

**PAPERWORK REDUCTION ACT SUBMISSION**  
**Supporting Statement for**  
**U.S. Small Business Administration**  
**Application for Section 504 Loans**  
**(OMB Control Number 3245-0071)**

**Overview of Information Collection.**

SBA has determined that it is necessary to revise this information collection to implement amendments made by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act to the Accredited Lenders Program (ALP) of SBA's 504 Loan Program. This revision included the selection for ALP Express, the updated borrower certifications and streamlined the form based on regulatory and SOP updates.

In 89 FR 34094, SBA stated that, based on its review of SBA capital programs' current policies on individuals with criminal history records, SBA recognizes the need to update regulations to reduce barriers to participation in these programs for equitable support for qualified small business owners with certain criminal history records and issued a proposed rule for public comment. As the SBA expands access to capital to more qualified entrepreneurs, it continues to implement additional reforms to mitigate the risk of fraud in its traditional capital programs, including front-end detection protocols conducted by SBA.

In accordance with 89 FR 34094, an Applicant business is ineligible if it has an Associate who is currently incarcerated, serving a sentence of imprisonment imposed upon adjudication of guilty, or is under indictment for a felony or any crime involving or relating to financial misconduct or a false statement. SBA takes on the responsibility for verification of the Applicant's eligibility, including eligibility based on the Applicant's Associates' criminal background, using SBA's Risk Mitigation Framework, which uses processes in place across the financial services industry. When SBA's Risk Mitigation Framework finds an indicator of a possible compliance check error, SBA must be able to communicate with the Lender to clear the error code. The application cannot be approved until the error code has been cleared. The authorization from the Applicant is necessary to enable SBA to communicate directly with the Lender to work together to clear the code.

**1. Need & Method for the Information Collection.**

Section 503 of the Small Business Investment Act of 1958, as amended (15 U.S.C. 697), authorizes SBA to guarantee a debenture issued by a Certified Development Company (CDC) participating in the SBA's 504 Loan Program. Participating CDCs include Premier Certified Lenders Program CDCs (PCLP CDCs), which have delegated authority to process, service, and liquidate 504 loans; Accredited Lenders Program CDCs (ALP CDCs), which have limited delegated authority; and CDCs that are neither PCLP nor ALP CDCs, and must obtain SBA approval for most loan actions. The proceeds from each debenture are used to fund loans to eligible small business concerns (SBCs). The Small Business Act, the Small Business Investment Act and loan program regulations impose certain requirements that SBA and program participants must meet before the Agency can guarantee the debenture. See 15 U.S.C. §§636(a) (6) and 687(f) and 13 C.F.R. §120.150. In general, a project in the 504 Loan Program includes: a loan obtained from a private sector lender (the "Third Party Lender") with a senior lien covering at least 50 percent of the project cost; a loan obtained from a CDC (a "504 Loan") with a junior lien covering up to 40 percent of the total cost (backed by a 100 percent SBA-guaranteed debenture); and a contribution from the Borrower of at least 10 percent equity.

## **2. Use of the information.**

In general, the information requested helps SBA to assess compliance with the statutory and regulatory requirements governing the application process for the 504 Loan Program, including for the debt refinancing and ALP Express programs. SBA also uses the information collected to review the creditworthiness and repayment ability of the Applicant, the eligibility of the Applicant for SBA financial assistance and the terms and conditions of the 504 loan for which the Applicant is applying. The form is also used by CDCs to request debenture guarantee.

## **3. Use of Information Technology.**

SBA Form 1244 is available electronically to the general public from SBA's website, [www.sba.gov](http://www.sba.gov) in a fillable PDF format. The SBA collects 100 percent of Form 1244 submissions through E-Tran, SBA's electronic loan submission system.

## **4. Non-duplication.**

SBA has made a concerted effort to identify and remove duplicative requests for information. The requested information is unique to each loan and is not obtainable through other means or from other sources.

## **5. Burden on Small Business.**

The collection of information impacts an estimated 7,119 small businesses that apply for 504 loan financing and the 206 CDCs that process and submit their applications. Only the minimum information necessary for the SBA to make an eligibility determination as well as to ensure that the loan meets the SBA's credit standards is required. The financial data required should be readily available from the Applicant's bookkeeping or accounting systems.

## **6. Less Frequent Collection.**

The SBA has a statutory obligation to ensure that SBA's eligibility and credit criteria are met. The data requested is necessary to determine the viability and eligibility of the Applicant. If the information were not collected, SBA could not fulfill its statutory duties and would likely provide assistance to applicants that are ineligible or pose a greater financial risk to the Agency.

## **7. Paperwork Reduction Act Guidelines.**

There are no special circumstances.

## **8. Consultation and Public Comments.**

Notice of this information collection is in part of the Criminal Justice Proposed Rule that was published in the Federal Register on September 15, 2023, at 88 FR 63534. No comments were received.

## **9. Gifts or Payment.**

There are no payments or gifts to respondents.

## **10. Privacy and Confidentiality.**

Form 1244 includes a section entitled, “Statements Required by Laws and Executive Orders.” This section advises each respondent of, among other things, the protections and policies governing the disclosure of sensitive and confidential information under the Freedom of Information Act, (5 U.S.C. § 552), Privacy Act (5 U.S.C. § 555a), the Right to Financial Privacy Act of 1978 (12 U.S.C. § 3401), the Federal Funding Accountability and Transparency Act of 2006, as amended ( 31 U.S.C. 6101 Note), and other statutes or executive orders related to financial assistance from the Federal government.

## **11. Sensitive Questions.**

SBA collects social security numbers (or other taxpayer identification number) and information on a borrower’s ethnicity, race, and criminal records. The social security number is the unique identifier associating a person with a specific loan. The Debt Collection Improvement Act requires any agency administering a Federal loan program to require persons applying for a loan to provide their taxpayer identifying number. 31 U.S.C. 7701(b). SBA also uses social security numbers to facilitate critical searches in the federal databases listing defaulted loans, in consumer credit databases and in fraud detection systems, and to aid in the collection and reporting of any defaulted loans. The SBA uses the demographic information to assess the extent to which SBA’s loan programs assist all demographics. SBA maintains a Privacy Act System of Records governing the disclosure of an individual’s loan related personal information. See attached Federal Register Notice for SBA-21, Loan System, at 74 FR 14890 (4/1/2009) as amended by notices published at 77 FR 15835 (3/16/2012), 77 FR 61467 (10/9/2012), and 86 FR 23026 (4/30/21).

## **12. Burden Estimate.**

SBA is estimating burden hours to remain constant. This would be the most conservative estimate of burden hours and program participation and would reflect the highest amount of burden hours and participants. There is no change in the documents that the CDC must submit for ALP Express. The only difference anticipated is the SBA review time, which is addressed in Item #14.

SBA Form 1244 is completed by both the CDC and the small business applicant. SBA estimates that, based on the number of applications received by SBA in FY 2020, approximately 7,119 applications (responses) will be completed by small businesses, assuming that each applicant submits one application on average. SBA is using the FY 2020 statistics because, in FY 2021, there was a historic, higher level of applications submitted due to fee relief and Section 1112 subsidy where 9,676 applications were submitted. For purposes of estimates, SBA is using the FY 2020 statistics as a conservative estimate for FY 2022 activity and forward, as fee relief and subsidy are no longer available. These applications will be submitted by 206 CDCs. Of the 7,119 applications, an estimated 15, or about 0.2%, will be submitted by PCLP CDCs using their delegated authority to process the loan; 5,695, or just under 80%, will be submitted under the Abridged Submission Method (ASM) (which is a streamlined application process under which CDCs may submit fewer documents to SBA for review) by PCLP CDCs (for applications not processed through their delegated authority) and ALP CDCs; and 1,409, or about 19.8%, will be submitted by non-PCLP/non-ALP CDCs that cannot use ASM. The burden hour estimate for CDCs was estimated from feedback from CDCs.

Due to the different submission method requirements, each method has a different time estimate to complete. The estimate of the number of hours for each of the methods below includes the burden hours for the CDC and small business applicants to complete the form.

- Submission by PCLP CDCs through their delegated authority -  $15 \times 2.25$  hours = 34 burden hours (rounded).
- Submission by PCLP CDCs or ALP CDCs through the ASM -  $5,695 \times 2.5$  hours = 14,238 burden hours (rounded).
- Submission by non-PCLP/non-ALP CDCs -  $1,409 \times 3.5$  hours = 4,932 burden hours (rounded).

The total estimated annual hour burden is 19,204 hours.

|                                        | 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 | 7,119     | 1,319                             | 0                                       | 0                                           | 0                                            | 5,800               |
| Annual IC Time Burden (Hour)           | 19,204    | 5,870                             | 0                                       | 0                                           | 0                                            | 13,334              |
| Annual IC Cost Burden (Dollars)        | 904,700   | 322,662                           | 0                                       | 0                                           | 0                                            | 582,038             |

Due to the wide range of Applicants, it is difficult to estimate the value of the time required to fill out Form 1244. In order to be conservative, the \$49.41 hourly rate of a Washington D.C. based GS 12/13 is used.

- Submission through the PCLP - 34 burden hours x \$49.41 = \$1,680
- Submission through the ASM - 14,238 burden hours x \$49.41 = \$703,500
- Submission through non-PCLP/ASM – 4,932 burden hours x \$49.41 = \$243,690

The total estimated cost burden is \$948,870.

Burden per Response:

|  | Time Per Response | Hours | Cost Per Response |
|--|-------------------|-------|-------------------|
|--|-------------------|-------|-------------------|

|                        |                |        |       |
|------------------------|----------------|--------|-------|
| Reporting              | 2.25, 2.5, 3.5 | 19,204 | 49.41 |
| Record Keeping         | 0              | 0      | 0     |
| Third Party Disclosure | 0              | 0      | 0     |
| Total                  | 2.25, 2.5, 3.5 | 19,204 | 49.41 |

#### Annual Burden:

|                        | Annual Time Burden<br>(Hours) | Annual Cost Burden<br>(Dollars) |
|------------------------|-------------------------------|---------------------------------|
| Reporting              | 19,204                        | 948,870                         |
| Record Keeping         | 0                             | 0                               |
| Third Party Disclosure | 0                             | 0                               |
| Total                  | 19,204                        | 948,870                         |

#### **13. Estimated nonrecurring costs.**

SBA estimates the total annual cost burden to respondents or record keepers resulting from the collection of information to be minimal. The financial data required should be readily available from the Applicant's bookkeeping or accounting systems. Additionally, SBA's E-Tran submission process eliminates duplication and shipping costs for CDCs. Currently, 100% of applications are submitted by CDCs electronically.

#### **14. Estimated costs to the Government.**

The following is the estimated annual cost to the Federal Government/SBA:

The Form 1244 required an estimated average of 2 hours to review prior to the Economic Aid Act changes. The estimated savings time of reviewing the application for eligibility only rather than for both eligibility and credit is an estimated savings of 30 minutes. SBA estimates it will receive about 7,119 applications annually, approximately 2 hours to review an application other than ALP Express and 1.5 hours to review an ALP Express application. The form is reviewed by employees with average grades of a GS-12/GS-13 whose salaries are averaged at approximately \$49.41 per hour. Therefore, the estimated annual cost to the government prior to the ALP temporary delegated authority was estimated at \$703,500 (7,119 applications x 2 hours x \$49.41/hour). The revised estimated based on the ALP Express delegated authority for loan process is \$365,461 (4,931 applications x 1.5 hours x \$49.41/hour for ALP Express) plus \$216,218 (2,188 applications x 2 hours x \$49.41/hour for other than ALP Express) which would result in a savings to the government of \$121,821 annually.

#### **15. Reason for changes.**

The total annual hour burden is estimated to decrease slightly compared to the last submission. While FY 2021 was a record-breaking year for 504 loan submissions, this increased activity was due primarily to the availability of enhanced financial benefits authorized by the CARES Act. Since those benefits have expired, SBA has no indication that this higher level of 504 program activity will be sustained in FY 2022.

**16. Publicizing Results.**

SBA routinely publishes information resulting from loan applications (e.g., name and address of borrower, amount of loan) on USAspending.gov as required by the Federal Funding Accountability and Transparency Act of 2006, as amended. The SBA also publishes aggregated data (e.g., number of loans approved, total dollar value of loans approved) based on this information collection as part of annual program performance or other reports.

**17. OMB Not to Display Approval.**

No such approval sought.

**18. Exceptions to “Certification for Paperwork Reduction Submissions.”**

There are no exceptions.

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

This collection of information does not employ statistical methods.