

Small Business Administration (SBA)
SBA Form 5, Disaster Business Loan Application
OMB Control Number 3245-0017
Justification – Part A Supporting Statement

Overview of Information Collection:

The purpose of this submission is to Request a Revision of an Existing Collection. OMB Control No. 3245-0017, consisting of the paper version of the application and the Electronic Loan Application (ELA) of SBA's Form 5, "Disaster Business Loan Application". SBA is also discontinuing the use of SBA Form 1368, "Additional Filing Requirements, Economic Injury Disaster Loan (EIDL) and Military Reservists Economic Injury Disaster Loan (MREIDL)".

Summary of Changes:

- SBA has reorganized and simplified the SBA Form 5 questions for clarity and to ensure ease of use by the disaster survivor. The revised form includes formatting changes to provide more space for responses and scanning questions.
- SBA Form 5 is streamlined for use by businesses to apply for low-interest, long-term loans from SBA for physical damage and economic loss caused by a declared disaster. It contains useful instructions that include a list of the documents the applicant will need to have available when applying for SBA disaster loan assistance.
- SBA Form 5 is revised to incorporate all business types including Sole Proprietors (previously included on the Form 5C, Disaster Home Loan Application).
- The revised SBA Form 5 excludes the question regarding SBA employees and applicants serving as members of SCORE, ACE, or the Advisory Council. All disaster loan applications will be processed in the same manner, regardless of SBA employment/membership status. The revised SBA Form 5 excludes the question about previous Federal loans or loan guarantees. SBA uses its technology systems to access this information internally.
- SBA has revised its Business Activity question and now provides guidance on how to locate the NAICS code.
- SBA Form 5 has clarified the citizenship and damaged property information questions. SBA has also added specific questions regarding the types of insurance coverage (i.e., hazard, business interruption, flood, windstorm, and fire) available for the damaged property.
- SBA Form 5 includes enhanced business ownership questions regarding affiliate businesses.
- SBA has clarified the criminal history question to assist the applicant with providing information for only a serious criminal offense.
- SBA has revised the Consent and Signature section to align with the SBA Form 5C home loan application. Also, SBA clarified eligibility and use of loan proceeds for mitigation purposes.
- SBA Form 1368, "Additional Filing Requirements, Economic Injury Disaster Loan (EIDL) and Military Reservists Economic Injury Disaster Loan (MREIDL)" is no longer

required to apply for a disaster business loan. SBA has incorporated the requirements from the form into its technology systems and is able to obtain the information from the IRS tax returns/tax transcripts and other information already collected from the applicant.

- SBA Form 5 includes the option for disaster applicants to receive updates about their loan status via text message. In addition, SBA has added electronic **signature and electronic communications** consent language to the application.
- SBA has revised the Privacy Act Statement to comply with OMB requirements.
- SBA has added a statement regarding lobbying (applicable to loans exceeding \$150,000) which was previously contained in a separate form. This revision will streamline the processing of applications and to reduce the number of loan closing documents a borrower must complete.

1. Need & Method for the Information Collection.

Section 7(b) of the Small Business Act, 15 USC 636, as amended, authorizes the Small Business Administration to make disaster loans to businesses. Three separate programs are authorized: 7(b)(1) physical disaster loans, 7(b)(2) economic injury disaster loans (EIDL), and 7(b)(3) military reservist economic injury disaster loans (MREIDL). OMB Circular A-129, *Policies for Federal Credit Programs and Receivables*, [Circular A-129 Revised \(whitehouse.gov\)](#), requires federal agencies to determine, among other things, whether loan applicants comply with statutory, regulatory, and administrative eligibility and other requirements for loan assistance. This information collection helps SBA to make that determination. The requirement for the use of the Form 5 is also found in the Standard Operating Procedure (SOP) for Disaster Assistance, SOP 50 30 9.

Business disaster loan applicants can elect to submit a paper version of the application or apply online via SBA's Electronic Loan Application (ELA). SBA also has field locations or Disaster Loan Outreach Centers (DLOC) with staff available to assist applicants completing disaster loan application forms. The information obtained at field offices or DLOCs are submitted to the Disaster Processing and Disbursement Center (PDC) for application processing. If the SBA Form 5 is not collected, SBA cannot determine which businesses are eligible for assistance.

2. Use of the Information.

SBA Form 5 is used for SBA's three business loan programs (physical disaster loans, Economic Injury Disaster Loan (EIDL) (except for COVID related EIDL) and Military Reservist Economic Injury Disaster Loan (MREIDL) to apply for SBA physical or economic injury disaster loan assistance. Non-profit applicants, including houses of worship and homeowner associations, also use the business loan application to apply for physical disaster loans and economic injury loans. The form is used to collect the basic information necessary to support a loan application from all business applicants. Applicants must supply the requested information to receive benefits from these programs. Applicants subject to this request are business or non-profit entities. SBA uses the collected information to make eligibility and credit decisions to approve or decline a loan.

The information collected may be used by other Federal agencies, as permitted by law, to process, service, liquidate, or foreclose on a loan or loan guaranty. A copy of “Statements Required by Laws” is attached to every application issued, which includes the Right to Financial Privacy Act of 1978. The applicant must acknowledge receipt of the information before the application can be accepted.

3. Use of Information Technology.

This information collection provides loan applicants the option to complete the disaster loan application online and submit it electronically. The Electronic Loan Application (ELA) is part of SBA’s Unified Lending Platform and Disaster Credit Management System (DCMS), which includes the Disaster Loan Assistance Portal (DLAP), a loan processing system that enables disaster loan applicants to retrieve and modify existing data records and allows some reduced data entry on their part. Applicants are required to register with Login.gov prior to creating and accessing their DLAP account.

4. Non-duplication.

The information requested on the SBA Form 5, including any supplementary forms, is applicant and disaster specific. Information provided from a previous non-disaster related loan application such as business address, phone numbers, financial information, generally, may not be appropriate for use because this information may be outdated.

5. Burden on Small Business.

This information collection impacts small businesses; however, it will not have a significant economic impact on a substantial number of small entities.

The revised SBA Form 5 is easier to read and includes simplified questions that are numbered to ensure business applicants address each question and provide the needed information, which minimizes burden. SBA is using its technology systems to access information internally as well. Also, SBA Form 1368, “Additional Filing Requirements, Economic Injury Disaster Loan (EIDL) and Military Reservists Economic Injury Disaster Loan (MREIDL)” is no longer a required form to apply for a disaster business loan. SBA has incorporated the requirements from the SBA Form 1368 into its technology systems. Going forward, the information is obtained by the Loan Officer, not the applicant, from the IRS tax returns/tax transcripts or other financial documentation such as the profit and loss statement.

6. Less Frequent Collection.

If this information were not collected, SBA could not process any physical disaster, Economic Injury Disaster Loan (EIDL), or Military Reservist Economic Injury Disaster Loan (MREIDL)

requests because there would be no basis upon which to make eligibility or credit decisions. Since this information is only collected once for each application, it cannot be collected less frequently.

7. Paperwork Reduction Act Guidelines.

No special circumstances exist. No confidential information is required that is not protected to the extent permitted by law including the Privacy Act and Freedom of Information Act.

8. Consultation and Public Comments.

Comments were solicited in a Federal Register notice published April 15, 2022, in 87 FR 22612. The comment period closed on June 14, 2022. No comments were received. SBA did not conduct any other additional outreach outside of the public notice.

9. Gifts or Payment.

There are no gifts or payments provided to respondents. SBA is not proposing to provide incentives to potential respondents.

10. Privacy & Confidentiality.

The information collected is protected to the extent permitted by law, including the Privacy Act, 5 U.S.C. 552a, and the Freedom of Information Act, 5 U.S.C. 552, and is part of SBA's Privacy Act System of Records. The System of Records Notice (SORN) for the SBA disaster program is titled Disaster Loans Case Files (SBA 20 - <https://www.govinfo.gov/content/pkg/PAI-2017-SBA/xml/PAI-2017-SBA.xml#sba20>) and was published on April 1, 2009, 74 FR 14911 ([E9-7050.pdf \(govinfo.gov\)](#) page 23).

SBA collects controlled unclassified information to include its subcategories of business proprietary information and personally identifiable information such as business name, trade name, individual owner's name, EIN (Employer Identification Number)/TIN (Taxpayer's Identification Number), social security number, birth date, address, phone number, email address, financial information, and criminal history. Applicants are not required to submit proprietary trade secrets, or other confidential information.

SBA adheres and complies with our Cybersecurity and Privacy Policy to maintain privacy and confidentiality of the data collections which are specifically stated in the applicable Privacy Impact Assessment (PIA).

The PIA that supports this collection is the Disaster Credit Management System (DCMS). DCMS incorporates information system resources that support the operation of the system.

Some security controls for safeguarding the handling of PII data in the DCMS system includes access controls, role-based permissions, field level security, platform encryption AES 256-bit key for enhanced security. The Disaster Loan Assistance Portal requires registered users to authenticate with an independent service to identify the person applying and a two-factor authentication process for all independent service personnel to sign on to the system.

11. Sensitive Questions.

Questions perceived to be “sensitive” such as marital status, date of birth, financial, and criminal records information are solicited in this collection so that SBA can make an informed credit and eligibility determination. This information is required for an applicant to receive a benefit under SBA’s Disaster Loan Program. This information helps SBA to assess whether there is a reasonable assurance of loan repayment.

Veteran, gender, race, and ethnicity data is also collected for program reporting only. These questions do not negatively impact any vulnerable populations. Disclosure is voluntary and has no bearing on the loan decision. In the sections of the application that ask for this information, the following instructions are provided: “Veteran, gender, race, and ethnicity data is collected for program reporting only. Disclosure is voluntary and has no bearing on the loan decision.”

12. Burden Estimate.

Estimates are broken down by specific loan program and are based on an average of loan applications accepted during the last five fiscal years; however, the high and low activity years (FY 18 & FY 16, respectively) have been excluded to arrive at an average three-year period. In addition, EIDL applications for the COVID-19 disaster have been excluded, as that program uses a separate information collection. Although SBA is discontinuing the use of the SBA Form 1368, “Additional Filing Requirements, Economic Injury Disaster Loan (EIDL) and Military Reservists Economic Injury Disaster Loan (MREIDL)”, the burden estimate increased because Sole Proprietors (previously included on the Form 5C, Disaster Home Loan Application) are now included in the calculation.

The computation is below:

For Physical Business and EIDL loan program:

<u>Fiscal</u> <u>Year</u>	<u>Business/EIDL Loan</u> <u>Applications Accepted</u>
17	20,366
19	21,048
<u>20</u>	<u>30,016</u>
Total:	71,430

71,430 divided by 3 = **23,810 average loan applications accepted (number of responses).**

For MREIDL program:

<u>Fiscal</u> <u>Year</u>	<u>MREIDL Loan</u> <u>Applications Accepted</u>
17	8
19	6
<u>20</u>	<u>56</u>
Total:	70

70 divided by 3 = **23 average loan applications accepted (number of responses).** For FY20, approximately 95% of all applications were accepted using the ELA.

TOTAL RESPONSES (for both programs) = 23,810 + 23 = 23,833

PUBLIC BURDEN-Hours

The SBA Form 5 (regardless of format) is completed by disaster business loan applicants and takes an estimated 1.25 hours to complete.

23,833 respondents x 1.25 = 29,791 public burden hours for Form 5.

PUBLIC BURDEN-Cost

The cost estimate for a respondent is based on GS 9, step 1 (\$26.22 per hour-RUS (2022), which is the level of expertise (minimal) that is required to respond. The annual hourly cost estimate is calculated below:

SBA Form 5 (paper and ELA): 29,791 burden hours x \$26.22 = \$781,120 + 32% for fringe benefits (\$249,958) = **\$1,031,078 public burden cost for Form 5**

	Requested	Program Change Due to New Statute	Program Change Due to Agency Discretion	Change Due to Adjustment in Agency Estimate	Change Due to Potential Violation of the PRA	Previously Approved
Annual Number of Responses for this IC	23,833	NA	NA	11,940	NA	11,893
Annual IC Time Burden (Hour)	29,791	NA	NA	10,977	NA	18,814
Annual IC Cost Burden (Dollars)	\$1,031,078	NA	NA	395,397	NA	635,681

Burden per Response:

	Time Per Response	Hours	Cost Per Response
Reporting	1.25	1.25	\$26.22
Record Keeping	NA	NA	NA
Third Party Disclosure	NA	NA	NA
Total	1.25	1.25	\$26,22

Annual Burden:

	Annual Time Burden (Hours)	Annual Cost Burden (Dollars)
Reporting	29,791	\$1,031,078

Record Keeping	NA	NA
Third Party Disclosure	NA	NA
Total	29,791	\$1,031,078

13. Estimated nonrecurring costs.

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

14. Estimated cost to the Government.

AGENCY BURDEN

23,833 respondents at approximately 2 hours on average for direct processing (which takes into consideration both EIDL and MREIDL applications that may require more processing time, as well as simple business applications that require less processing time). Agency burden hours are as follows:

23,833 respondents x 2 hours per application = **47,666 Agency Burden hours.**

The annual cost estimate for the Agency is based on a GS 11, Step 1 at \$31.73 per hour-(RUS 2022 - typical expertise required for processing applications) and is calculated as follows:

47,666 hours x \$31.73 per hour = **\$1,512,442** plus 37% for overhead (32% fringe benefits and 5% for printing, etc. - \$559,604) = **\$2,072,046 cost to Agency.**

15. Reasons for changes.

Burden and cost information both increased with this submission as compared to the last submission due to the addition of Sole Proprietors to the number of responses. In addition, SBA has discontinued the use of SBA Form 1368, “Additional Filing Requirements, Economic Injury Disaster Loan (EIDL) and Military Reservists Economic Injury Disaster Loan (MREIDL)” and incorporated the requirements from the form into its technology platform. In addition, the previous requirements included on the form can be obtained from the IRS tax returns/tax transcripts to validate the information we receive from the applicant.

16. Publicizing Results.

Published SBA disaster loan data includes verified loss and approved loan amount totals for both home and business disaster loans, segmented by city, county, zip code and state. The information

is published quarterly on the SBA.gov website. Certain loan information is also posted on USASpending.gov, pursuant to the [Federal Funding Accountability and Transparency Act \(nih.gov\)](#).

17. OMB Not to Display Approval.

SBA will display the expiration date of OMB approval.

18. Exceptions to "Certification for Paperwork Reduction Submissions."

There are no exceptions to the certification statement.

19. Surveys, Censuses, and Other Collections that Employ Statistical Methods.

Not Applicable