

SMALL BUSINESS ADMINISTRATION
Paperwork Reduction Act (PRA) Submission
SBA Form 1050, Settlement Sheet (OMB Control # 3245-0200)

Overview of Information Collection:

This is a request for **extension of a previously-approved collection** (OMB Control No. 3245-0200) and for approval for an additional 3 years.

This PRA submission is for SBA Form 1050, Settlement Sheet. This form is required to be completed by the lender and small business borrower for when certain 7(a) loans are closed and disbursed. At this time SBA is requesting a 3 year renewal, the belief is that the current information does not adequately meet the Agency's needs at the time of guaranty purchase review since the form does not collect enough details about the loan closing and disbursement actions.

SBA intends to divide this form into sections to facilitate easier use. This **non-substantive change** will likely not have a significant impact on the burden. As stated in the supporting statement, the certifications and information collected remain the same.

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 applicable section of each statute and regulation that mandates or authorizes the collection of information.

Under Agency regulations at 13 CFR 120.520, lenders may demand that SBA honor its guaranty on a loan. According to 13 CFR 120.524, SBA is released from liability on its guarantee if, among other things, a lender fails to disburse the loan proceeds in a prudent manner and in accordance with the Loan Authorization (Authorization). (A copy of these regulations are attached.) Lenders and borrowers use SBA Form 1050 to document how the loan proceeds were disbursed and to certify their compliance with these SBA Loan Program Requirements.

SBA Form 1050, Settlement Sheet is used in SBA's 7(a) Loan Program to collect information from lenders and borrowers regarding the disbursement of loan proceeds. SBA relies on this information during the guaranty purchase review process as a component in determining whether to honor a loan guaranty. The current form includes 1050 Settlement Sheet instructions for the lender. The currently approved form primarily requires the lender and borrower to certify to whether they complied with a series of loan requirements. The current form also requires submission of documentation (e.g., joint payee or cancelled checks, invoices or paid receipts, and wire transfer records) in support of the certification. SBA has determined that the section for "Authorized Use of Proceeds" does not include in the Settlement Sheet all the categories for "Use of Proceeds" this addition to the 1050 Settlement Sheet would enable the agency to effectively monitor compliance with loan disbursement procedures and will align with the "Use of Proceeds" categories for 7(a) loans. As a result, SBA is proposing to change both the content and format of the Form 1050.

The form will be divided into several sections to clearly identify the information to be submitted. The revised form will continue to collect the same basic identifying information such as loan amount, loan number and lender's name. In addition, the form will continue to require certifications from both the lender and borrower regarding compliance with the disbursement requirements and accuracy of

information submitted. In the section for “Authorized Use of Proceeds,” the revised 1050 Settlement Sheet will include “Land Acquisitions with or without improvements”, “Leasehold Improvements to property owned by applicant or owned by others”, “Export Working Capital (EWCP or Export Express)”, “Support Standby Letter of Credit (EWCP or Export Express)”, Refinance Existing (EWCP or Export LOC (EWCP)”, “Business Acquisition/Change of Ownership”, “Pay off SBA Loan, SID or Other Lender”, “ Pay Notes Payable, SID or Other Lender”, “Pay Accounts Payable.” These changes will allow the lender to document all the sources and uses of funds at the time of loan closing more clearly. This additional information will better allow both lenders and SBA staff to ensure that the necessary information is collected at the time of loan origination.

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.

SBA Form 1050 is completed by the lender and small business borrower when the lender makes the first disbursement on an SBA-guaranteed loan (except 7(a) Small, Community Advantage, SBA Express and Export Express loans). By signing the form, both the lender and the borrower make certain certifications, including but not limited to whether: the loan proceeds have been disbursed and received, and will be used in accordance with the Use of Proceeds section of the Authorization, including any and all SBA/Lender approved modifications; and there have been no unremedied adverse changes in the Borrower’s or Operating Company’s financial condition, organization, management, operations or assets since the date of application that would warrant withholding or not making this disbursement or any further disbursement. During lender oversight activities, or, in the event of a default on the loan, at the time the Lender requests guaranty purchase , the agency reviews the form to determine that the conditions, as certified were met. These measures help SBA ensure that loan proceeds are being used for eligible purposes, and that the cost of the program to the government and to future borrowers (who pay guaranty fees to SBA based on projected costs of the program) as a result of defaults net of recoveries is kept at a reasonable level.

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 1050 is available in fillable format at www.sba.gov. In addition, private software vendors have created user-friendly versions of this and other SBA forms used by 7(a) lenders in a format compatible with most proprietary automated underwriting systems. At time of purchase, lenders are encouraged to submit the purchase package, including SBA Form 1050 and supporting documentation, electronically. SBA estimates that approximately 90 percent of lenders do so. The remaining lenders choose to mail the purchase package.

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.

The information requested on SBA Form 1050 is necessary to document proper loan disbursement and obtain necessary certifications in connection with loan closing and disbursement and is not available by other means. Further, the information collected is unique to each loan, the individual borrower and the circumstances and conditions of its business operations, so there are no other sources of the information.

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 respondents to this collection of information are small businesses and lenders. However, there will be no significant economic impact on any of these entities. SBA has minimized the burden on small businesses and lenders by simplifying the forms to the extent possible and by requesting the minimum information necessary to determine whether the loan proceeds were disbursed in accordance with the Authorization and that due diligence was demonstrated by the lender.

6. Consequences If Information Is Not Collected

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.

Failure to obtain the requested information and necessary certifications in connection with the use of loan proceeds and closing of the loan may adversely impact the Agency's ability to recover from the lender and/or borrower in the event of fraud in connection with the loan. Further, a lender's practice of disbursing funds for undocumented, and possibly ineligible purposes, and to borrowers that had experienced an adverse change between approval and closing, could go undetected and lead to increased program costs. The increased cost would impact both the government and future borrowers, whose guaranty fees to SBA are calculated on projected costs of the program.

7. Existence Of Special Circumstances

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

Not applicable.

8. Solicitation of Public Comment

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 on the availability of data, frequency of collection, the clarity of instructions and recordkeeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.

The Federal Register Notice for comments was published on December 29, 2021 at 86 FR 74207. The comment period expired on February 28, 2022. No comments were received.

9. Payments or Gifts

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

No gifts or payments are provided to any 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. "

No assurances are provided with this form specifically. However, the "Statements Required by Law and Executive Order" in the attached addendum is provided with each 7(a) loan application to advise lenders and loan applicants that, among other things, SBA will protect the sensitive and/or confidential loan related information against disclosure to the extent permitted by law. Such statutory protection may fall under the "Freedom of Information Act" (5 U.S.C. 552), "Privacy Act" (5 U.S.C. 552a), and the "Right to Financial Privacy Act of 1978" (12 U.S.C. 3401). Personally identifiable information collected is maintained in accordance with SBA's *Privacy Act System of Records, System 21- Loan System*, which can be accessed at <https://www.govinfo.gov/content/pkg/PAI-2017-SBA/xml/PAI-2017-SBA.xml#sba21> SBA has several safeguards to protect this information. Access and use of electronic records is limited to Agency officials acting in their official capacities, with a need-to-know, and to SBA Resource Partners. Access and use by SBA Resource Partners will generally be via the Internet, with restricted password(s)/passcode(s). SBA Resource Partners, their successors or assigns, will have access only to those individual records that were collected by that particular partner. Information contained in files will be available only to potential asset sale purchasers who have executed a confidentiality agreement. Only SBA employees in the performance of their official duties, who are granted access to the records by Agency issuance of User ID and/or passcode, may amend or review the records. Access and use of paper records is limited to SBA officials acting in their official capacities, with a need-to-know. SBA Resource Partners, their successors or assigns, will have access only to the individual records that were collected by that particular partner. Information contained in loan files will be available only to potential asset sale purchasers who have executed a confidentiality agreement. Only those SBA employees in the performance of their official duties may review or amend the records.

11. Questions of a Sensitive Nature

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.

No questions of a sensitive nature are involved.

12. Estimate of the Hourly Burden of the Collection of Information

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.

Total estimated annual responses are 52,000. This figure is based on the number of 7(a) loans for FY 2019. The time to complete the form is estimated at 30 minutes.

The estimated annual burden hours and costs for SBA Form 1050 are as follows:

52,000 responses x .50 hours = 26,000 hours

Annual Cost:

The annualized cost to respondents is approximately:

$\$43.04/\text{hour} \times 26,000 \text{ hours} = \$1,119,040$

(SBA estimates that the information in this form is collected and compiled by a person with an average salary equivalent to a financial analyst at a grade of a GS-12, Step 1, located in the Washington, DC locality, at \$43.04 per hour).

13. Estimate of Total Annual Cost

Provide an estimate for the total annual cost burden to respondents or recordkeepers resulting from the collection of information. Do not include hour cost burden from above.

Any cost to the lenders and borrowers is de minimis.

14. Estimated Annualized Cost to the Federal Government

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.

The following is the estimated annual costs to the Federal government/SBA:\\
SBA Form 1050 requires approximately .25 hours to review. The hourly rate is based on that of a liquidation loan specialist with an average grade of GS-12, Step 1, located in the Washington, DC locality, at \$43.04 an hour.

$52,000 \text{ 7(a) forms} \times .25 \text{ hours per form} \times \$43.04/\text{hr.} = \$ 559,520$

15. Explanation of Program Changes in Items 13 or 14 on OMB Form 83-I

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

The burden hours for SBA Form 1050 have increased since the last submission of the PRA package due to an increase of the projected annual loan volume and the hourly rate increase for a GS-12 level employee.

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.

The results of this collection will not be published.

17. Expiration Date for Collection of this Data

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.

Not applicable; expiration date will be published.

18. Exceptions to the Certification 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.

Not applicable.

B. 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.

Not applicable.