Paperwork Reduction Act Submission
Supporting Statement: SBA Supervised Lender Application Process

A. Justification

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.

Based on the authority in section 7(a)(17) of the Small Business Act, 15 U.S.C. 636(a)(17), SBA may authorize non-federally regulated entities, including those that have state-regulators, to make loans in the agency's 7(a) Loan Program. These Lenders, referred to in SBA's regulations as SBA Supervised Lenders, include Small Business Lending Companies (SBLCs), and Non-Federally Regulated Lenders (NFRLs). SBLCs are non-depository lending institutions that are authorized only to make loans in SBA's 7(a) Loan Program and loans to Intermediaries in the Microloan Program. They are regulated, supervised and examined solely by SBA, except for the small subset of SBLCs defined as Other Regulated SBLCs in SBA's regulations. On the other hand, NFRLs are business concerns that are subject to regulation, supervision and oversight by a state regulator but whose lending activities are not regulated by a Federal Financial Institution Regulator (as defined in 13 CFR §120.10).

Generally, as proposed, an entity interested in becoming an SBA Supervised Lender, (including those seeking to purchase or take ownership or control of an existing SBLC) would begin the process by submitting a Lender Assessment Plan (LAP) to SBA. If approved, the lender may submit a more comprehensive and complete application (Supervised Lender Application) for full consideration. The contents of the LAP and the SBA Supervised Lender Application are described in SBA's Standard Operating Procedures 50 10, Lender and Development Company Loan Programs.[1] The applicants would also be required to meet, among other things, the participation criteria and ethical requirements for all SBA Lenders set forth in the regulations at 13 CFR 120.140 and 120.410; the regulations specific to SBA Supervised Lenders (13 CFR 120.460 – 120.465) and, where applicable, the regulations specific to SBLCs (13 CFR 120.470 – 120.490).

2. How, By Whom and For What Purpose will Information 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 will use the collected information from lending institutions to help determine their eligibility to participate in SBA's 7(a) Loan Program as an SBA Supervised Lender. The information collection consists of two parts. The first part is the LAP, which will be used to make a preliminary assessment of the lender's qualifications, financial condition, and lending experience. To satisfy the LAP submission requirements, a lender will submit its business plan,

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[1] The application requirements are in SOP 50 10 5(K). In Subpart A, Chapter 1, Paragraph II.C.2 for NFRLs, and Cs, Subpart A, Chapter 2, Paragraph II for SBLCs. The SOP is available at https://www.sba.gov/document/sop-50-10-5-lender-development-company-loan-programs.

current and projected financial statements, as well as information on its capitalization and professional management team. For the second part, lenders that meet the preliminary requirements will be invited to submit more comprehensive information with its SBA Supervised Lender Application. The required SBA Supervised Lender Application information includes the applicant's organizational documents, operational plan, credit policies, internal control policies, loan risk rating system, capital adequacy plan, proposed credit facilities, organizational chart, audited financial statements, bank statements, and legal opinions.

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.

Applicants can submit a copy of their Lender Assessment Plan and SBA Supervised Lender Application by e-mail (in pdf format).

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.

There may be some duplication of information between the LAP and the SBA Supervised Lender's Application in those instances where it is necessary for the lender to submit updated 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-I), describe any methods used to minimize burden.

Although some of the impacted lenders are small based on the SBA's size standards, this collection of information will not have a significant economic impact on a substantial number of such lenders. SBA anticipates that only four lenders will submit LAPs and/or SBA Supervised Lender Applications during any given year. In addition, as reflected in number 12 below, the cost burden for this information collection is estimated not to exceed $6,700.

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.

It is critically important for SBA to assess the eligibility of each SBA Supervised Lender seeking to participate in the 7(a) Loan Program. The lending activities of SBA Supervised Lenders, by their nature, create additional risk to SBA. Typically, SBA Supervised Lenders are non-depository institutions, and, as such, rely on secondary market loan sales, warehouse lines of credit, participations and securitizations to support their lending operations. These activities create additional risks to SBA. SBA must have information to assess the lender and the potential risk its lending activities will have on the 7(a) Loan Program. The information requested by SBA includes the lender's business plan, organizational structure, capitalization, financial

statements and information about the lender's professional management team. SBA Supervised Lenders, if approved, currently have the authority to make 7(a) loans with a maximum 7(a) loan amount of up to $5 million, and SBA is authorized to guaranty up to 90% of these 7(a) loans. If SBA is unable to collect the information requested from SBA Supervised Lender applicants, the Agency could be exposed to additional risks which could threaten the integrity of the 7(a) Loan 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.

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)… Summarize public comments received... 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 recordkeeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.

Notice of this information collection with request for public comment was included in the proposed rule, SBA Supervised Lender Application Process, which was published in the Federal Register on January 13, 2020 at FR 2019-28500. SBA will address any comments received on the proposed information collection when it is submitted for final review and approval.

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

No payment or gift will be provided to the Lenders.

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, including 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.

Not applicable. None of the information is of a sensitive nature, as described.

12. Estimate of Hourly Burden of the Collection of Information
Provide estimates of the hour burden of the collection of information, as 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.

Based on past experience, SBA estimates that about four lenders will submit the LAP and the SBA Supervised Lender Applications annually. Each applicant lender will take approximately 35 hours to complete the LAP and approximately 50 hours to complete the more comprehensive SBA Supervised Lender Application. The chart below depicts the hour and cost burden estimates for the LAP and the SBA Supervised Lender Application for each submission. Based on this information, the total estimated hour burden for this collection is 340 hours, and the total estimate cost burden is $6,684.

LAP - 35 Hours						
Position	BLS Occupation Code	# Hours	May 2018 BLS Hourly Rate	Estimate for 2019 Cost (assumes 30% loaded wages)	Total Hourly rate	Cost
Financial Manager	11-3031	30	$ 70.59	$ 21.18	$ 91.77	$ 2,753.01
Administrative Support	43-9199	5	$ 18.02	$ 5.41	$ 23.43	$ 117.13
				Total PRA Cost		**$ 2,870.14**

Full Application						
Position	BLS Occupation Code	# Hours	May 2018 BLS Hourly Rate	Estimate for 2019 Cost (assumes 3% growth from 2018)		Cost
Financial Manager	11-3031	30	$ 70.59	$ 21.18	$ 91.77	$ 2,753.01
Accountant	13-2011	10	$ 37.89	$ 11.37	$ 49.26	$ 492.57
Attorney	23-1011	5	$ 69.34	$ 20.80	$ 90.14	$ 450.71
Administrative Assistant	43-9199	5	$ 18.02	$ 5.41	$ 23.43	$ 117.13
				Total PRA Cost		**$ 3,813.42**

The cost estimate is based on hourly job position wages published by the U.S. Department of Labor's Bureau of Labor Statistics for 2018 and increased by 30% to account for benefits.

13. Estimate of Total Annual Cost
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.

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

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

SBA will not incur any significantly measurable direct costs as a result of this collection of information. Employees working on evaluating the LAP and the SBA Supervised Lender Application will do so as part of their usual function.

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

This is a new information collection, as that term is defined the Paperwork Reduction Act.

16. Collection of Information whose Results will be Published
For collection of information whose results will be published, outline plans for tabluation and publication. Address complex analytical techniques… Provide time schedules for the entire project…

There are no plans to publish data from this collection of information, other than aggregated data as part of annual program reporting,

17. Expiration Date for Collection of this Date
If seeking approval to not display the expiration date for OMB approval of the information collection, excplain the reasons why the display would be inappropriate.

Not applicable; the OMB Control number and expiration date will be displayed.

18. Exception to the Certification in Block 19 on OMB Form 83-I
Explain each exception to the certification statement identiifed in Item 19, "Certfication 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.