

Small Business Administration (SBA)
Supporting Statement for Paperwork Reduction Act Submission
OMB Control Number 3245-0018
SBA Form 5C, Disaster Home/Sole Proprietor Loan Application

The purpose of this submission is to request a revision of SBA's Disaster Home Loan Application/Sole Proprietor Application, which includes the paper version of the application (SBA Form 5C) and the Electronic Loan Application (ELA). The substantive revisions are as follows (the ELA is in the process of being updated to match the paper SBA Form 5C):

SBA has added new questions regarding Veteran Status, Gender, Race, and Ethnicity in an effort to better understand which segments of the population are receiving financial assistance through the Disaster Loan Program. The responses have no impact on SBA's loan decision. The information will be used only in the aggregate for informational, planning, and reporting purposes.

SBA also added a new question asking whether the applicant has filed for bankruptcy in the past two years. In the past, SBA has relied on applicants' credit reports to discover whether an applicant has a recent bankruptcy; however, such information may take several months or longer to appear on a credit report. During the recent economic downturn, SBA received many disaster loan applications from applicants who had very recently filed for bankruptcy. In some cases, SBA did not know about the bankruptcy until after the loan was made. This information is necessary in order to make an informed credit decision; therefore, SBA is adding the question to the application.

SBA also added a new statement regarding the potential availability of funds for disaster mitigation. This new statement aligns the Home Loan/Sole Proprietor Application with the Business Loan Application (SBA Form 5), which already includes this statement. Applicants may check a box if they do not want to be contacted regarding mitigation.

Finally, instead of requesting that loan applicants submit Form 4506T, Tax Information Authorization, they will be asked to submit Form 4506C, Request for Transcript of Tax Return.

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.*

Section 7(b) of the Small Business Act (attached), 15 U.S.C. 636, as amended, authorizes SBA to make loans to victims of Federally declared disasters. The loan application and supporting documentation are basic requirements of any lending function. OMB Circular A-129, *Policies for Federal Credit Programs and Receivables*, Section III, Credit

Extension and Management Policy

(<https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/circulars/A129/a-129.pdf>)

requires federal agencies to determine, among other things, whether loan applicants comply with certain statutory, regulatory, and administrative eligibility and other requirements for loan assistance. The requirement for the use of the Form 5C is found in the Standard Operating Procedure (SOP) for Disaster Assistance, SOP 50 30 9, Appendices 5 and 6 (attached).

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.*

This information collection (IC) is used by individual homeowners or renters to apply for SBA physical disaster loans and by sole proprietors to apply for SBA physical disaster loans and economic injury disaster loans. ODA personnel analyze the information from the application to determine whether the applicant is eligible for an SBA disaster loan and has repayment ability. The credit analysis is also necessary to determine whether a loan is an acceptable risk to the Government.

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. Also describe any consideration of using information technology to reduce the burden.*

This information collection provides loan applicants the option to complete the disaster loan application on-line (the ELA) and submit it electronically. The ELA is part of SBA's Disaster Credit Management System (DCMS), a loan processing system that enables disaster loan applicants to retrieve and modify existing data records and allows some reduced data entry on their part.

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.*

ODA will use information provided from the Federal Emergency Management Agency (FEMA) to ensure less information is requested from applicants. ODA and FEMA share information electronically in a joint Federal effort to avoid duplicating disaster assistance. Sole proprietor information is not available from other sources.

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 information collection impacts small business owners who operate as sole proprietors. SBA previously required this group of loan applicants to submit the SBA

Form 5, Business Loan Application; however, because that form collects more information than is available or necessary for sole proprietors, SBA will use this form instead.

6. *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 information cannot be conducted less frequently because we only collect it once from each individual or sole proprietor in connection with each application for disaster assistance. The consequence of not collecting this information would be an inability to determine which disaster survivors are eligible for assistance and an inability to begin the credit/financial analysis necessary to make loan decisions. The SBA could not conduct the program without the collection of this information.

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

No special circumstances exist. No confidential information is required that is not protected to the extent permitted by law including the Privacy Act and Freedom of Information Act.

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. Describe efforts to consult with persons outside the agency to obtain their views.*

Comments were solicited in a Federal Register notice published on March 29, 2021, in 86 FR 16440, copy attached. The comment period closed on May 28, 2021, and no comments were received.

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

No gifts or payments are provided 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 is protected to the extent permitted by law, including the Privacy Act 5 U.S.C. 552a and the Freedom of Information Act, 5 U.S.C. 552 and is part of SBA's Privacy Act System of Records; specifically, SBA 20, Disaster Loan Case Files. In addition, notice of the rights afforded loan applicants regarding disclosure of or access to confidential information is part of the loan application.

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, specific uses to be made of the information, explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their consent.*

SBA collects information such as birth date, and financial and criminal records. If the system has not been updated to reflect the new info, they can attach a separate sheet of paper with a description of the proposed changes and explanation that system updates are pending. This approach has been accepted in the past. This information is necessary to help determine whether an applicant meets the eligibility criteria to receive federal financial under SBA’s Disaster Loan Program and also to assess whether there is a reasonable assurance of loan repayment.

This collection also requests taxpayer identification numbers, including Social Security numbers. The Debt Collection Improvement Act requires any agency administering a Federal loan program (such as SBA’s disaster assistance program) to require persons applying for a loan to provide their taxpayer identifying number. 31 U.S.C.7701(b). The primary reason is to enable the agency to collect and report on any delinquent loan amounts. SBA also uses the Social Security Numbers to distinguish between people with the same or similar name and to conduct investigations, as necessary, to determine whether a recipient of SBA assistance is engaged in or has engaged in any practices that violate the Small Business Act.

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

Estimates are based on an average of home loan and sole proprietor applications accepted during the last five fiscal years. The computation is below:

FY	Home Loan Applications	Sole Proprietor Applications	Total Applications
2016	57,267	7,477	64,744
2017	105,410	10,187	115,597
2018	239,944	38,870	278,814
2019	70,563	10,527	81,090
2020	33,411	15,036	48,447
TOTAL	506,595	82,097	588,692

588,692 divided by 5 = **117,738 average home loans and sole proprietor loans accepted per year (number of respondents)**. For FY 20, approximately 95% of all applications

were accepted using the ELA.

ODA estimates that the home loan application (both paper and ELA) takes approximately 1.25 hours to complete based on feedback and testing of the ELA and based on feedback received from applicants and observation for paper forms.

117,738 respondents x 1 response per applicant x 1.25 hours = 147,173

Total annual hour burden = 147,173.

Cost to respondent for hour burden for this collection. Average cost is based on GS 1, Step 1 (\$10.97 per hour – 2021 RUS) which reflects the level of expertise (minimal) that is required to respond.

147,173 burden hours x \$10.97 = \$1,614,488 + 32% for fringe benefits = **\$2,131,123 Total cost to respondents.**

13. *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.*

There are no additional costs that have not been identified and explained in 12 above.

14. *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.*

Estimated annualized cost to the Federal Government:

It takes ODA personnel approximately 2 hours per loan application to evaluate the information provided, perform a credit analysis, and process the application (both paper and ELA) to make a decision.

Typically, expertise equivalent to a GS-9, Step 1 (\$25.60 per hour - 2021 RUS) is required to process these applications using either method.

117,738 responses at 2 hours per response = 235,476 x \$25.60 = \$6,028,186, plus 37% for overhead (32% for fringe benefits and 5% for printing, etc.) = **\$8,258,615 estimated cost to Federal Government.**

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

Burden and cost information increased with this submission as compared to the last submission due to the increase in the number of applications received and using a 5-year average as compared a 3-year average, and the methodology for calculation was adjusted (adding fringe benefits, reducing overhead for printing).

16. *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.*

Published SBA disaster loan data includes verified loss and approved loan amount totals for both home and business disaster loans, segmented by city, county, zip code and state. This information is published quarterly on the SBA.gov website. Certain loan information is also posted on USAspending.gov, pursuant to the [Federal Funding Accountability and Transparency Act](#).

17. *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.*

Expiration date will be displayed.

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

There are no exceptions.

19. *Describe (including a numerical estimate) the potential respondent universe and any sampling or other respondent selection method to be used.*

N/A