

SMALL BUSINESS ADMINISTRATION (SBA)
Supporting Statement for Paperwork Reduction Act Submission
OMB Control Number 3245-0017
SBA Form 5, Disaster Business Loan Application,
SBA Form 1368, Additional Filing Requirements, Economic Injury Disaster Loan (EIDL), and
Military Reservist Economic Injury Disaster Loan (MREIDL)

The purpose of this submission is to request a revision of information collection 3245-0017, consisting of SBA’s Form 5, “Disaster Business Loan Application”- the paper version of the application and the Electronic Loan Application (ELA) - and Form 1368, “Additional Filing Requirements, Economic Injury Disaster Loan (EIDL) and Military Reservists Economic Injury Disaster Loan (MREIDL).”

Summary of Changes:

- SBA has added optional fields for Veteran Status, Gender, Race, and Ethnicity data 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 has revised the question “Has the business or a listed owner ever been involved in a bankruptcy or insolvency proceeding?” to “Has the business or a listed owner filed bankruptcy in the past 2 years?” This change aligns this application with the Home Loan/Sole Proprietor Application (SBA Form 5C) and reduces the burden on the applicant and SBA.
- Instead of requesting that loan applicants submit Form 4506T, Tax Information Authorization, applicants will be asked to submit Form 4506C, Request for Transcript of Tax Return.
- References to “active duty” have been updated to “active service” as required by section 877 of the National Defense Authorization Act for Fiscal Year 2020 (Pub. L. 116-92, December 20, 2019).
- SBA has updated the nondiscrimination certification to include gender identity and sexual orientation, in accordance with Executive Order 13988.
- SBA has revised the question about receiving additional information regarding mitigation measures to an opt-out rather than an opt-in. This change aligns this application with the Home Loan/Sole Proprietor Application (SBA Form 5C).

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, 15 USC 636, as amended, authorizes the Small Business Administration to make disaster loans to businesses. Three separate programs

are authorized: 7(b)(1) physical disaster loans, 7(b)(2) economic injury disaster loans (EIDL), and 7(b)(3) military reservist economic injury disaster loans (MREIDL). Copies of all relevant citations are attached. OMB Circular A-129, *Policies for Federal Credit Programs and Receivables*, requires federal agencies to determine, among other things, whether loan applicants comply with statutory, regulatory, and administrative eligibility and other requirements for loan assistance. This information collection helps SBA to make that determination.

The requirement for the use of the Form 5 is found in the Standard Operating Procedure (SOP) for Disaster Assistance, SOP 50 30 9, appendix 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.*

The business loan application (Form 5 and the ELA) is used for SBA's three business loan programs: physical disaster loans, EIDL (except for COVID related EIDL) and MREIDL. Nonprofit applicants, including churches and homeowner associations, also use the business loan application to apply for physical disaster loans and economic injury loans. The form is used to collect the basic information necessary to support a loan application from all business applicants, except for sole proprietors who will use the SBA Form 5C, Disaster Home Loan Application. SBA Form 1368, "Additional Filing Requirements, Economic Injury Disaster Loan (EIDL), and Military Reservist Economic Injury Disaster Loan (MREIDL)" is used for economic injury disaster loans as a supplement to the business application form to establish the cause and extent of eligible economic injury resulting from a physical disaster. Applicants must supply the requested information in order to receive benefits from these programs. Applicants subject to this request are business or nonprofit entities. The Office of Disaster Assistance's (ODA's) loan officers and others use the collected information to make eligibility and credit decisions in order to approve or decline a loan.

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 ELA is part of SBA's Disaster Credit Management System (DCMS), ODA's loan processing system, and gives loan applicants the option of completing the application on-line and submitting it electronically to SBA.

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 information requested on the application, including any supplementary forms, is applicant and time specific; therefore, past information provided generally would not be appropriate for use.

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 businesses; however, it will not have a significant economic impact on a substantial number of small entities.

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.*

If this information were not collected, ODA could not process any physical disaster, EIDL, or MREIDL loan requests because there would be no basis upon which to make eligibility or credit decisions. Since this information is only collected once for each application, 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. 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 March 31, 2021 in Vol 86 FR 16812; copy attached. The comment period closed on June 01, 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.*

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 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 becomes a part of SBA's System of Records (SBA 20). 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.*

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 general, Social Security numbers also 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.*

Estimates are broken down by specific loan program and are based on an average of loan applications accepted during the last five fiscal years; however, the high and low activity years (FY 18 & FY 16, respectively) have been excluded to arrive at an average three-year period. In addition, EIDL applications for the COVID-19 disaster have been excluded, as that program uses a separate information collection.

The computation is below:

For Physical Business and EIDL loan program:

<u>Fiscal Year</u>	<u>Business/EIDL Loan Applications Accepted</u>
17	10,179
19	10,521
<u>20</u>	<u>14,980</u>
Total:	35,680

35,680 divided by 3 = 11,893 average loan applications accepted (number of respondents).

For MREIDL program:

<u>Fiscal Year</u>	<u>MREIDL Loan Applications Accepted</u>
17	8
19	6
<u>20</u>	<u>56</u>
Total:	70

70 divided by 3 = 23 average loan applications accepted (number of respondents).
For FY20, approximately 95% of all applications were accepted using the ELA.

TOTAL RESPONDENTS (for both programs) = 11,893 + 23 = 11,916

PUBLIC BURDEN-Hours

The SBA Form 5 (regardless of format) is filled out by most of disaster business loan applicants and takes an estimated 1.25 hours to complete.

11,893 respondents x 1.25 = 14,866 public burden hours for Form 5.

The SBA Form 1368 is completed by 33% of the estimated physical disaster/EIDL respondent total given above. Additionally, the SBA Form 1368 is filled out by all applicants for the MREIDL program.

33% of 11,893 respondents for Business/EIDL loans = 3,925
23 respondents for MREIDL loans = 23
3,925 + 23 = 3,948 hours for SBA Form 1368

14,866 + 3,948 = 18,814 TOTAL PUBLIC BURDEN HOURS

PUBLIC BURDEN-Cost

The cost estimate for a respondent is based on GS 9, step 1 (\$25.60 per hour-RUS (2021), which is the level of expertise (minimal) that is required to respond. The annual hourly cost estimate is calculated below:

SBA Form 5 (paper and ELA): 14,866 burden hours x \$25.60 = \$380,570 + 32% for fringe benefits (\$121,782) = **\$502,352 public burden cost for Form 5**

SBA 1368: 3,948 burden hours x \$25.60 = \$101,069 + 32% (\$32,342) = **\$133,411 public burden cost for Form 1368**

\$502,352 + \$133,411 = \$635,763 TOTAL COST TO RESPONDENT

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.*

AGENCY BURDEN

11,916 respondents at approximately 2 hours on average for direct processing (which takes into consideration both EIDL and MREIDL applications that may require more processing time, as well as simple business applications that require less processing time). Agency burden hours are as follows:

11,916 respondents x 2 hours per application = **23,832 Agency Burden hours.**

The annual cost estimate for the Agency is based on a GS 11, Step 1 at \$30.98 per hour- (RUS 2021 - typical expertise required for processing applications) and is calculated as follows:

23,832 hours x \$30.98 per hour = **\$738,315** plus 37% for overhead (32% fringe benefits and 5% for printing, etc. - \$273,177) = **\$1,011,492 cost to Agency.**

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 both increased with this submission as compared to the last submission due to an increase in the number of applications received. In addition, the

methodology for calculation was adjusted (adding fringe benefits, reducing overhead for printing, etc.).

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. The 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.*

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.

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

Not Applicable