

SUPPORTING STATEMENT

7 CFR Part 1951 Subpart F Analyzing Credit Needs and Graduation Review OMB Control No. 0575-0093

A. Justification

1. Explain the circumstances that make the collection of information necessary.

The Rural Housing Service (RHS or the Agency) offers a variety of programs to build and improve housing and essential community facilities in rural areas. The Agency offers loans, grants, loan guarantees, and supervised credit in the form of Community Facility (CF) loans. The CF loan program of RHS is authorized by Section 306 of the Consolidated Farm and Rural Development Act (CONACT) (7 U.S.C. 1926). The purpose of the CF loan program is to make loans to public entities, nonprofit corporations, and Indian tribes for the development of essential community facilities for public use in rural areas. The notes, security instruments, or loan agreements of most borrowers require them to refinance their Agency loans when other credit becomes available at reasonable rates and terms for loan graduation, otherwise known as loan graduation. Direct loan graduation is an integral part of the Agency's lending, as government issued loans are not meant to be extended beyond a borrower's need for subsidized rates or non-market terms.

Section 333 of the CONACT (7 U. S.C.1983), as amended, requires the Agency to graduate their direct loan borrowers to other credit when they can. Graduation is required because the government loans are not to be extended beyond a borrower's need for subsidized rates or Government credit. Borrowers must refinance their direct Government loan when other credit becomes available at reasonable rates and terms. If other credit is not available, the Agencies will continue to periodically review the account for possible graduation intervals.

The information collected will primarily be financial data such as: Amount of income, expenses, asset values, and liabilities. This information collection is then submitted by the Agencies to private creditors. A borrower's prospectus is sent to local lenders to ascertain whether the lender is interested in refinancing the borrower on a guaranteed or non-guaranteed basis.

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.

The information is collected by the Agency which will be used in the Agency's efforts to graduate direct loan borrowers to private credit, with or without the Agency loan guarantees. The Agency will conduct a thorough review of the borrower's financial information to determine whether they are able to graduate to other credit. RHS uses this information to evaluate the borrower's financial condition for direct loan graduation purposes and which assists the Agency with the review of the borrower's financial strength and repayment ability. This review will eliminate borrowers who are unable to meet the lending criteria and policies of the area lenders.

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.

The Agency is committed to supporting the provisions of the E-Government Act, which in general requires Government agencies, to provide the public the option of submitting information or transacting business electronically to the maximum extent possible.

In effort to support the Agency's commitments, the program utilizes technology to reduce the burden of information collection on its customers. Most Rural Development forms are accessible electronically on the internet and many program participants (particularly Preferred and Certified Lenders) utilize this method to obtain loan documents - thus reducing annual reporting and record keeping burden hours. Still, in most cases approximately 96 percent of the Agency must meet with a direct loan borrower on at least an annual basis for other requirements. Also, no forms are being approved under this package.

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.

The Agency identifies duplication through the ongoing effort of improvements of its automation systems that allow data sharing capabilities electronically, especially with other agencies. The information will be used to graduate direct loan borrowers to private credit, with or without the Agency loan guarantees. The Agency submits this information collection to evaluate the borrower's financial condition for direct loan graduation purposes. Information obtained for other Agency purposes will be utilized when possible. Also, a borrower may substitute other forms for Agency forms when they are substantially similar. In the past, due to technology limitations, the Agency could not share data electronically with other agencies. However, the ongoing improvements of automation through the common computing environment will allow for the data sharing capabilities.

5. If the collection of information impacts small businesses or other small entities (item 5 of OMB Form 83-1), describe any methods used to minimize burden.

The information collection required by 7 CFR Part 1951, Subpart F places no burden on small businesses or other small entities beyond that performed in the course of normal business or on small business inordinately as compared to large farms. Moreover, the information collection requirements imposed are not unreasonable in return for the benefit for which the respondent is receiving loans at attractive rates and terms to the Federal government.

Financial service providers that must complete the information collection for the debtor are not considered small business.

6. Describe the consequences to Federal program or policy activities if the collection is not conducted or conducted less frequently, as well as any technical or legal obstacles to reducing burden.

The consequences are that the program would not be in compliance with the regulation 7 CFR 1951, Subpart F. There are no technical or legal obstacles. This information collection is required by the Agency's authorizing legislation as a condition for program participation. The agricultural production and financial reporting cycle are typically annual. The Agency reviews and information collection have been designed to conform to that cycle to minimize burden. This also ensures that the Agency's decisions are based on current financial data.

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

The current data collection plans provide public protection consistent with the provisions of 5 CFR 1320.6 by:

a. Requiring respondents to report information more than quarterly.
There is no requirement to respond more frequently than quarterly.

b. Requiring written responses in less than 30 days.
There is not requirement to respond in less than 30 days.

c. Requiring more than an original and two copies.
There is no requirement of more than original and two copies to be submitted.

d. Requiring respondents to retain records for more than 3 years.
Record retention requirements shall be in accordance with 7 CFR 1951.

e. Not utilizing statistical sampling. There is no such requirement.
This collection is not a survey.

f. Requiring use of statistical sampling which has not been reviewed and approved by OMB.
This collection does not employ statistical sampling.

g. Requiring a pledge of confidentiality.
This collection contains no requirement of a pledge of confidentiality.

h. Requiring submission of proprietary trade secrets.
There is no requirement to submit propriety trade secrets.

8. 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, reporting format (if any), and on data elements to be recorded, disclosed, or reported.

As required by 5 CFR 1320.9(d), the Agency published a 60-Day Notice in the Federal Register on July 22, 2022, at 87 FR 4371. The public was given until September 20, 2022, to submit comments on the collection. No comments were received.

Suggestions and comments are always considered by the Agency, and RD remains committed to pursuing further reductions in both the burdens placed upon our borrowers/customers and the total volume of regulations imposed. The Agency did not receive any comments.

The information requested is standard throughout the credit industry and the Agency has the expertise to make the required determinations. The Agency regularly consults with interested persons inside and outside of the Government who are familiar with its programs and information collection requirements.

Hillsboro Volunteer Fire Department
Fire Chief - See Below

Montgomery County Fiscal Court
Judge Executive – See Below

Jessamine County Fiscal Court
Judge Executive – See Below

All 3 borrowers above were encouraged to graduate. All borrowers voluntarily paid off their loans and shared no issues with the Agency on the requirements.

Westmoreland County Industrial Development Authority
County Administrator

The borrower indicated that the process was about as they expected, not difficult but may be a little more challenging than a private sector bank.

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

Payments or gifts are not provided to respondents.

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

This information collection does not require confidentiality. Rural Development (RD) does support the maintenance of confidentiality when appropriate. The Agency published a Privacy Act of 1974, System of Records (SORN) in the Federal Register on May 14, 2019 (84 FR 21315). A copy of that document can be found at <https://www.govinfo.gov/content/pkg/FR-2019-05-14/pdf/2019-09874.pdf>.

11. Provide additional justification for any question of a sensitive nature, such as sexual behavior or attitudes, religious beliefs, and other matters that are commonly considered private.

There is no information collection of a sensitive nature.

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

For this collection, there are 456 respondents, with 456 responses, for a total of 902 burden hours. Regulations governing credit analysis and graduation reviews require the collection of this information. Estimated average response per respondent is 2 hours. The spreadsheet with this package details this information, however, see the table below for a summary:

Estimate of the Hour of Burden of the Collection of Information							
Program	Number of Respondents	Total Annual Responses	Number Hour Per Response	Total Burden Hours	Cost Per Hour	+Total Hourly Compensation Percentage	Total Annual Cost
Community Facilities (CF)	437	437	2.0	874	\$48	\$12,417.79 (29.6%)	\$54,369.79
Total							\$54,369.79

13. Provide an estimate of the total annual cost burden to respondents or recordkeepers resulting from the collection of information.

a. Total capital and start-up cost component (annualized over expected useful life); and

There are no capital or start-up costs associated with this collection.

b. Total operation and maintenance or purchase of services costs associated with this collection.

There are no operations and maintenance, or purchase of services costs associated with this collection.

14. Provide estimates of annualized cost to the Federal Government.

The estimated annual cost to the Federal Government is **\$54,369.79**. This cost is salary, copying, and administrative expense for Government employee time associated with information collection. There is no special equipment aside from that needed for day-to-day operations. There is no cost to the Government for printing or overhead cost, as this burden consists of only non-form collection.

Summary of cost to the Government:

Graduation of non-FLP Borrowers	
2 hours X \$48 X 437 Respondents _____	= \$ 41,952
Total Cost _____	= \$ 54,369.79*
<i>* + 29.6% Total Hourly Compensation Percentage</i>	

There is no cost to the Government for printing or overhead cost, as this burden consists of only non-form collection. Hourly wage of \$35.48 x 36.25% (for fringe benefits, etc.) = \$48.34 (\$48). The average was derived from, SALARY TABLE 2021-GS at <http://www.opm.gov>. The average wage is based on USDA employees at GS-12, GS- 11 and GS- 7 step 5.

15. Explain the reasons for any program changes or adjustments reported in items 13 or 14 of the OMB Form 83-1.

The decrease in burden hours is attributed to the decrease in the number of recipients applying for the program. As a result, responses have decreased from 585 to 456, and total respondent burden hours from 1160 to 902. The program changes resulted from an overall decrease of 129 responses and 258 burden hours.

16. For collection of information whose results will be published, outline plans for tabulation and publication.

There is no collection of information requirements in this regulation which 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.

There are no forms associated with this docket.

18. Explain each exception to the certification statement identified in item 19 on OMB 83-I.

There are no exceptions requested.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

This information collection does not employ statistical methods.