

Supporting Statement for Paperwork Reduction Act Submission  
OMB Control Number 3245-0326  
SBA Form 5M, Pre-Disaster Mitigation Small Business Loan Application

A. Justification

The purpose of this submission is to request renewal authorization of the SBA Form 5M, “Pre-Disaster Mitigation Small Business Loan Application.”

1. Circumstances that make the collection of information necessary. Section 7(b)(1) of the Small Business Act (attached), 15 U.S.C. 636, as amended on April 27, 1999, authorizes the Small Business Administration (SBA) to implement a pilot loan program, the Pre-Disaster Mitigation Loan Program, in order to make pre-disaster mitigation loans available to qualified small businesses. This pilot program, mandated by Congress, is for 5 fiscal years starting October 1, 1999. The program was extended until September 30, 2006 and currently, there is language in the House and Senate reauthorization bill that, if passed, will reauthorize the program. Small businesses located in designated pre-disaster mitigation areas are eligible. The Final Rule was published on October 7, 2002 at Volume 67, Number 194, pages 62335 through 62339.

The SBA’s Office of Disaster Assistance (ODA) designed the Form 5M in order to collect basic information necessary for ODA to process an application for this pilot loan program.

The Statements Required by Laws and Executive Orders has been revised to include routine uses for the information collected and to add contact information.

2. How, by whom, and for what purpose information will be used. Applicants for pre-disaster mitigation loans must supply the information in this collection in order to receive the benefits under this program. All applicants subject to this request are business entities. ODA loan processing personnel will use the information to make eligibility and credit decisions in order to approve or decline a loan.
3. Technological collection techniques. The SBA’s Disaster Credit Management System (DCMS) is Disaster’s loan processing system and has been in use since November 2004. The DCMS project is currently in the Operations and Maintenance phase. As a part of the DCMS project, disaster loan applications and related paperwork (including SBA Form 5M) will be made available to the public electronically for both downloading and printing or for on-line application submission. Planning for the enhanced capability of application intake through a public web site is currently underway, however, at this time the 5M is not available for electronic downloading.

Because the requirements are encountered by each borrower only once for each SBA loan, and records are unique to each borrower, no known technology can reduce the burden of application submission in some form. However, the use of a portal may

enable disaster loan applicants the ability to retrieve and modify existing data records allowing some reduced data entry on their part as well as a significant reduction of data entry on the part of SBA staff.

4. Efforts to identify duplication. The information required on the application is applicant and time specific and is not otherwise available.
5. Impact on small businesses or other small entities. This information collection will not require businesses to maintain any records beyond those already maintained in the usual course of business for internal management, tax and securities law purposes.
6. Consequence if collection is conducted less frequently or is not conducted. This information cannot be collected less frequently because we only collect it once a year. If this information were not collected at all, SBA could not process loan requests because there would be no basis upon which to make eligibility or credit decisions. The SBA could not conduct the Pre-Disaster Mitigation program without the collection of this information.
7. Existence of special circumstances. This collection is not periodic or repetitive; it occurs only when a business owner in a pre-disaster mitigation community applies to SBA for a pre-disaster mitigation loan. Record retention requirements for applicants are unnecessary beyond what is usual and customary for business records. Only original applications are required. SBA will protect the confidentiality of the information to the extent permitted by law.
8. Solicitation of public comment. Comments were solicited by a notice published in the Federal Register on April 11, 2006 in Volume 71, Number 69, page 18403 (copy attached). The comment period closed June 12 and no comments were received.
9. Payments or gifts to respondents. There are no payments made or gifts given to respondents.
10. Assurance of confidentiality. Attached to each application are “Statements Required By Law and Executive Orders.” In these statements, SBA summarizes the laws and Executive Orders governing the Agency’s disclosure of confidential and sensitive information. These laws include the Freedom of Information Act (5 U.S.C. § 552), the Privacy Act (5 U.S.C. § 552(a)) implemented at 13 CFR Part 102.
11. Questions of a sensitive nature. Questions of a “sensitive” nature are solicited in this collection. This information is asked so that ODA can make an informed credit and eligibility determination.

SBA requests information such as birth date and financial and criminal records. This information is required in order 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 payment and to determine whether loans are being provided in compliance with the eligibility requirements.

This collection also requests Social Security Numbers. Providing Social Security Numbers is purely voluntary. Social Security Numbers will be used to distinguish between people with the same or similar name and to conduct investigations, as necessary, to determine whether a recipient of SBA assistance is engaged in or about to engage in any practices which violate the Small Business Act. (15 U.S.C. 634(b)).

12. Estimates of the hourly burden. Estimates are based on loan applications received to date. ODA received a total of 16 applications.

**Number of respondents = 16**

The estimated time to complete the 5M is 2 hours.

16 respondents x 2 hours per response = **32 burden hours**

The cost estimate for a respondent is based on GS 11, Step 1 (\$24.90 per hour), which is the level of expertise (minimal) that is required to respond. The total cost to respondents is calculated as follows:

32 burden hours x \$24.90 per hour = **\$797 total cost to respondent**

13. Estimate of total annual cost burden. There are no additional annual costs beyond that identified in item 12 above.

14. Estimated annualized cost to the Federal Government. 16 applications were filed and it takes approximately 6 hours on average for direct processing. We estimate the Agency's burden hours to be as follows:

16 applications x 6 hours per application = 96 Agency burden hours.

The annual cost estimate for the Agency is based on a GS 11, step 1 at \$24.90 per hour (typical expertise needed for processing applications) and is calculated as follows:

96 hours x \$24.90 per hour = \$2,390, plus 30 percent for printing supplies, fringe benefits, leased equipment, etc. = **\$3,108 total cost to the Federal Government.**

15. Explanation of program changes or adjustments in Items 13 and 14 on OMB Form 83-I.

There is no program change. The difference in the burden hour and cost compared to the previous submission is due strictly to the availability of actual statistical data as opposed to projections. The previous submission contained projections because this was a new program at that time, and no statistical data was available.

16. Collection of information whose results will be published. No publication is anticipated.

17. Expiration date for collection of information. We request not to display the expiration date for OMB approval on the Form 5M. In order to take advantage of economies of scale, we plan to print a sufficient number forms to last for the life of this pilot program. If we displayed the expiration date, we would have to destroy stock after the date has expired, which would not be cost efficient.

18. Exceptions to certification statement in Block 19 on OMB Form 83-I. There are no exceptions to the certification statement.

B. Collections of Information Employing Statistical Methods

N/A