to small manufacturers is being changed from 1 Job Opportunity created or retained for every \$100,000 in debenture funding to \$120,000.

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.

As the sole regulatory oversight agency for CDCs, the SBA is responsible for performing the necessary due diligence so that CDCs are meeting the regulatory and operational requirements of the 504 program. To do so, the SBA regulations at 13 CFR 120.830 require that all CDCs complete and submit annual reports, the details for which are found in the Certified Development Company Annual Report Guide.

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.

The CDC Annual Report Guide is used by all SBA District Offices, the Office of Credit Risk Management, and the Office of Financial Assistance to obtain information from CDCs regarding their financial condition, their compliance with regulations, and the impact of their assistance to small business. The SBA also uses the information collected to prepare reports to Congress.

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.

The SBA Guide 1253 is available digitally on the SBA’s website at: <http://www.sba.gov/form-lenders> under the “forms” option.

CDCs are requested to submit their responses electronically. The electronic submission option eliminates significant cost and time burden to the CDCs, the District Offices, and the SBA Headquarters Staff. CDCs were previously required to print and ship two copies of the report when submitting in paper form. Electronic submission will save costs on materials and postage. Additionally, the SBA Headquarters staff members who review the reports will save time as digital submissions can be reviewed more quickly. All records of CDC Annual Reports are maintained by Headquarters in electronic format only.

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 SBA has determined that, except for minimal identifying data, the information being requested is not obtainable through other means. Although CDC report annually, each report is specific to a period; information from a previous period would not satisfy the reporting requirements.

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.

This collection of information impacts only the population of CDCs authorized by SBA to participate in the 504 Loan Program. The option for electronic submission minimizes the economic burden by eliminating the costs of printing and mailing documentation that would be associated with paper submissions. The additional direction and clarifications provided in this revision should also help to minimize the burden of time spent compiling the report.

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.

This guide serves as the SBA’s primary means of collecting information to assess CDC regulatory compliance. The SBA is the sole regulator of CDCs and if the information is not collected, it would significantly impact SBA’s ability to determine program, regulatory, and operational compliance.

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.

SBA solicited comments on some of the changes described above in a rule published at 84 FR 15147 (4/15/2019). SBA received five comments on this form that were essentially the same. The commenters requested that CDCs only be required to include in the Annual Report information related to Board minutes, financial statements, tax returns, and jobs and other economic development activity. However, this change would eliminate several items from the Annual Report that continue to be needed to support SBA's efforts to maintain quality control in the 504 Loan Program; therefore, SBA did not adopt the commenters' request.

In addition, the public comment notice required by 13 CFR 1320.8 was published in the Federal Register on March 17, 2020 (85 FR 15242) to solicit comments. No comments were received in response to that notice.

9. Payment or gifts.

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

The information collected will be protected to the extent permitted by law. The CDC's financial data are protected from disclosure under exemptions 4, 6, and 8 of the Freedom of Information Act, 5 U.S.C. 552.

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.

There are no such questions in this guide.

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.

All CDCs must provide an Annual Report. Currently, there are 208 CDCs. The SBA has prepared an estimate based on the fact that respondents gather and maintain the information requested in the ordinary course of business (all loan information, including jobs created and retained).

The SBA estimates the time needed to compile the information throughout a CDC's fiscal year to complete this collection will average 28 hours at \$28.75 an hour, which is approximately the salary of a program analyst with an average salary equal to a GS-9 Step 1 in the DC locality.

The estimated **burden hours** imposed by the reporting requirements set out in SBA Guide 1253 are as follows:

- The number of respondents annually is 208. There is 1 report per respondent. Time to complete the report is 28 hours. **Total burden hours are 5,824 hours.**
(208 respondents x 1 report per respondent = 208 x 28 hours = 5,824 total annual burden hours)
- The estimated annual cost to the respondents of this collection would be **\$167,440** and is broken down as follows:
(208 CDCs per year x 28 hours = 5,824 hours to complete @ \$28.75/hr. = \$167,440.

The burden hour has decreased from the last submission due to reduced number of CDCs.

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 start-up or operational costs resulting from this information collection.

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.

The following is the estimated annual cost to the Federal Government/SBA:

Analyzing reports: $208 \times 4 \text{ hours} = 832 \text{ hours} \times \$53.75/\text{hr.} = \$44,720$

(\$53.75 an hour is used as the salary of a program analyst with an average salary equivalent to a GS 13/14 in the Locality Pay Area for Washington-Baltimore-Arlington, DC-MD-VA-WV-PA. The review of Annual Reports is performed at SBA Headquarters, located in Washington, DC.)

Although the number of CDCs has decreased, thus decreasing the number of reports to analyze, the cost has increased because more time is spent analyzing the reports since the last submission to OMB. The responsibility for reviewing the CDC Annual Reports was transferred from the Office of Financial Assistance to the Office of Credit Risk Management. The responsibility transferred so that the information provided in these reports could be better utilized as a method of CDC monitoring.

The ability to monitor this information virtually on a more frequent basis prevents, in most cases, the need for more frequent on-site reviews of the CDCs, which can be very costly to the Agency due to the travel and time required to complete such a review.

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 number of CDCs has decreased and, therefore, fewer respondents are required to submit Reports.

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.

From time to time or as part of annual program performance reporting, SBA publishes aggregated data (e.g., number of loans approved; total dollar value of loans approved) based on this information collection.

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; no such approval sought.

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.

Not applicable; there are no exceptions.

19. 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.

This collection of information does not employ statistical methods.