

2022
SUPPORTING STATEMENT
Guaranteed Loan Processing and Servicing Regulations
0570-0069

1. Explain the circumstances that make the collection of information necessary.

The Business and Industry (B&I) program was legislated in 1972 under Section 310B of the Consolidated Farm and Rural Development Act, as amended. The purpose of the program is to improve, develop, or finance businesses, industries, and employment and improve the economic and environmental climate in rural communities. This purpose is achieved through bolstering the existing private credit structure through the guaranteeing of quality loans made by lending institutions, thereby providing lasting community benefits. Beginning October 1, 2020, B&I guaranteed loans are made and serviced under 7 CFR 5001, " Guaranteed Loans." 7 CFR 5001 made no provision to transfer servicing responsibility of the existing loan portfolio, therefore all loans made prior to October 1, 2020, are still serviced under 7 CFR 4287 subpart B.

On March 13, 2020, President Trump declared the ongoing Coronavirus Disease 2019 (COVID-19) pandemic of sufficient severity and magnitude to warrant an emergency declaration for all states, territories, and the District of Columbia. In order to provide some financial relief to American families, on March 27, 2020, the President signed the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act or the Act) (Pub. L. 116-136) to provide emergency assistance and health care response for individuals, families, and businesses affected by the coronavirus pandemic. The Rural Business Cooperative Service (RBCS) received funding and authority through Division B, Title I of the CARES Act to provide for additional funds for use under the Business & Industry (B&I) Guaranteed Loan Program. The additional funds are thought to be a one-time infusion; however, the Agency wishes to maintain the forms package in the event funds are provided in the future.

The removal of loan making activities and specific CARES Act program responses and the reservation of the processing package results in a reduction in responses and hours of 8,489 and 18,392 respectively.

2. Indicate how, by whom, and for what purpose the information is to be used.

This subpart contains requirements applicable to the servicing of B&I Guaranteed Loan Program administered by the Agency and the reservation of the loan processing forms package. This includes lender and borrower performance, routine and delinquency servicing and secondary market activities for loans made before October 1, 2020. The information is used by Agency loan officers for program monitoring.

The estimates do not include burden hours for customary and usual business practices of entities other than the Agency. Therefore, this package only considers the information the

Agency requires in excess of what a lender would typically require of a business, as well as the information the Agency regulation requires from the lender in excess of what it would typically do for a non-guaranteed loan. The burden estimates in this package are based on the assumption that the B&I Guaranteed Loan Program will process 18,530 servicing activities in each of the next 3 years. Specifically, the burden to be cleared with this document is as follows:

REPORTING REQUIREMENTS - NON-FORMS

7 CFR Part 4279-A

System for Award Management (SAM) Registration, General Certifications and Representations. At the time of application, each applicant must have an active registration in SAM before submitting its application in accordance with 2 CFR 25. This registration must remain current, accurate, and complete at all times during which the applicant has an active Federal award or an application under consideration.

Appeals. The applicant or borrower and lender and/or holder may appeal or request a review of any adverse Agency decision. Appeals are handled in accordance with Departmental appeal regulations.

Lender eligibility. A lender seeking to participate in the Program must demonstrate that it meets the FDIC definition of “well capitalized” at the time of application and at the time of issuance of the loan note guarantee. In addition, the lender must notify the Agency, in writing, if it is under a cease-or-desist order (or similar constraint) from a Federal agency.

Sale or assignment of guarantee. The lender may sell the guaranteed portion of the loan in the secondary market. This is a typical business practice. The only burden imposed by the Agency is requiring the lender to advise the Agency that it wants to sell the loan and requesting the Agency to execute the appropriate documents. The balance of the burden is imposed by requirements of the secondary market and is not reported here.

Repurchase from holder. When a loan defaults, the holder makes demand for repurchase. A lender has the option to repurchase the unpaid guaranteed portion of the loan from a holder. If the lender does not repurchase the loan, the Agency will. The holder’s demand will include documentation and the amount due. If the lender does not repurchase the loan, the lender will provide the Agency with information necessary for the Agency to determine the amount due.

“Environmental Information Report,” (OMB No. 0575-0197) - The information collected from the applicant is used by the Agency in preparing the environmental assessment. It is needed only for specific servicing actions. No requirement in this section imposes a burden that is not specified in the specific program regulation.

Replacement of document. When a Loan Note Guarantee or Assignment Guarantee Agreement is lost, stolen, destroyed, mutilated, or defaced, the lender must notify the Agency to request a replacement.

Loan guarantee limits – Loan amount. A lender requesting more than \$10 million in guarantee authority must document that it will not make the loan and the project will not be completed if the guarantee is not approved. The Agency is attempting to provide assistance to as many businesses as possible by requiring an exception by the Administrator to guarantee loans between \$10 and \$25 million. Guaranteed loan approval in excess of \$25 million up to \$40 million rests with the Secretary of Agriculture, whose authority cannot be redelegated.

Loan guarantee limits – Percentage of Guarantee. A lender requesting an increased percentage of guarantee must document that it will not make the loan and the project will not be completed due to the lender's legal lending limit if the increased percentage of guarantee is not approved.

Interest rate change. Lender must seek and obtain Agency approval for any change in the interest rate between the date of issuance of the Conditional Commitment and before the issuance of the Loan Note Guarantee. Lender must also obtain Agency concurrence if there is an increase in interest rate from a variable interest rate to a higher interest rate that is a fixed rate.

Credit quality analysis. The lender is primarily responsible for determining the quality of the proposed loan. Lenders typically complete an analysis of all commercial loans for their internal loan committee, but these analyses vary in scope. The Agency requires a complete written analysis, including spreadsheets of the balance sheets and income statements for the 3 previous years (for existing businesses), a pro forma balance sheet projected for loan closing, and 2 years projected yearend balance sheets and income statements, common sized with appropriate ratios and comparisons with industrial standards. The lender's written credit analysis must address the borrower's management, repayment ability including a cash-flow analysis, history of debt repayment, necessity of any debt refinancing, and the credit reports of the borrower, its principals, and any parent, affiliate, or subsidiary. The burden estimate is the average time required for the lender to complete the analysis.

Hazard insurance. Hazard insurance is required on every loan to protect the collateral from fire or other insurable losses. The Agency requires the lender to be named as mortgagee or loss payee. The lender would typically require hazard insurance on non-guaranteed loans. The borrower obtains the insurance, and the lender reviews it for sufficiency.

Life insurance. Life insurance may be required on key management officials of the business to ensure the success of the business if key management is lost. This is done by insuring the lives of key management, thus providing capital to hire new key management. This is a common practice of lenders, but the Agency may require life insurance when the lender would not. The borrower obtains the insurance, and the lender reviews it for sufficiency.

Flood and other insurance. National flood insurance is required on projects when available. Public liability, business interruption, malpractice, and other insurance appropriate to the borrower's particular business and circumstances may be required. Lenders typically require

flood and other insurance on non-guaranteed loans, but there may be situations where it is not recommended by the lender but required by the Agency. The borrower obtains the insurance, and the lender reviews it for sufficiency.

Appraisal reports. The applicant pays for certified appraisers to complete appraisals in accordance with industry standards. Lenders typically require appraisals completed in accordance with industry standard on non-guaranteed loans, and they typically require the applicant to pay for them. There may be situations where the Agency requires an appraisal when the lender would not. Appraisals are used to determine the value of borrower assets being offered as collateral to ensure the loan is adequately secured.

Feasibility Studies. Feasibility studies are generally required by the Agency only for a business with no track record or a business that is introducing new ideas or product lines. When required, the study must address the economic, market, technical, financial, and management feasibility of the business. They are used by the lender and Agency to help determine the creditworthiness of the proposal. Lenders sometimes require feasibility studies for loans without a guarantee, but a less comprehensive analysis might satisfy the lender.

Pre-application requirements. A pre-application is preliminary information used by the Agency to determine preliminary eligibility for program assistance. Pre-applications are optional. If the proposal does not appear eligible or feasible, the Agency may discourage the filing of a complete application, thus saving the business time and money. The lender would typically require much of the same documentation for non-guaranteed loans. The following documents comprise the content of a pre-application:

- (a) Letter to the Agency - A letter signed by the lender containing basic information about the applicant and the loan proposal.
- (b) Completed Form 4279-2, "Certification of Non-Relocation and Market Capacity Information Report." See description in "forms" section below.
- (c) Financial information - It is used by the Agency to determine preliminary creditworthiness of business.
- (d) Preliminary business plan for start-up business - Describes the business, its intended markets, and other relevant information. They vary considerably in scope.

Application Requirements. The applicant provides the application requirements to the lender, and the lender passes it on to the Agency. This section lists the information needed by the Agency including completed forms, financial statements, and other documents used by the lender and Agency to determine program eligibility and creditworthiness of the loan proposal. The burden per response is low because the lender would typically require virtually the same documentation for a non-guaranteed loan, and only the burden in excess of lender requirements is included. The following comprises the content of an application:

- (a) Personal credit reports - Used to evaluate the credit history of the owners as an aid in the credit evaluation completed by the Agency and lender. This is typically required by lenders for non-guaranteed loans.
- (b) Intergovernmental consultation - The applicant is required to notify the designated State clearinghouse of its proposal. This is to ensure the project is in compliance with State and local development strategies.
- (c) Current financial statements and pro forma balance sheet and projections - The applicant must provide these to enable the lender and Agency to determine the financial health of the business and the likelihood it will continue to operate successfully. This is typically requested by lenders for non-guaranteed loans.
- (d) Lender's analysis - The lender completes a comprehensive credit analysis that is the lender's justification for making the loan. The Agency relies on this analysis as a basis for approving the request. In most cases, the lender would prepare a loan analysis for its internal loan committee, but possibly not as comprehensive as required by the Agency.
- (e) Commercial credit report - The lender provides a credit report on the business and related firms. They provide aids in making a determination concerning the credit worthiness of the applicant. This is typically required by lenders for non-guaranteed loans.
- (f) Current personal and corporate financial statements of any guarantors - Used to evaluate the financial strength of the owners to determine if they will be able to inject additional resources into the business if needed, thus providing a measure of comfort. This is typically required by lenders for non-guaranteed loans.
- (g) Proposed loan agreement - An agreement between the lender and the borrower establishing conditions for the loan such as collateral, repayment schedule, loan purpose, and other conditions. This agreement is a general lender practice for all commercial loans. The Agency reviews the proposed document to aid in its loan analysis. Always required by lenders for non-guaranteed loans, but the Agency may require more covenants than the lender would typically require.
- (h) Business plan - When a feasibility study is not required, a business plan is prepared that describes the business and project, management experience, sources of capital, products, services and pricing, marketing plan, proposed use of funds, availability of labor raw materials and supplies, contracts in place, distribution channels, etc. It is similar to a feasibility study and used for similar purposes but is much less comprehensive and is typically prepared by the borrower. This is typically required by lenders for non-guaranteed loans.
- (i) 10-K reports - The Agency requests a copy of this report from publicly-traded companies. It is prepared for the Securities and Exchange Commission and aids in the lender and Agency loan analysis. This is typically required by lenders for non-guaranteed loans.

- (j) Certificate of Need - Obtained by the applicants for health care facilities from the appropriate regulatory authority. Evidence that the borrower will be able to collect from third party payors, which effects project feasibility. This is typically required by lenders for non-guaranteed loans.

Planning and performing development. The lender must ensure the project design utilizes accepted architectural and engineering practices, conforms to applicable Federal, State, and local codes and will be completed with available funds. Although construction monitoring is typically contracted out, the lender is ultimately responsible for monitoring construction to ensure the project is completed in accordance with the plans and specifications and keep the Agency informed. Lenders typically do most of this for non-guaranteed loans. However, some Federal laws do not apply to loans without Federal involvement and the lender would not have to provide reports to the Agency for non-guaranteed loans.

Change in conditions. When changes to the loan conditions set forth in the Conditional Commitment and Loan Agreement are needed subsequent to loan approval but prior to loan closing, the lender submits a request to the Agency outlining the requested change.

Central Contractor Registration. The borrower must register in the Central Contractor Registration and provide its case number and expiration date prior to loan obligation.

Transfer of lender. When the applicant or lender desires to change lenders prior to issuance of the guarantee, the Agency needs information to determine if the new proposed lender is eligible and capable of making and servicing the proposed loan.

Changes in borrower. When there is a change in the applicant's ownership or organization prior to the issuance of the guarantee, information is needed to determine if the applicant is still eligible for program assistance.

Conditions precedent to issuance of Loan Note Guarantee. This is the final check prior to issuance of the guarantee. It is a comprehensive certification from the lender that the borrower meets all requirements of the Conditional Commitment and other program requirements.

Issuance of Loan Note Guarantee. The lender advises the Agency when it is ready for closing and provides the Agency with closing documents and the comprehensive certification required by the paragraph just above.

Refusal to execute Loan Note Guarantee. In the unusual case where the Agency determines it cannot issue the guarantee, it will provide the lender with the reasons. The lender may provide documentation to satisfy the Agency objections.

Loan Classification: At the time the Loan Note Guarantee is issued, the lender must notify the Agency of the loan's classification or rating under its regulatory standards. Should the classification be changed at a future time, the lender must notify the Agency immediately.

7 CFR Part 4287-B

Appeals. As with processing, the applicant or borrower and lender and/or holder may appeal or request a review of any adverse Agency decision regarding servicing actions. Appeals are handled in accordance with Departmental appeal regulations.

Loan Classification: The lender must notify the Agency, annually, of the loan's classification or rating under its regulatory standards. Should the classification be changed at a future time, the lender must notify the Agency immediately.

Agency and Lender Conference: The lender will consult with the Agency at the Agency's request to ascertain how the guaranteed loan is being serviced and ensure that conditions and covenants of the Loan Agreement and Conditional Commitment are being enforced. The Agency will consult with each lender at least annually, and these conferences can be done either face-to-face or via the telephone. Because lenders sometimes have more than one guaranteed borrower, multiple borrowers are discussed at a single visit.

Annual Financial Reports: The lender is expected to fully analyze the annual financial statements for each borrower and provide the Agency with a written analysis and conclusions, including spreadsheets and ratio trend analyses that compare year-to-year historical financial information and also compare the borrower to industry standards for similar businesses. The lender's written analysis should include the borrower's strengths, weaknesses, extraordinary transactions, term loan agreement violations, and other indications of the financial condition of the borrower. Most lenders would complete the financial analysis, even if it were not guaranteed.

The lender must submit the annual financial statements to the Agency along with its spreadsheets and written analysis within 120 days of the end of the borrower fiscal year. This requirement is necessary for the lender and the Agency to service the loan and monitor the borrower's financial condition.

Borrower Visits: The Agency will meet with each borrower as often as needed after the Loan Note Guarantee is issued, and more often if the account is delinquent or a problem. The lender is encouraged to participate in the visit. During the visit, a review of the collateral and the borrower's operation is made.

Interest Rate Adjustments: The lender is responsible for the legal documentation of interest rate changes by an endorsement or any other legally effective amendment to the promissory note. The Agency must be notified in writing of all interest rate change prior to the enactment of the negotiated interest rate change. The borrower, lender and holder (if any) may collectively

initiate a permanent or temporary reduction in the interest rate of the guaranteed loan at any time during the life of the loan upon written agreement among these parties.

Release of Collateral: All releases must be based on a complete analysis of the proposal. The lender must submit written documentation to the Agency to justify releases of collateral that exceed 20 percent of the loan amount, prior to the release being made. This is to ensure that the loan will remain adequately secured. All releases of collateral with a value exceeding \$250,000 must be supported by a current appraisal on the collateral released.

Subordination of Lien Position: A subordination of the lender's lien position must be requested in writing by the lender and concurred in by the Agency in writing in advance of the subordination. The subordination must enhance the borrower's business, and the Agency's interest in and lien position on the collateral, after subordination, must be adequate to secure the loan.

Alterations of Loan Instruments: Alterations to any loan instrument must be approved in writing by the Agency. A request by the lender for approval to loan instrument changes must be supported by and explanation of the reason for the proposed changes, completed by the lender.

Transfer and Assumption: All transfers and assumptions must be approved in writing by the Agency and must be made to eligible applicants. In all cases, the lender must make a complete credit analysis, subject to Agency review and approval. In addition, the lender will provide to the Agency a written certification that the transfer and assumption is valid, enforceable, and complies with all Agency regulations. A request by the lender for approval of new loan terms must be supported by an explanation of the reasons for the proposed change in loan terms.

Credit Reports: An individual credit report must be provided for transferee proprietors, partners, officers, directors, and stockholders with 20 percent or more interest in the business. This information gives the loan officer a history of past credit payments on the transferee and aids the loan officer in making a determination as to the credit worthiness of the transferee. Credit reports are also typically requested for debt settlement transactions.

Appraisal Reports: In a transfer and assumption, the transferor, including any guarantor, may be released from liability on the loan only with prior Agency approval and only when the value of the collateral being transferred is at least equal to the amount of the loan being assumed. A current appraisal is needed to make such a determination. Any releases of collateral with a value exceeding \$250,000 must also be supported by a current appraisal on the collateral released.

Substitution of Lender: After the issuance of the Loan Note Guarantee, the lender shall neither sell nor transfer the entire loan to a new lender without the prior written approval of the Agency. The substitution of lender is requested in writing by the borrower and the proposed substitute lender if the original lender is still in existence. The new lender must agree in writing to acquire title to the non-guaranteed portion of the loan held by the original lender and assume all original loan requirements.

Default by Borrower: If a monetary default exceeds 30 days, the lender will arrange a meeting with the Agency and the borrower to resolve the problem.

Curative Actions: The primary curative actions include payment deferment, reamortization, rescheduling, reorganization, and moratoriums.

Protective Advances: Protective advances are advances made by the lender to preserve and protect the collateral. They must constitute as indebtedness of the borrower to the lender and be secured by the security instruments. The lender needs the Agency's written authorization when cumulative protective advances exceed \$200,000 or 10 percent of the aggregate outstanding balance of principal and interest, whichever is less.

Liquidation Plan: If the lender concludes that liquidation is necessary, it must request the Agency's concurrence. Within 30 days after a decision to liquidate, the lender will submit to the Agency its proposed written detailed method of liquidation. While the Agency has the Liquidation Plan under review, the lender may proceed with the liquidation process after the lender has accelerated the loan. Upon approval by the Agency of the liquidation plan, the lender will conduct the liquidation (as it would for any non-guaranteed loan). If significant changes to the plan become necessary, the lender must request Agency concurrence to alter the plan.

Acceleration: The lender will proceed to accelerate the indebtedness as expeditiously as possible when acceleration is necessary, including giving any notices and taking any other legal actions required. A copy of the acceleration notice, or other acceleration documents will be sent to the Agency. The guaranteed loan will be considered in liquidation once the loan has been accelerated and a demand for payment has been made upon the borrower.

Accounting and Reports: When the lender conducts liquidation, it will account for all funds during the period of liquidation and will provide the Agency with reports at least quarterly on the progress of liquidation including disposition of collateral, resulting costs, and additional procedures necessary for successful completion of the liquidation.

Termination of Guarantee: A guarantee will be terminated automatically upon the written notice from the lender to the Agency that the guarantee will terminate in 30 days after the date of notice, provided that the lender holds the entire guaranteed portion of the loan.

The Loan Note Guarantee constitutes an obligation supported by the full faith and credit of the United States and is incontestable except for fraud or misrepresentation of which the Lender has actual knowledge at the time it became such Lender or which Lender participates in or condones.

REPORTING REQUIREMENTS - FORMS APPROVED UNDER THIS OMB NUMBER

Form RD 4279-1, "Application for Loan Guarantee" (OMB Control No. 0570-0069 and OMB Control No. 0570-0065) - The information collected on the form is used by the Agency to determine applicant eligibility for program assistance and to provide financial and other data about the applicant and lender. The form contains two parts. The borrower completes part A, and the lender completes Part B.

Form RD 4279-3, “Conditional Commitment” (OMB Control No. 0570-0017, 0570-0050, and 0570-0055) - The form is used by the Agency to provide notice to the lender, subject to lender acceptance, that the guarantee request is approved subject to the conditions established by the Agency and listed on the form.

Form RD 4279-4, “Lender’s Agreement” (OMB Control No. 0570-0017, 0570-0050, and 0570-0055)- This form is the signed agreement between USDA and the lender setting forth the lender’s loan responsibilities. Each lender will execute the form once. It will then apply to all B&I and REAP loans the lender makes thereafter. The form will expire for non-regulated lenders after a 3-year period and must be renewed in order for the lender to continue to originate new loans.

Form RD 4279-6, “Assignment Guarantee Agreement” (OMB Control No. 0570-0069) - The form is the signed agreement among the Agency, lender, and holder, setting forth the terms and conditions of an assignment of all or a portion of the guaranteed portion of a loan.

Form RD 4279-14, “Unconditional Guarantee” (OMB Control No. 0570-0055) – The form is used to obtain an unconditional guarantee from an individual or corporate entity that owns 20 percent or more interest in the borrower. This form is in addition to any guarantee forms used by lenders. The Agency is establishing uniformity in obtaining and collecting against guarantees and will treat all guarantors consistently and rectify any ambiguities regarding its ability to refer delinquent debts to the Treasury for collection under the Debt Collection Improvement Act.

A Transfer and Assumption of an existing borrower is allowed under the regulations. In accordance with 7 CFR § 4279.149, the lender must obtain new personal and/or corporate guarantee(s) from all owners that have a 20 percent or more interest in the transferee. Also, this form will be used when the borrower sells 20 percent or more of the corporate stock and the Agency may require the new owners to provide a personal/corporate guarantee on loan.

Form RD 1980-41, “Guaranteed Loan Status Report” (OMB Control No. 0570-0069) - The Agency requires the lender to complete this form twice per year, June and December. The lender has the primary records on a guaranteed loan. The Agency uses this information collected from the lenders to determine the status of the guaranteed loan and forecast losses. The information is also used in completing the Agency financial statements. The Form RD 1980-41, Guaranteed Loan Status Report, is accessible to the lender through the Lenders Interactive Network Connection (LINC). The lender must designate a Security Administrator, who can then add other users to the LINC system. An e-mail notice will be sent to the Security Administrator and other designated users semi-annually (on or before June 30 and December 31) indicating the requirement to update the status report. Lenders with access to LINC must complete the status report on-line at the LINC Web site. Lenders without LINC access must send a completed Form RD 1980-41, Guaranteed Loan Status Report, to the applicable State/Field Office. The report should be received within 30 days after June 30 and December 31. The annual renewal fee should be submitted with the December 31 report.

Form RD 1980-44, “Guaranteed Loan Borrower Default Status” (OMB Control No. 0570-0069) - The Agency requires the lender to complete this form on all delinquent loans every month. The Agency uses this information to determine the lender’s compliance with the Lender’s Agreement in properly servicing delinquent accounts. The lender submits Form RD 1980-44, default reports, when the loans are 30 days past due and cannot become current within 30 days. This form has been automated for the lender to access it electronically and update it bi-monthly through LINC.

Form RD 1980-43, “Lender’s Guaranteed Loan Payment to USDA,” (OMB No. 0570-0069) - The Agency requires the lender to use of this form to send guaranteed loan payments to the Agency Finance Office on loans repurchased from the secondary market. For this regulation only, we estimate 100 respondents monthly completing this form taking approximately 30 minutes each for a total of 600-man hours. (This form will be made a common form when then package comes up for renewal).

Form RD 449-30, “Loan Note Guaranteed Report of Loss,” (OMB No. 0570-0069) - The Agency requires the lender to use of this form to process estimated and final reports of loss on guaranteed loans. For this regulation only, we estimate 100 respondents taking approximately 25 hours each to complete this form for a total of 2,500-man hours.

Form RD 1980-19, “Guaranteed Loan Closing Report,” (OMB No. 0570-0069) - The information is used by the Agency to establish the account in its accounting system. The Agency prepares the form, and the lender verifies it for accuracy.

FORMS NO LONGER USED BUT PREVIOUSLY REPORTED UNDER THIS PACKAGE

Form RD 1940-20, “Request for Environmental Information,” (OMB No. 0575-0094) - The information collected from the applicant is used by the Agency in preparing the environmental assessment. It is needed only for specific servicing actions. No requirement in this section imposes a burden that is not specified in the specific program regulation. This form is no longer used due to a change in the environmental regulation.

3. Describe any consideration of the use of improved information technology to reduce burden any technical or legal obstacles to reducing burden.

Lenders complete the biennial and monthly default status reports electronically through Guaranteed Loan System (GLS). They receive a certified, secure ID through the State office. Additionally, RBS created four Customer Relationship Manager positions as initial point persons for National lenders. These contacts assist in streamlining the loan servicing requests requiring National Office attention.

4. Describe efforts to identify duplication.

The Agency communicates with other institutions involved with business development for the purpose of sharing information and coordinating respective activities. When similar information is identified, action is taken to avoid duplication.

5. If the collection of information impacts small businesses or other small entities describe any methods used to minimize burden.

Lenders servicing loans without guarantees typically require as much as or almost as much information from a business. The information required of lenders is needed to effectively service a loan portfolio.

The Agency will require the information only in those instances where a determination is made that the information is necessary and thus minimizing, to the extent possible, the cost to small businesses or other small entities. Every effort has been made to minimize burden to small businesses.

6. Describe the consequences to Federal program or policy activities if the collection were conducted less frequently.

The Agency's servicing requirements ensure that businesses are able to continue as going concerns. For those that do default, the Agency's requirements ensure that losses to the government are minimized.

7. Explain any special circumstances that would cause an information collection to be conducted in a manner: There are no special circumstances that would cause information collection to be conducted in any manner described in (b) through (h) below:

- (a) **Requiring respondents to report information more than quarterly.**
For 7 CFR part 4287, subpart B, lenders must submit Form RD 1980-44 every month for borrowers who are delinquent.
- (b) **Requiring written responses in less than 30 days.** None
- (c) **Requiring more than an original and two copies.** None
- (d) **Requiring respondents to retain records for more than 3 years.** None
- (e) **Not utilizing statistical sampling.** None
- (f) **Requiring use of statistical sampling which has not been reviewed and approved by OMB.** None
- (g) **Requiring a pledge of confidentiality.** None
- (h) **Requiring submission of proprietary trade secrets.** None

8. Comments on Agency's notice in the Federal Register and efforts to consult with persons outside the Agency to obtain their views on the availability of data, frequency of collection,

the clarity of instructions and record keeping, disclosure, reporting format (if any), and on data elements to be recorded, disclosed, or reported.

In accordance with the Paperwork Reduction Act of 1995, the agency published a 60-day notice within the proposed rule which was published in Federal Register on May 17, 2022 (87 FR 29850). No comments were received in regard to the paperwork burden.

As part of the Agency's internal control measures, it conducts assessments of its loan programs by interviewing commercial lenders, existing borrowers, Agency field employees, and others. Among the topics discussed during these interviews, we ask the interviewees if they feel any of the Agency-imposed requirements are excessive or could be handled differently and incorporate their suggestions into program regulations. They were generally satisfied with program requirements. We have identified three lenders that are currently active with U.S. Rural Development as those interviewed.

Live Oak Bank
1757 Tiburon Drive
Wilmington, North Carolina 28403
(910) 550-2271

Byline Bank
9449 Priority Way West Drive, Suite 220
Indianapolis, Indiana 46240
(317) 983-3364

Bank of Montgomery
860 Washington Street
Natchitoches, Louisiana 71457
(318) 238-2330, ext. 1400

9. Explain any decision to provide any payment or gift to respondents, other than remuneration of contracts or guarantees.

No payments or gifts are provided to respondents.

10. 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. Requests for release of records and information are processed in accordance with the Privacy Act of 1974. The Agency System of Records (SORN) entitled "USDA/RD-1 Current or Prospective Producers or Landowners, Applicants, Borrowers, Grantees, Tenants, and other participants in RD programs" was published on May 14, 2019 at 84 CFR 21315.

11. Provide additional justification for any question of a sensitive nature, such as sexual behavior or attitudes, religious beliefs, and other matters that are commonly considered private.

There is no collection of any information that would be considered sensitive in nature or commonly considered private.

12. Provide estimates of the hour burden of the collection of information.

The following table summarizes the estimated average annual burden associated with the program. The attached worksheet describes burden for each form utilized and each section of the regulation that impacts the public, as well as the annualized total.

| Burden Item | Estimated Yearly Average Burden |
|------------------------|---------------------------------|
| Number of respondents: | 2,800 |
| Annual responses: | 18,562 |
| Total hours: | 19,842 |
| Cost per hour: | \$39.85 |
| Total annual cost: | \$790,694 |

The wage rate utilized in the cost calculation are based on the Bureau of Labor Statistics, National Employment and Wage Estimates United States retrieved from https://www.bls.gov/oes/current/oes_nat.htm/ as requested and calculated private sector loan officer \$/hr @ \$30.75 + 29.6% benefits = \$39.85/hr.

Since 7 CFR part 4287-B deals with servicing, the burden estimates in this submission are based on the assumption that the average portfolio over the next 3 years will consist of 2,479 loans and 2,797 borrowers. As of March 2022, there were over 2,817 guaranteed loan borrowers. The Agency's guaranteed loan portfolio has increased slightly by 68 loans due to the Cares Act funding and adjusting for the loans that pay off or otherwise are no longer part of the portfolio.

13. Provide estimates of annualized cost to respondents.

Most of the respondents are relatively highly paid professionals including financial specialists, financial analysts, and credit/loan officers. We determined that the hourly wage class was based on the Bureau of Labor Statistics, National Employment and Wage Estimates United States retrieved from collected current dollar per hour data from https://www.bls.gov/oes/current/oes_nat.htm/ as requested and calculated private sector loan officer \$/hr @ \$30.75 + 29.6% benefits = \$39.85/hr.

14. Provide estimates of annualized cost to the Federal Government.

The annual cost to the Federal Government to collect and evaluate this information is estimated to be about \$1,323,750 per fiscal year (see attached spreadsheet). The wage rate was calculated

based on the Fiscal Year 2022 Rest of the US General Schedule Pay table using Step 5 of each grade completing the tasks plus 36.25% for benefits. The Federal wage used is \$64.28 per hour, including benefits of 36.25%. See spreadsheet for calculation and documentation.

A common servicing action would be reviewed by the State Program Loan Specialist (GS-12) and should any adverse trends be noted a letter will be prepared and signed by the Program Director (GS-13) or State Director (SES). The letters are signed on Rural Development standard letterhead. No other specific government form is required for this process.

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

The burden hours for this package represents 19,842 total annual responses and 18,562 estimated total hours. The number of respondents is 2,800. There will be a slight increase to the servicing caseload as projects completed through Cares Act funding mature and potentially begin to fail. The Cares Act is anticipated to be a one-time funding stream and the program should see a continued overall annual caseload decrease, notwithstanding any new funding for the Cares Act program or any new programs created under this package, as the caseload serviced under RD Instruction 4287-B pays in full and the continued shift to servicing new loans in 7 CFR 5001.

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

The results of this collection of information will not be published.

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

No approval is being sought.

18. Explain each exception to the certification statement identified in item 19 on OMB 83-I.

There are no exceptions to the Certification.

19. How is this information collection related to the Service Center Initiative (SCI)? Will the information collection be part of the one stop shopping concept?

Recipients of B&I loan assistance are rural businesses, which typically are not agricultural. Consequently, very little of the information collected for this program would be useful in the Service Center Initiative. The information is used only for administering the B&I Program.