

SUPPORTING STATEMENT FOR SBA FORM 770
OMB Approval No. 3245-0012

Summary of Revisions: Form 770 is currently used by borrowers in SBA's 7(a), 504, and Disaster Loan Programs; however, use by the Disaster Loan Program was not expressly included in prior submissions. To rectify that oversight, SBA has revised the form to add submission instructions related to the Disaster Loan Program and also a reference to the Standard Operating Procedures manual applicable to the program. The total estimated burden for the collection has also been adjusted to reflect the use in the Disaster Loan Program. Other technical revisions include correction to the address for the loan servicing center in Herndon, VA. There are no changes to the substantive information collected.

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 appropriate section of each statute and regulation mandating or authorizing the collection of information.

The Small Business Administration ("SBA" or "Agency") has authority under section 5(b) of the Small Business Act, 15 U.S.C. 634(b) as well as 31 U.S.C. 3711 to effect compromise settlements with debtors. When SBA receives a request for compromise from a debtor (borrower or guarantor), full and fair consideration must be given to each request for adjustment or modification of loan terms and conditions. Information on the debtor's financial condition is necessary in making a determination regarding the compromise of claims and other liquidation proceedings, including litigation by the Agency or the Department of Justice. Debtors use SBA Form 770, *Financial Statement of Debtor*, to provide this information to SBA.

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 information on SBA Form 770 is used by SBA loan officers/specialists in their review of loans and associated debtors in the 7(a), 504, and Disaster Loan Programs. The information is a prerequisite to a work-out agreement or compromise settlement between the debtor and SBA. SBA uses the information to evaluate the debtor's financial capacity to repay the debt owed to the Agency and determine to what extent the Agency may compromise the debt, maximize recovery, and protect the interests of the Agency and the taxpayers.

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 770 is available to the public, in pdf fillable format, on SBA's website at <http://www.sba.gov>. SBA currently collects SBA Form 770 in paper or electronic form through email, fax or a secure file transfer.

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.

Although SBA collects financial information on the debtor at loan inception, the purpose of SBA Form 770 is to collect financial information that reflects the debtor's financial condition at the time of a compromise or other liquidation action. There is no other source available to SBA that duplicates the current data obtained through SBA Form 770.

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.

The collection of this information does not have a significant economic impact on any of the small businesses or other small entities from which this information is collected.

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.

Failure to collect this information on a loan in liquidation status would impair the Agency's ability to evaluate the financial condition of the debtor and any offers in compromise on the outstanding balance of the debt. Non-collection of the information would also affect the Agency's ability to determine what legal action to pursue and could result in the Agency not being able to maximize recovery on debt owed to the Government.

7. Existence of special circumstances.

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

No special circumstances apply. The SBA Form 770 is only required on occasion, such as, when a borrower or guarantor requests a work-out arrangement, compromise, or in other situations that may affect repayment of the loan.

8. Solicitation of public comments.

If applicable, provide a copy and identify the date and page number of the 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 November 17, 2020, at 85 FR 73333. The comment period expired January 19, 2021. No comments were received.

9. Payment or gifts.

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

Not applicable. No payments or gifts to respondents are ever provided to 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 on SBA Form 770 is confidential and is protected by the Privacy Act of 1974, and further protected from disclosure under Exemption 4 of the Freedom of Information Act, 5 U.S.C. 552, which prohibits disclosure of confidential or privileged commercial or financial information. The form includes notices to the respondents regarding the use and disclosure of information submitted to SBA on this form.

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.

This form requests a social security number in blocks 5 and 11. Collection of this information is authorized by 31 U.S.C. 7701, which requires loan applicants/borrowers/guarantors to disclose their social security numbers or other taxpayer identification number in order to do business with the Agency. SBA uses the information in connection with collecting and reporting on any delinquent amounts arising out of the respondent's relationship with the Agency. The information also facilitates critical credit determinations during the liquidation phase. The use and disclosure of social security numbers and other personal information is covered by SBA's Privacy Act System of Records: SBA 20-Disaster Loan Case Files (74 FR 14890) and SBA 21, Loan System - [74 FR 14890, April 1, 2009], as amended on March 16, 2012 at 77 FR 15835 and on October 9, 2012 at 77 FR 61467.

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.

Provide estimates of annualized cost to respondents for the hour burdens for collections of information, identifying and using appropriate wage rates.

Total Estimated Burden Hours: 7,000

Total Estimated Annual Cost: \$286,720

Non-disaster loans:

The following are estimates of the hour burdens with the frequency consisting of one submission per respondent:

5,000 respondents x 60 min. = 5,000

Annual Hour Burden: 5,000

Annual Cost:

The annualized cost to respondents is approximately:

\$41.78/hour x 5,000 respondents = **\$208,900**

(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 \$41.78 per hour).

Disaster loans:

The following are estimates of the hour burdens with the frequency consisting of one submission per respondent:

2,000 respondents x 60 min. = 2,000

Annual Hour Burden: 2,000

Annual Cost:

The annualized cost to respondents is approximately:

\$38.91/hour x 2,000 respondents = **\$77,820**

(SBA estimates that the information in this form is collected and compiled by a person with an average salary equivalent to a loan specialist at a grade of a GS-11, Step 4, located in the Santa Ana, CA locality, averaged at approximately \$38.91 per hour. This estimate was determined by using GS 12, step 1, salary from all three disaster center locations and averaging them together to get the \$38.91 per hour average estimate.)

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 costs to the respondents.

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 are estimated annual cost to the Federal Government:

Total Estimated Annual Cost- \$143,370

Non-disaster loans-Annual Cost: \$104,450

Review time = 30 minutes

Cost per hour, SBA personnel = \$41.78

(1/2 of \$41.78 = \$20.89 per 1/2 hour)

Cost = \$20.89 x 5,000 = \$104,450

This cost is based on the number of cases transferred to liquidation and the hour rate is based on that of a liquidation loan specialist with an average grade of GS-12, Step 1, from the Washington, DC locality, at \$41.78 an hour.

Disaster loan-Annual Cost: \$38,920

Review time = 30 minutes

Cost per hour, SBA personnel = \$38.91
(1/2 of \$38.91 = \$19.46 per 1/2 hour)
Cost = \$19.46 x 2,000 = \$38,920

The cost associated with reviewing and analyzing the information related to the Disaster program is attributed to servicing center personnel. The hourly wage for these personnel, based on the salary of a loan specialist at a GS-11, Step 4, level in the Santa Ana, CA locality., averages approximately \$38.91 per hour. This estimate was determined by using GS 12, step 1, salary from all three disaster center locations and averaging them together to get the \$38.91 per hour average estimate.)

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.

There is an increase in the hour burden, which reflects the number of Disaster program debtors that will now be eligible to use this form.

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.

Not applicable. The results of this collection of information will not be published.

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.

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.

- 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.

This collection of information does not employ statistical usage.