

PAPERWORK REDUCTION ACT SUBMISSION
Supporting Statement for
U.S. Small Business Administration
Application for Section 504 Loans
(OMB Control Number 3245-0071)

SBA has determined that it is necessary to revise this information collection to implement amendments made by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act to the Accredited Lenders Program (ALP) of SBA's 504 Loan Program. SBA is requesting emergency approval of the revisions, which are described below, to expedite the delivery of the enhanced benefits to small businesses seeking to refinance debt and access financial relief during the current pandemic.

Justification

1. Circumstances necessitating the collection of information.

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 503 of the Small Business Investment Act of 1958, as amended (15 U.S.C. 697), authorizes SBA to guarantee a debenture issued by a Certified Development Company (CDC) participating in the SBA's 504 Loan Program. Participating CDCs include Premier Certified Lenders Program CDCs (PCLP CDCs), which have delegated authority to process, service, and liquidate 504 loans; Accredited Lenders Program CDCs (ALP CDCs), which have limited delegated authority; and CDCs that are neither PCLP nor ALP CDCs, and must obtain SBA approval for most loan actions. The proceeds from each debenture are used to fund loans to eligible small business concerns (SBCs).

Section 328(b) of the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Div. N, Title III of Pub. L. 116-260, Consolidated Appropriations Act, 2021) ("Economic Aid Act") temporarily grants increased authority to ALP CDCs with respect to "covered loans". The Economic Aid Act defines a "covered loan" as a loan that is not more than \$500,000 and that is not made to a borrower in an industry with a high rate of default (hereafter referred to as "ALP Express Loans."). ALP CDCs may not use ALP Express Loan authority with respect to any loan made to a business in an industry listed in the Federal Register notice as having a high rate of default. The relevant portions of each statute and regulation mandating or authorizing this information collection are included with this submission.

Summary of Revisions to SBA Form 1244, Application for Section 504 Loans, to incorporate the changes necessary to implement the authority related to ALP Express Loans.

Page 1 instructions changed in first paragraph from

"This form must be completed and uploaded by both PCLP and non-PCLP CDCs"

to

"This form must be completed and uploaded by both PCLP and non-PCLP CDCs, including CDCs with ALP Express Loan authority."

Page 12 – added a third submission method with a label and checkbox for tracking of loan data in the SBA system:

ALP Express

Page 15 – added the following two sentences at the end of the first paragraph under the heading “Required Exhibits” to clarify which Exhibits must be submitted by submission method:

“Non-ASM CDCs must complete, and upload all Exhibits applicable to the project. (Note: ALP CDCs must follow the requirements for Exhibits depending on their current ASM status for both their ALP Express Loans and non-ALP Express Loans.)”

Page 16 – added clarification language to the Franchise Exhibit requirements for ALP Express Loan applications.

Page 20 – updated burden hours for ALP Express Loan applications.

2. How, by whom and for what purpose information will be used.

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.

In general, the information requested helps SBA to assess compliance with the statutory and regulatory requirements governing the application process for the 504 Loan Program, including for the debt refinancing and ALP Express programs. SBA also uses the information collected to review the creditworthiness and repayment ability of the Applicant, the eligibility of the Applicant for SBA financial assistance and the terms and conditions of the 504 loan for which the Applicant is applying. The form is also used by CDCs to request debenture guarantee.

3. Technological collection techniques.

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.

SBA Form 1244 is available electronically to the general public from SBA’s website, www.sba.gov, in a fillable PDF format. The SBA collects 100 percent of Form 1244 submissions through E-Tran, SBA’s electronic loan submission system.

4. Avoidance of duplication.

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.

SBA has made a concerted effort to identify and remove duplicative requests for information. The requested information is unique to each loan and is not obtainable through other means or from other sources.

5. Impact on small businesses or other small entities.

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 collection of information impacts an estimated 7,119 small businesses that apply for 504 loan financing and the 206 CDCs that process and submit their applications. Only the minimum information necessary for the SBA to make an eligibility determination as well as to ensure that the loan meets the SBA's credit standards is required. The financial data required should be readily available from the Applicant's bookkeeping or accounting systems.

6. Consequences if the collection of information is not conducted.

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.

The SBA has a statutory obligation to ensure that SBA's eligibility and credit criteria are met. The data requested is necessary to determine the viability and eligibility of the Applicant. If the information were not collected, SBA could not fulfill its statutory duties and would likely provide assistance to applicants that are ineligible or pose a greater financial risk to the Agency.

7. Existence of special circumstances.

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

There are no special circumstances.

8. Solicitation of public comments.

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 on the availability of data, frequency of collection, clarity of instructions.

As part of its request for emergency processing of the revised information collection, SBA is also requesting waiver of the required public comment notice. If the request is granted, SBA will publish the notice in the Federal Register before the emergency approval period ends and resubmit this information collection or standard OMB review.

9. Payment or gifts.

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

There are no payments or gifts to respondents.

10. Assurance of confidentiality.

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

Form 1244 includes a section entitled, “Statements Required by Laws and Executive Orders.” This section advises each respondent of, among other things, the protections and policies governing the disclosure of sensitive and confidential information under the Freedom of Information Act, (5 U.S.C. § 552), Privacy Act (5 U.S.C. § 555a), the Right to Financial Privacy Act of 1978 (12 U.S.C. § 3401), the Federal Funding Accountability and Transparency Act of 2006, as amended (31 U.S.C. 6101 Note), and other statutes or executive orders related to financial assistance from the Federal government.

11. Questions of a sensitive nature

Provide additional justification for 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 information necessary, specific uses for 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.

SBA collects social security numbers (or other taxpayer identification number) and information on a borrower’s ethnicity, race, and criminal records. The social security number is the unique identifier associating a person with a specific loan. The Debt Collection Improvement Act requires any agency administering a Federal loan program to require persons applying for a loan to provide their taxpayer identifying number. 31 U.S.C. 7701(b). SBA also uses social security numbers to facilitate critical searches in the federal databases listing defaulted loans, in consumer credit databases and in fraud detection systems, and to aid in the collection and reporting of any defaulted loans. The SBA uses the demographic information to assess the extent to which SBA’s loan programs assist all demographics. SBA maintains a Privacy Act System of Records governing the disclosure of an individual’s loan related personal information. See attached Federal Register Notice for SBA-21, Loan System, at 74 FR 14890 (4/1/2009) as amended by notices published at 77 FR 15835 (3/16/2012), 77 FR 61467 (10/9/2012), and 86 FR 23026 (4/30/21).

12. Estimates of hourly burden of the collection of information.

Provide estimates of the hour burden of the collection of information. Indicate the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated. Also provide estimates of annual costs to respondents for the hour burden for the information collection, identifying and using appropriate wage rate categories.

SBA is estimating burden hours to remain constant. This would be the most conservative estimate of burden hours and program participation and would reflect the highest amount of burden hours and participants. There is no change in the documents that the CDC must submit for ALP Express. The only difference anticipated is the SBA review time, which is addressed in Item #14.

SBA Form 1244 is completed by both the CDC and the small business applicant. SBA estimates that, based on the number of applications received by SBA in FY 2020, approximately 7,119 applications (responses) will be completed by small businesses, assuming that each applicant submits one application on average. SBA is using the FY 2020 statistics because, in FY 2021, there was a historic, higher level of applications submitted due to fee relief and Section 1112 subsidy where 9,676 applications were submitted. For purposes of estimates, SBA is using the FY 2020 statistics as a conservative estimate for FY 2022 activity and forward, as fee relief and subsidy are no longer available. These applications will be submitted by 206 CD. Of the 7,119 applications, an estimated 15, or about 0.2%, will be submitted by PCLP CDCs using their delegated authority to process the loan; 5,695, or just under 80%, will be submitted under the Abridged Submission Method (ASM) (which is a streamlined application process under which CDCs may submit fewer documents to SBA

for review) by PCLP CDCs (for applications not processed through their delegated authority) and ALP CDCs; and 1,409, or about 19.8%, will be submitted by non-PCLP/non-ALP CDCs that cannot use ASM. The burden hour estimate for CDCs was estimated from feedback from CDCs.

Due to the different submission method requirements, each method has a different time estimate to complete. The estimate of the number of hours for each of the methods below includes the burden hours for the CDC and small business applicants to complete the form.

- Submission by PCLP CDCs through their delegated authority ---15 x 2.25 hours = 33.75 burden hours.
- Submission by PCLP CDCs or ALP CDCs through the ASM—5,695 × 2.5 hours = 14,238 burden hours.
- Submission by non-PCLP/non-ALP CDCs —1,409 × 3.5 hours = 4,932 burden hours.

The total estimated annual hour burden is 19,204 hours.

Due to the wide range of Applicants, it is difficult to estimate the value of the time required to fill out Form 1244. In order to be conservative, the \$43.75 hourly rate of a Washington D.C.-based GS 12/13 is used.

- Submission through the PCLP - 33.75 burden hours x \$43.75 = \$1,477.
- Submission through the ASM - 14,238 burden hours x \$43.75 = \$622,913.
- Submission through non-PCLP/ASM – 4,932 burden hours x \$43.75 = \$215,775.

The total estimated cost burden is \$840,165.

13. Estimate of total annual cost burden for submission.

Provide an estimate for the total annual cost burden to respondents or recordkeepers resulting from the collection of information. (Do not include the cost of any hour burden shown in items 12 and 14).

SBA estimates the total annual cost burden to respondents or record keepers resulting from the collection of information to be minimal. The financial data required should be readily available from the Applicant's bookkeeping or accounting systems. Additionally, SBA's E-Tran submission process eliminates duplication and shipping costs for CDCs. Currently, 100% of applications are submitted by CDCs electronically.

14. Estimated annualized costs to the Federal government.

Provide estimates of annualized costs 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.

The following is the estimated annual cost to the Federal Government/SBA:

The Form 1244 required an estimated average of 2 hours to review prior to the Economic Aid Act changes. The estimated savings time of reviewing the application for eligibility only rather than for both eligibility and credit is an estimated savings of 30 minutes. SBA estimates it will receive about 7,119 applications annually, approximately 2 hours to review an application other than ALP Express and 1.5 hours to review an ALP Express application. The form is reviewed by employees with average grades of a GS-12/GS-13 whose salaries are averaged at approximately \$43.75 per hour.

Therefore, the estimated annual cost to the government prior to the ALP temporary delegated authority was estimated at \$622,913 (7,119 applications x 2 hours x \$43.75/hour). The revised estimated based on the ALP Express delegated authority for loan process is \$ 323,597 (4,931 applications x 1.5 hours x \$43.75/hour for ALP Express) plus \$191,450 (2,188 applications x 2 hours x \$43.75/hour for other than ALP Express) which would result in a savings to the government of \$107,866 annually.

15. Explanation of program changes in Items 13 or 14 on Form 83-I.

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

The total annual hour burden is estimated to decrease slightly compared to the last submission. While FY 2021 was a record-breaking year for 504 loan submissions, this increased activity was due primarily to the availability of enhanced financial benefits authorized by the CARES Act. Since those benefits have expired, SBA has no indication that this higher level of 504 program activity will be sustained in FY 2022.

16. Collection of information whose results will be published.

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 routinely publishes information resulting from loan applications (e.g., name and address of borrower, amount of loan) on USAspending.gov as required by the Federal Funding Accountability and Transparency Act of 2006, as amended. The SBA also publishes aggregated data (e.g., number of loans approved, total dollar value of loans approved) based on this information collection as part of annual program performance or other reports.

17. Collection of Information Employing Statistical Methods

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

This collection of information does not employ statistical methods; remaining questions are inapplicable.

18. Expiration date for collection of information.

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.

No such approval sought.

19. Exceptions to certifications in Block 19 on OMB form 83-I.

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.