

US Small Business Administration
SBA Form 1366, Borrower's Progress Certification
OMB Control Number 3245-0110
Justification – Part A Supporting Statement

Overview of Information Collection:

This submission covers the SBA Form 1366, Borrower's Progress Certification, and associated record-keeping requirements. The purpose of this submission is to request OMB renewal authorization of this form. No changes have been made to this form. The burden estimate has increased slightly due to an increase in loan approvals since this information collection was last approved.

1. **Need & Method for the Information Collection. Explain the circumstances that make the collection of information necessary.**

SBA's disaster loan proceeds are available to restore or replace a borrower's primary residence, personal or business property as nearly as possible to pre-disaster conditions. The disaster program regulations and procedures require borrowers to submit and maintain records to show that loan proceeds were used solely for authorized purposes. In addition, prior to subsequent disbursement of funds, borrowers are required to provide certain certifications regarding no substantial adverse change(s) in borrower's financial condition, or the amount of fees previously reported as being paid to borrowers' agents. The pertinent portions of each referenced authority are attached (13 CFR 123.7 and 13 CFR 123.12).

2. **Use of the Information. Indicate how, by whom, and for what purpose the information is to be used (e.g., program administration, application for benefits or services, regulatory compliance, inform policy development).**

SBA Form 1366 provides a simple format for borrowers to organize and present documentation and information to SBA to show how loan funds have been used in the disaster restoration, and to provide the necessary certifications prior to subsequent disbursements. The form was developed in response to an expressed need by the borrowers for a concise way to document the use of loan proceeds and make the required certifications. The information collected provides assurances to SBA that loan proceeds are used for authorized purposes only. The information collected includes (1) exceptions to the certifications, and/or (2) a listing of expenditures and copies of certain receipts. Exceptions to the certifications might involve credit factors and would be referred to a loan officer for review. All information related to the use of proceeds is reviewed by Office of Disaster Assistance (ODA) legal section (attorneys and support staff) to assure that loan proceeds have been used as authorized. Representatives of the SBA's Inspector General and other auditors also use the information collected on Form 1366 and the records which borrowers are required to retain for audit trail purposes. Evidence of misuse of proceeds would be used by U.S. Attorneys and the Office of Inspector General prosecuting for misuse of loan proceeds.

3. *Use of Information Technology.* *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 burden.*

The Form 1366 is currently available online at www.sba.gov for downloading and printing. For loans requiring multiple disbursements, Form 1366 is generally filed an average of 1.5 times during the course of the loan. We currently require a hard copy of the form with an original signature for fraud prevention purposes, or a fax of a hard copy where an original signature is on file in the office for comparison purposes.

4. *Non-duplication.* *Describe efforts to identify duplication.*

Because the records regarding expenses by borrowers for repair or replacement are only kept by borrowers, there is no duplication in SBA's files and any similar information that might be available could not be substituted. If Form 1366 is submitted on multiple occasions the information is not cumulative but is specific to use of disbursed funds not previously reported. In other words, the borrower is not asked to submit the same information more than once. Minimal duplication (borrower name, loan number, etc.) is necessary to distinguish and organize records appropriately.

5. *Burden on Small Business.* *If the collection of information impacts small businesses or other small entities, describe any methods used to minimize burden.*

The respondents to this information collection include small businesses; however, the information collection does not impose a substantial burden on these respondents. Record-keeping requirements are not more than the customary records maintained by businesses for internal management and tax and securities law purposes. The information collected is limited to specific program requirements and has been designed to minimize paperwork while satisfying legal and policy mandates.

6. *Less Frequent Collection.* *Describe the consequence to 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 information collection is conducted only as needed. If the record-keeping and reporting requirements were not imposed, SBA would not have a mechanism for ensuring documentation of proper use of loan proceeds, or for determining that subsequent disbursements are prudent and justified. Failure to conduct this collection of information could also impair SBA's ability to conduct audits or take action in cases of misuse. When loan proceeds are not used properly, SBA effectively subsidizes loans for purposes unrelated to the disaster which should be privately

financed. As the disaster-damaged property is generally the collateral securing the loan, misuse of loan proceeds can also weaken the value of the collateral securing the loan and therefore may impact SBA's recovery on the loan.

7. Paperwork Reduction Act Guidelines. Explain any special circumstances.

There are no special circumstances.

8. Consultation and Public Comments. 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.

Comments were solicited in a Federal Register notice published on January 28, 2022, at 87 FR 4703, copy attached. The comment period closed on March 28, 2022, and no comments were received.

Routine observations, particularly in closing workshops conducted by SBA, and direct feedback from borrowers indicate that estimates of public burden hours are valid and the format in which the information is requested is reasonable and simplified.

9. Gifts or Payment. 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. Privacy & Confidentiality. Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or agency policy.

No assurance of confidentiality is provided with respect to this information collection. However, SBA will protect the information collected to the extent permitted by law.

11. Sensitive Questions. Provide additional justification for any questions of a sensitive nature.

No questions of a sensitive nature are asked in this information collection; however, because certain loan records are retrieved by a personal identifier, SBA maintains a Privacy Act system of record to protect the disclosure of collected information that is covered by that act. See SBA 20 – Disaster Loan Case Files.

12. Burden Estimate. Provide estimates of the burden of the collection of information, the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated.

Burden estimates are based on typical mix of secured and unsecured disaster loans over the past 4 fiscal years (FY 2018 through FY 2021).

53,330 home loans: 38,626 unsecured

14,704 secured

5,273 business loans: 2,856 unsecured
 2,417 secured

SBA approved **58,603** disaster loans annually on average during this period.

PUBLIC BURDEN

HOURS

For the Form 1366, the public burden includes organizing records of expenditures and compiling that information as directed on the Form, and it includes copying and providing certain receipts as directed by the form.

The public burden is generally limited to secured loans, as few unsecured loans have multiple disbursements. For secured loans, the average number of disbursements is about 2.5. The Form 1366 is required for subsequent disbursement(s), for an average of 1.5 uses for each secured loan (respondent). This average is based on previous experience with the form. The anticipated number of secured loans (average) is 17,121. With 1.5 uses per respondent, the Form 1366 would be used 25,682 per year on average.

Based on feedback and previous experience, the Form 1366 is estimated to require about 0.5 hours per response, for **total estimated burden hours of 12,841** ($1.5 \times 17,121 = 25,682 \times .5 = 12,841$).

	Requeste d	Program Change Due to New Statute	Program Change Due to Agency Discretio n	Change Due to Adjustme nt in Agency Estimate	Chang e Due to Potent ial Violati on of the PRA	Previo usly Approv ed
Annual Number of Responses for this IC	25,682			+ 9,716		15,966
Annual IC Time Burden (Hour)	12,841			+ 4,858		7,983
Annual IC Cost Burden (Dollars)	\$364,171			+ \$157,172		\$206,99 9

COST

The cost to the public is determined on the same basis as that for the Government, which is at the GS-9 level. Costs for the Form 1366 are estimated to be as follows:

Total estimated burden hours of 12,841 x \$28.36 cost per hour (based on the hourly rate of a GS 9, step 1, for calendar year 2022 employee in the Fort Worth, TX locality, whose expertise level is equivalent to that required to complete this form) = \$364,171. The **estimated public cost for Form 1366 is \$364,171.**

13. Estimated nonrecurring costs. Provide an estimate for the total annual cost burden to respondents or record keepers resulting from the collection of information. (Do not include the cost of any hour burden already reflected on the burden worksheet).

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

14. Estimated cost to the Government. Provide estimates of annualized costs to the Federal government.

Total Agency burden hours are also based on the number of respondents. The processing time (to review and act upon the information and documentation submitted by borrowers in accordance with Form 1366) for the Agency is estimated to be an average of 1 hour per response. The total Agency burden hours is calculated as follows:

1-hour average processing time per response x 25,682 uses = 25,682 Agency burden hours

The typical grade level required to process this form is GS 9, Step 1.

25,682 uses x \$28.36 (GS 9, step 1 for Fort Worth, TX locality) per hour = \$728,342 plus 37% for overhead (32% fringe benefits and 5% for printing, etc. - \$269,487) = **\$997,289 estimated Agency cost.**

15. Reasons for changes. Explain the reasons for any program changes or adjustments reported on the burden worksheet.

Both the annual hour burden and cost for the SBA Form 1366 slightly increased because of an increase in loan approvals (increase in the number of uses of the form) over the last 4 FYs as compared to previous 4 FYs. There are no program changes.

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

Not applicable. No publication is planned, and no statistical methods will be employed.

17. *OMB Not to Display Approval*. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.

Expiration date will be displayed.

18. *Exceptions to "Certification for Paperwork Reduction Submissions."* Explain each exception to the topics of the certification statement identified in "Certification for Paperwork Reduction Act Submissions."

There are no exceptions to the certification statement.

19. *Surveys, Censuses, and Other Collections that Employ Statistical Methods*. If this request includes surveys or censuses or uses statistical methods (such as sampling, imputation, or other statistical estimation techniques), a Part B supporting statement must be completed.

N/A