

Department of the Treasury, Departmental Offices
Supporting Statement and Request for Clearance
SBLF Supplemental Report
OMB Control No. 1505-0228

1. Circumstances necessitating the collection of information

Once accepted into the Small Business Lending Fund (SBLF) program, the participating institution is required to submit a Supplemental Report each quarter it remains an active participant in the SBLF program. The Supplemental Report serves three purposes.

1. When a bank or Community Development Loan Fund (CDLF)¹ first joined the SBLF program, the Supplemental Report was used to determine the institution's small business lending baseline. The baseline is the bank or CDLF's historical amount of small business lending for the period August 2009 to June 2010. The program considers an institution's increases in small business lending each quarter against this historical baseline. In addition, a bank's initial dividend rate was determined based on the increase in small business lending (over this baseline) in the quarters since June 2010.
2. Every quarter thereafter, banks are required to file a Quarterly Supplemental Report, so that Treasury can assess the change in the small business lending for the previous quarter. That change from the historical baseline was used to set the dividend rate for the next quarter after the one in which the report is received in for each quarter through the quarter that ended September 30, 2013. The rate earned based off of that quarter's report is the locked-in rate that a bank will pay for the remainder of its initial 4.5 year period it participates in the SBLF².
3. Beginning with the quarter that ended December 31, 2013 banks still file Quarterly Supplemental Reports so that Treasury can assess the change in the small business lending for the previous quarter, to assist it in fulfilling a Congressional mandate contained within the act that created the SBLF; to report on the use of funds by SBLF participating institutions.

2. Use of the data

For every quarter through the one that ended September 30, 2013, the Quarterly Supplemental Report was used by Treasury to set the dividend rate paid by banks. A decrease in the dividend rate is the primary incentive offered by the program, to encourage small business lending. If a bank increased small business lending by 10%, it could see its dividend rates drop to as low as 1 percent. Failure to increase small business lending after the initial two years could cause a bank's dividend rate to increase to 7 percent. After that

¹ CDLFs pay a fixed 2% interest rate to Treasury regardless of their level of small business lending for the first 8 years they participate in the SBLF. Their submitted Quarterly Supplemental Reports are used to measure how they have used funds provided by Treasury towards the goal of increasing small business lending.

² After that 4.5 year period banks will still be required to file Supplemental Reports, but the rate steps up to a higher rate, to encourage repayment of the principal at that time.

quarter, reports are still submitted by all SBLF institutions that remain in the program, in order to provide the SBLF program with data needed in a Congressionally-mandated report on how institutions funded by the Treasury use their funds.

3. Use of information technology

The current versions of the Supplemental Report are fillable PDF files with embedded calculations, to ensure that no math errors are experienced that would cause a submitted report to be rejected by the SBLF program. The SBLF program specially designed the Supplemental Report to mirror existing reports (see below) that the banks provide their Federal regulators while making allowances for the unique small business requirements of the SBLF legislation. As all active SBLF institutions have now submitted over two years of quarterly reports to the Treasury, coupled with the elimination of the rate setting functionality needed in the Supplemental Reports beginning with the report for the quarter that ended December 31, 2014, and the embedding of calculations in cells where that is required, currently over 95% of all reports are being accepted on their initial submission.

4. Efforts to identify duplication

For Quarterly Supplemental Report:

The Supplemental Report was specially designed to mirror the quarterly Call Reports that each bank files with their federal regulator. The visual appearance, data categories, format and reporting periods are similar. The detailed data used by the bank for its Call Report can be easily transferred to the Supplemental Report. Note that there is an important difference between the reports: the legislation defines small business lending in a manner that does not precisely match the data reported on the Call Report. This necessitated the creation of a separate Supplemental Report for the SBLF program. Supplemental Reports for CDLFs (which do not submit Call Reports to banking regulators) were designed to mimic and fit the banking model to allow CDLF data to be aggregated with banking data in a single report on the use of funds.

However, to the fullest possible extent, the SBLF program matched the data elements in the Supplemental Report to detailed data used by the bank in the preparation of its Call Report in order to minimize the bank's effort in completing the Supplemental Report.

5. Impact on small entities

The Small Business Lending Fund is intended for banks and CDLFs with total assets of less than \$10 billion, as defined in the legislation.

6. Consequences of less frequent collection and obstacles to burden reduction

Data collected in the Supplemental Report is required by the legislation. Submission of a report each quarter is also a compliance requirement contained in the Security Purchase Agreement each institution that joined the SBLF entered into at the time of funding. The

information must be collected from banks and CDLFs as a condition to participate in the program and receive the capital intended to increase small business lending. In addition, the Supplemental Report is the only method by which Treasury can confirm the institution's actual increase in small business lending – the intent of the legislation.

7. Circumstances requiring special information collection

Not applicable.

8. Solicitation of comments on information collection

Treasury engaged a marketing firm with significant experience in the banking industry to assist in the initial creation of the Supplemental Report forms. The firm made a special effort to simplify and reduce the data collection burden.

In designing the Supplemental Report, the firm engaged a number of experts with experience with the Call Reports required by Federal banking regulators. This enabled the design of a Supplemental Report that leveraged the data collection processes that are already in place in the banks, while making allowances for the unique small business measurement aspects contained in the act that created the SBLF.

A 60-day notice was published in the *Federal Register* on January 19, 2022, at 87 FR 2983, and no comments were received.

9. Provision of payments to recordkeepers

Not applicable.

10. Assurance of confidentiality

Any confidential information provided voluntarily by SBLF recipients will be maintained as confidential consistent with applicable provisions of the Trade Secrets Act and Freedom of Information Act.

11. Justification of sensitive questions

No personally identifiable information (PII) is collected.

12. Estimated burden of information collection

Supplemental Report

Estimated number of respondents: 2

Estimated frequency of response: Currently, once each quarter for the period the respondent is in the program

Estimated burden hours per respondent (From this year through the end of the program): 14 hrs. (3.5 hrs. per quarter × 4)

The average hours per response is 3.5; with the total annual burden of 28.

13. Estimated total annual cost burden to respondents

Assuming the average cost of a bank employee is \$85 per hour, the total cost burden for a participating bank is as follows:

Total current annual cost burden
14 hrs x \$85/hr = \$1,190

The collection of the information contained in the Supplemental Report creates a direct benefit to the bank in the form of low cost capital. If a bank increased its small business lending, it can currently enjoy the benefit of a 1 percent coupon rate on millions of dollars of capital. In choosing to participate in the SBLF program, the bank has determined the benefit of this low cost capital for small business lending exceeds the cost of data reporting.

14. Estimated cost to the federal government

The collection of the information contained in the Supplemental Report is essential for the execution of the SBLF program as defined in the legislation. The information collected creates direct benefit to the bank (lower coupon rate) and to the public (increased small business lending and employment). The cost to the Federal Government of collecting and processing this information is embedded in the overall administration of the program and cannot be isolated.

15. Reasons for change in burden

There is an estimated reduction of 756 hours of burden due to a drop in the number of SBLF participants. Since the last renewal, 54 participants have redeemed their securities and left the program, leaving only two remaining who will continue to file quarterly reports.

16. Plans for tabulation, statistical analysis and publication

Responses will not be tabulated or published.

17. Reasons why displaying the OMB expiration date is inappropriate

The OMB control number will be displayed.

18. Exceptions to certification requirement

There are no exceptions to the certification requirement.