

SMALL BUSINESS ADMINISTRATION (SBA)  
Supporting Statement for Paperwork Reduction Act Submission  
Economic Injury Disaster Loan Application (EIDL) COVID-19  
OMB Control Number 3245-0406

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, 15 USC 636, as amended, authorizes the Small Business Administration to make disaster loans to businesses, including loans for economic injury disaster loans. According to the *Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020*, Pub. L. 116-123 (March 6, 2020), economic injury resulting from the current coronavirus pandemic (COVID-19) is eligible for such loans. The *Coronavirus Aid, Relief, and Economic Security Act*, Pub. L. 116-136 (April 27, 2020) and the Paycheck Protection Program and Health Care Enhancement Act, Pub. L. 116-139 (April 24, 2020) appropriated funds to provide financial assistance to eligible small businesses that are experiencing economic injury as result of the COVID-19 pandemic.

In an effort to expedite the processing time and provide immediate financial assistance, SBA developed a streamlined information collection, which was approved on an emergency basis on March 27, 2020. SBA received final approval of the collection of information on November 16, 2020. SBA is requesting emergency review of amendments to this information collection under 5 CFR 1320.13. Due to the extended duration and scope of the COVID-19 pandemic, as well as due to mandatory federal, state, and local shut down and social distancing orders, businesses in certain sectors of the North American Industry Classification System (NAICS) continue to suffer from significant economic hardship. The amendments, described in detail below, will simplify the program requirements for the COVID EIDL, expand the number of entities that will be eligible for loans under the program, and increase the flow of funds to businesses and nonprofit organizations that still need relief from the COVID-19 pandemic. Because the need for financial assistance is still critical, SBA is requesting emergency approval by August 18, 2021. (Justification for emergency request provided separately).

Summary of Revisions

SBA previously submitted three separate forms, SBA Form 3501, 3502, and 3503, along with the electronic version of these forms, referred to as the Rapid Intake Form. The Rapid Intake Form collects the same information as the forms described above, but it is formatted as one document to provide a more seamless experience for applicants. With this submission, SBA is consolidating SBA Forms 3501, 3502, and 3503 into one Form 3501 for simplicity.

In the size eligibility section, SBA is clarifying that the size determination includes affiliates (except for tribal business concerns), and is adding the eligibility certification for an applicant business that together with affiliates has more than 500 employees, is assigned certain NAICS codes that have been determined to be particularly hard hit by the pandemic, and that has not

more than 500 employees per physical location and, together with affiliates, have not more than 20 locations.

SBA is also changing the eligibility certifications to yes/no questions for better readability, ease of use, and adding additional eligibility questions relating to business type. SBA previously determined whether an applicant was an eligible type of business based on the business activity selected by the applicant in a drop-down menu on the Rapid Intake Form. Going forward, to better identify ineligible applicants, SBA will use both the drop-down menu responses and responses to the new business-type questions to determine eligibility.

In addition, SBA is modifying this information collection to include tax information to strengthen verification procedures and avert potential fraud. The *Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act*, Div. N, title III (December 27, 2020) removed a restriction on obtaining tax information from applicants.

A detailed list of all revisions follows:

- Form 3501 - COVID-19 Economic Injury Disaster Loan Application is being revised:
  - to add a certification for applicants that have more than 500 employees and is assigned a NAICS code beginning with 61, 71, 72, 213, 3121, 315, 448, 451, 481, 485, 487, 511, 512, 515, 532 or 812, employs not more than 500 employees per physical location, and together with affiliates has no more than 20 locations.
  - to add questions as to whether the applicant is:
    - a pawn shop,
    - engaged in lending or investment,
    - an SBA loan packager,
    - engaged in multi-level sales distribution,
    - engaged in real estate development or investment, or
    - a life insurance company;
  - to remove “Applicant is an ESOP” selection from eligible entity questions because an ESOP would be covered by the other available choices;
  - to clarify that a business engaged in illegal activity includes businesses selling recreational or medical marijuana;
  - to add a question asking whether the applicant business (or the owner if the applicant is a sole proprietor or independent contractor) is currently involved in a bankruptcy proceeding;
  - to revise questions regarding criminal history of applicants. Specifically, SBA is revising the question on criminal history to address only felonies in the past 5 years involving fraud, bribery, embezzlement, or a false statement in a loan application or an application for federal financial assistance. The previous question addressed all felonies in the past 5 years. SBA is also revising the question regarding whether an applicant is currently under indictment, criminal information, arraignment, or other means by which formal criminal charges are brought to apply only to felonies rather than all offenses. The question will also ask whether an applicant is currently incarcerated;
  - to provide examples of compensation from other sources as a result of the disaster (e.g. Paycheck Protection Program);
  - to clarify how sole proprietors and independent contractors should respond to the request for Business Legal Name;

- to clarify when a Trade Name should be entered;
- to add a question asking if the Applicant is a tribal small business concern in order to prevent tribal business concerns from being unfairly denied because they do not have a unique tax identification number separate from the tribe;
- for applicants that are limited liability companies, to ask which form was used to submit the business's 2019 tax return;
- to specify tax identification type (EIN or SSN) to confirm which type of tax identification number is being used;
- to request the SBA franchise identifier code when the Applicant indicates that it is a franchise (a business is not eligible if it is a franchise and is not listed on the franchise directory and does not have an SBA franchise identifier code);
- to provide an optional field for Business Mailing Address for those applicants whose mailing address is different than their primary business address;
- To change "Date Business Established" to "Date Business in Operation (Began making sales)" so the system can calculate loan amounts based on partial year data. The "Current Ownership Since" field will allow SBA to determine whether the Applicant business was in operations by January 31, 2020 and to determine that an ineligible change of ownership has not occurred;
- to add a question regarding current number of employees;
- to revise the questions related to revenue to "Gross Receipts or Sales" to match the line item in federal tax returns; edited and added questions regarding gross receipts, cost of goods sold, rental properties, and non-profit or agricultural enterprises to aid in automating the review process;
- to add a "Calculated Eligible Loan Amount" that will be provided by the platform and to be calculated based on the previous data entered by Applicant;
- added an "Applicant Requested Loan Amount" to allow the Applicant to request a loan amount equal to or less than the calculated eligible loan amount;
- to revise the question about citizenship to also include the non-citizen categories of eligible applicants—non-citizen nationals and qualified aliens;
- to add a question requiring the NAICS code of the applicant business in order to determine the size of the Applicant based on a per-physical location basis;
- to add a requirement to submit a signed Form 4506T, Request for Transcript of Tax Return, for the applicant business or organization with the loan application;
- to add the requirement to submit tax returns to demonstrate gross receipts and/or rental loss (if applicable) to deter and detect fraud and incorrect entries made by Applicants; If an Applicant indicates it began making sales in 2020, the system will only prompt the Applicant to upload 2020 documents;
- to add Additional Filing Requirements that may be required for certain applicants or for loan modification requests:
  - copy of government-issued photo identification of each principal owning 20 percent or more of the applicant business
  - signed IRS Form 4506T, Request for Transcript of Tax Return, for each principal owning 20 percent or more of the applicant business, each general partner or managing member; and, for any owner who has greater than 50 percent ownership in an affiliate business;
  - complete copy of the business's or organization's most recent tax return, or a copy of the organization's IRS tax-exempt certifications and

complete copies of the three most recent years' "Statement of Activities;"

- if the most recent Federal income tax return has not been filed, a year-end profit-and-loss statement and balance sheet for that tax year;
  - a current year-to-date profit-and-loss statement; and
  - schedule of liabilities listing all fixed debts (SBA Form 2202 may be used);
- Form 3502 - Economic Injury Disaster Loan Supporting Information: All questions from Form 3502 will be incorporated into Form 3501. Form 3502 will be removed.
  - Form 3503 - Self-Certification for Verification of Eligible Entity for Economic Injury Disaster Loan: All questions from Form 3503 will be incorporated into Form 3501. Form 3503 will be removed.

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 will be collected from eligible applicants (small businesses and nonprofits) in support of their application for an economic injury loan related to COVID-19. SBA will use the information in determining whether to approve or disapprove a loan application. SBA will also use the information collected to process loan modification requests, as applicable.

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.***

The application form is submitted electronically through a portal managed by the company with which SBA has contracted to provide loan processing services. The IRS Form 4506T, Request for Transcript of Tax Return, and any applicable additional filing requirements will also be submitted electronically via SBA's Disaster Loan Assistance Portal (DLAP). Based on borrower input of data, SBA's Platform will calculate the maximum eligible loan amount providing greater accuracy and simplifying the process for the Applicant.

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.***

Every effort is being taken to minimize the collection burden. In very rare instances, applicant may have previously submitted similar information to SBA in connection with a previous loan application; however, that information would be stale and would need to be updated for this COVID-19 assistance.

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.***

This information collection impacts small businesses; however, it will not have a significant economic impact on them. The requested information is designed to collect the minimum information necessary to prudently process the applications.

- 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 will only be collected once at the time of application for assistance. If this information were not collected, SBA could not provide the needed financial assistance because this information is the basis upon which SBA determines the size of the loan and makes the decision to approve the disaster loan in accordance with the authorizing statute. Since this information is only collected once, it cannot be collected less frequently.

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

No special circumstances exist.

- 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.**

SBA is requesting emergency approval of the modification to this information collection and waiver of the required public comment notices in order to facilitate moving forward with providing financial assistance to small businesses affected by the COVID-19 pandemic while also mitigating the potential for fraud. SBA will comply with all normal PRA procedures, including publication of the 60-day comment notice, following receipt of the emergency approval and resubmit this information collection to OMB for review. Any comments received in response to the notice will be addressed at that time.

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

There are no payments made or gifts given to respondents.

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

The application informs applicants that 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. SBA maintains personally identifiable information in SBA's Privacy Act System of Records (SBA 20).

- 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.***

Questions of a “sensitive” nature are solicited in this collection. This information is asked so that ODA can make an informed credit and eligibility determination.

SBA requests information such as birth date and financial and criminal records information. This information is required in order for an applicant to receive a benefit under SBA's Disaster Loan Program. This information helps SBA 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. In addition, Social Security numbers enable SBA to distinguish between people with the same or similar name and to conduct investigations, as necessary, to determine whether a potential 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.***

The burdens reported below are based on the number of applications received to date, plus the number that will likely be submitted prior to the CARES Act's December 31, 2021 deadline. To date, SBA has received approximately 20 million applications and estimates that 2 million additional small businesses will apply for a COVID EIDL loan for a total hour burden of 27,500,000.

**Calculation:**

The COVID-19 EIDL Application (Form 3501) (regardless of business formation type) is filled out by 100 percent of disaster business loan applicants and takes an estimated one hour and fifteen minutes to complete. The burden estimate has been reduced due to streamlining the forms and improving the automation of the process.

22,000,000 respondents x 75 minutes = 27,500,000 public burden hours.

**PUBLIC BURDEN-Cost**

The cost estimate for a respondent is based on GS 9, step 1 (\$25.60 per hour-RUS), which is the minimal level of expertise that is required to respond. The annual hourly cost estimate is calculated below. 27,500,000 x \$25.60 = **\$704,000,000**

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.***

No additional annual costs beyond those identified in #12 above are anticipated.

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 total annualized cost to the Federal Government: \$952,200,000.

SBA has a contract for services related to processing COVID EIDL loans. SBA has a contract for \$750 million through the end of FY 21 and anticipates an additional \$50 million to cover the cost in FY 22. SBA will also incur costs associated with the approximately 5,000 individuals temporarily contracted to assist with said loan processing. The estimated cost for these temporary individuals is \$152,120,000 based on the GS-9, Step -1 overtime rate of pay for persons in the "Rest of the United States" (RUS) for a minimum of 800 hours per person over a 20-week period.

The extra costs associated with SBA employees that would not have been incurred without this collection is estimated at approximately \$5,704,500. This estimate is based on a total of 500 employees using the OT rate for an employee at the GS-9, Step 1 rate (RUS) (\$38.03) for a five-month period. SBA estimates that each employee would work an average of 15 OT hours per week. [ 150,000 x 38.03].

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

The burden has been increased to reflect activity for the program to date as well as the future estimated activity.

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.***

SBA will publish loan data, including recipient name, addresses, and amount received. The information is published on the USASpending.gov website pursuant to the requirements of the Data 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.***

SBA will display the expiration date of OMB approval.

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 to the certification statement.

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

Not Applicable