

SUPPORTING STATEMENT

for Paperwork Reduction Act Submission

SBA Supervised Lenders Reports to SBA: Provisions of 13 CFR 120.460-464, 468, 470, 473, and 1511

OMB Control Number 3245-0077

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.*

This information collection is authorized by 15 U.S.C 650; 15 U.S.C. 657t; 13 CFR Sections 120.460- 464, 468, 473 and 1511) and is necessary for SBA to provide effective oversight of Small Business Lending Companies (SBLCs), Non-Federally Regulated Lenders (NFRLs), and Community Advantage Lenders (CA Lenders), together referred to as SBA Supervised Lenders. SBA Supervised Lenders are 7(a) lenders for which SBA is the primary Federal regulator and in some cases the sole regulator. A copy of each provision setting out the requirements is attached.

There are no substantive changes to this information collection. SBA has made minor non-substantive edits to update a regulatory citation that was recently changed from § 120.475 to § 120.468 and the reflect the temporary increase in the SBA 7(a) loan guaranty up to 90% for FY 2021 loan approvals.

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.*

SBLCs and NFRLs are required to provide annual audited financial statements, capital certifications, quarterly interim financial statements and other reports as needed. Lenders participating in the Community Advantage Pilot Program (CA Lenders), considered to be SBLCs or NFRLs for the duration of the pilot program, are also required to submit information on their Loan Loss Reserve Account, technical assistance provided, and underserved market distributions. SBA uses the information collected and the records lender is required to retain to facilitate safety and soundness examinations/reviews and assess the financial condition of lenders, as well as compliance with program requirements. This information allows SBA, as guarantor of 50 – 90% of an SBA Supervised Lender's SBA portfolio to intervene, when necessary, to address any identified deficiencies in a timely manner and to protect the interests of the United States.

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

All reports are submitted electronically to DebtX, an approved, secure web-hosted platform.

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.*

None of the information collected is publicly available. The information collected and records requested to be maintained, including for example, the annual and quarterly financial statements submitted by SBA Supervised Lenders and the Board minutes and internal control policies SBA Supervised Lenders are to maintain, are largely information and reporting already produced by lenders, as they are necessary for reports to Boards, management, and outside funders. The additional information submitted by Community Advantage Lenders is necessary for assessment of compliance with program requirements. There is no other source for this information.

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 collection of information will not have a significant economic impact on a substantial number of the affected SBA Supervised Lenders. Further, this collection allows SBA Supervised Lenders to submit financial reports that have been prepared for other purposes and does not require them to submit them in a specified format.

6. Describe the consequence to 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 could result in lenders' continuing to operate under unsafe and unsound conditions and would impair SBA's ability to determine whether the Community Advantage program was reaching the underserved market target audience. Failure to collect the information, or to collect it less frequently, would also increase the risk of losses and have an adverse impact on the costs of operating the SBA 7(a) loan program.

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

- requiring respondents to report information to the agency more often than quarterly;
- requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it;
- requiring respondents to submit more than an original and two copies of any document;
- requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records for more than three years;
- in connection with a statistical survey, that is not designed to produce valid and reliable results that can be generalized to the universe of study;
- requiring the use of a statistical data classification that has not been reviewed and approved by OMB;
- that includes a pledge of confidentiality that is not supported by authority established in statute or regulation, that is not supported by disclosure and data security policies that are consistent with the pledge, or which unnecessarily impedes sharing of data with other agencies for compatible confidential use;
- requiring respondents to submit proprietary trade secret, or other confidential information unless the agency can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law.

If it is determined that a lender's financial condition is very weak, or if significant concerns with compliance, risk, or program integrity are identified, SBA may require monthly reporting, but this is very unusual. In addition, this collection of information requires retention of certain records for a period of 6 years after the life of a loan, and the permanent preservation of certain records and documentation related to financial statements and other reports pursuant to 13 CFR §120.461(c). The 6 year retention requirement is consistent with the statute of limitations for causes of action involving loan debts. 28 USC 2415.

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 in response to that notice 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 record keeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.

Consultation with representatives of those from whom information is to be obtained or those who must compile records should occur at least once every 3 years-even if the collection of information activity is the same as in prior periods. There may be circumstances that may preclude consultation in a specific situation. These circumstances should be explained.

Notice of this information collection with request for public comment was published in the Federal Register. See 85 FR 71390, published November 9, 2020. The comment period ended on January 8, 2021. No comments were received. We regularly consult with lenders regarding the clarity of instructions and the burden of the reporting requirement. We allow lenders to submit the information in a report format that they choose which lessens the burden upon them.

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

No payments or gift to respondents will be provided for this collection.

10. Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or agency policy.

The financial information primarily required in this information collection describes the operating condition of each lender.

Disclosure of the information could create a condition of competitive harm to entities with limited financial resources. The information collected will be protected to the extent permitted by law, including the Freedom of Information Act. See also 13 CFR 120.1060, *Confidentiality of Reports*, [Risk Ratings](#) and related Confidential Information, and SOP 50 53 2, Chpt 1, Para. 1.h.

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, 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.*

No information of a sensitive nature, as described in these instructions, is required.

12. *Provide estimates of the hour burden of the collection of information. The statement should:*

- *Indicate the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated. Unless directed to do so, agencies should not conduct special surveys to obtain information on which to base hour burden estimates.*
- *Provide estimates of annualized cost to respondents for the hour burdens for collections of information, identifying and using appropriate wage rate categories. The cost of contraction out or paying outside parties for information collection activities should not be included here. Instead, this cost should be included in Item 14.*

The information collection is required for 143 lenders, consisting of 37 SBLCs and NFRLs and 106 CA Lenders (100 active and 6 inactive). While most of the information collected, like the annual and quarterly condition reports is required, some is ad hoc and occurs on an exception basis. The annual and quarterly reports for SBLCs and NFRLs (other than CA Lenders) are produced for other recipients and will not require additional preparation time to meet SBA's reporting requirement. As submission is electronic, submission time is minimal. The recordkeeping is also information that lenders would already maintain. The 400 quarterly and 100 annual reports for active CA lenders and the 6 annual reports for inactive CA lenders, however, are specific to this program. With each active CA lender taking 10 hours to respond annually (2 hours per reporting period) and each inactive CA lender taking 2 hours to respond annually the total burden for collection of this information is estimated to be 1,012 hours. Reporting required for other than annual and quarterly reports is extremely unusual and would add a minimal burden, as the information is usually relayed in an email or letter.

Chief Compliance Officer (responsible for preparation of these reports) salary rate of \$99 per hour used was based on the average salary for Chief Compliance Officer that was published by Robert Half International (2021 salary guide for accounting and finance). The 10 hours per active CA Lender estimate is based on an informal survey of CA Lenders. SBA estimates an annual cost of \$990 per active CA Lender and \$198 for inactive lenders who only have to submit an annual report (or approximately \$100,188 for all SBLCs, NFRLs, and CA Lenders) to comply with the information collection process.

13. *Provide an estimate of the total annual cost burden to respondents or record keepers resulting from the collection of information. (Do not include the cost of any hour burden shown in Items 12 and 14).*

- *The cost estimate should be split into two components: (a) a total capital and start-up cost component (annualized over its expected useful life); and (b) a total operation and maintenance and purchase of services component. The estimates should take into account costs associated with generating, maintaining, and disclosing or providing the information.*

*Capital and start-up costs include, among other items, preparations for collecting information such as purchasing computers and software; monitoring, sampling, drilling and testing equipment; and record.*

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

14. *Provide estimates of annualized cost 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. Agencies also may aggregate cost estimates from Items 12, 13, and 14 in a single table.*

The reports submitted are analyzed by contractor staff and reviewed by SBA financial analysts. The cost to SBA for all technical assistance performed by the contractor is \$58,429 per month in fiscal year 2021. Approximately 75% of technical assistance performed by the contractor is devoted to review of these annual and quarterly reports. Total annual expenditure is approximately \$525,861 (\$58,429 x 12 x .75).

The 691 annual responses from SBLCs, NFRLs, and CA Lenders are reviewed by SBA financial analysts. Each review takes approximately 15 minutes, for approximately 173 hours per year in total. The work is completed by three financial analysts at a GS - 13 step 2, step 3, and step 10, with an average salary of \$117,515 plus 24.8% benefit allocation, or approximately \$71 per hour. The total cost to the government of this work (173 x \$71) is approximately \$12,283 per year.

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

Analysis has been updated to reflect current number of active CA lenders, SBLCs, and NFRLs. and increase in number of active CA Lenders since 2018.

16. *For collections of information whose results will be published, outline plans for tabulation, and publication. Address any complex analytical techniques that will be used. Provide the time schedule for the entire project, including beginning and ending dates of the collection of information, completion of report publication dates, and other actions.*

None of the information collected will be published.

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 not seeking approval to not display an expiration date.

18. *Explain each exception to the certification statement identified in Item 19, "Certification for Paperwork Reduction Act Submissions," of OMB Form 83-I.*

There are no exceptions to the certification statement.