

Paperwork Reduction Act Submission
Personal Financial Statement
(OMB Control #3245-0188)

A. Justification

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 appropriate section of each statute and regulation mandating or authorizing the collection of information.

The Small Business Administration (“SBA”) administers a number of assistance programs pursuant to Sec. 7 of the Small Business Act, 15 U.S.C. §631, et. seq. For financial assistance programs, information regarding the assets and liabilities of individual owners, and any guarantors, of the small business applicant benefiting from such assistance, is necessary for the Agency, or the participating lender or CDC, to make responsible credit decisions. Section 7(a)(6) of the Small Business Act requires that all loans made shall be of such sound value or so secured as reasonably to assure repayment. For the Agency’s 8(a) Business Development (BD) and Small Disadvantaged Business (SDB) programs, this information is necessary to determine if the applicant/participant meets the economic disadvantage requirements of the programs. The SBA offers SBA Form 413, “Personal Financial Statement,” as an aid for individuals required to submit financial statements. 13 CFR 120.191 titled “The contents of a business loan application” is the regulation covering the collection of this information for the Agency’s business loan programs. 13 CFR 124.104 titled “Who is economically disadvantaged?” and 13 CFR 124.112 titled “What criteria must a business meet to remain eligible to participate in the 8(a) BD program?” are the regulations covering the 8(a) program BD certification. 13 CFR 124.1002 titled “What is a Small Disadvantaged Business?” is the regulation covering the SDB program.

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.

For the financial assistance programs, the SBA and its participating lenders and CDCs use the information required by SBA Form 413 as one of a number of data sources in analyzing the repayment ability or creditworthiness of applications for an SBA loan guaranty or a disaster loan. The information is used by loan officers in analyzing the loan application, and sometimes by servicing offices in collecting loan payments. Of those forms collected, the SBA (or lender or CDC) reviews the form at the time of the loan application, and then the form is maintained in the loan file for use in servicing or auditing, if necessary. For the 8(a) BD and SDB programs, the SBA uses the information required by SBA Form 413 to determine if the applicant meets the economic disadvantage requirements of the 8(a) BD program or SDB certifications. Additionally, the 8(a) BD program requires the submission of a Form 413 in connection with the required Annual Update. This information is used by the

SBA to confirm that the program participant continues to meet the economic disadvantage requirements of the 8(a) BD program. When collected in connection with the 8(a) BD program and SDB certifications, the Form 413 is reviewed, and then maintained in the case file. The form may be reviewed for audit purposes.

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.

Form 413 is available in electronic format at www.sba.gov/banking. Respondents may complete the form online; print it and submit it by mail or facsimile. In addition, in lieu of completing the actual Form 413, individuals may use automated accounting systems (software) to submit the data required by this information collection. Such automated systems must provide the requested data in a format acceptable to SBA (generally any format acceptable to the lending industry).

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.

Form 413 is provided to respondents primarily to assist them, if necessary, in completing a personal financial statement. Duplication is generally not an issue. Financial statements are time sensitive and it is unusual to utilize the same statement for more than one application for benefit. Although there are numerous forms, governmental and private that respondents can use to provide the data required by Form 413, those forms, where acceptable to SBA, are used in lieu of not in addition to Form 413.

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-I), describe any methods used to minimize burden.

To minimize the burden on small businesses SBA accepts personal financial statements in other formats, providing that they contain essentially the same data required by SBA Form 413. (This includes the majority of Office of Thrift Supervision (OTS), Federal Deposit Insurance Corporation (FDIC) or Federal Reserve member bank forms, and accountant-prepared statements.) The SBA requires this information from applicants for an SBA loan guaranty or a disaster loan, and such information would be required by any institution, public or private, reviewing a loan application.

6. Consequences if collection of information is not conducted.

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.

For the financial assistance programs, if this information is not collected, it could severely hurt the quality of SBA's loan portfolio causing increased financial loss to the Government. To maintain sound credit and lending policies, the SBA must gather this information for loan analysis and for use in those instances where an audit or extensive loan servicing is required. For the 8(a) BD and SDB programs, this information must be collected so that SBA can comply with its statutory mandate that such assistance be granted only to firms owned and controlled by economically disadvantaged individuals.

7. Existence of special circumstances.

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

There are no special circumstances.

8. Solicitation of public comments.

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 notice soliciting comments on this information collection was published on February 6, 2008, in 73 FR 7027. SBA received no comments on the collection. The Agency consulted with participating lenders and other interested parties in developing this form and considered their input in resolving any major problems that existed.

9. Payment or gifts.

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

There are no payments or gifts to 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.

SBA's long-standing policy has been that Form 413 is confidential and cannot be released to the public as it is protected by the Privacy Act of 1974, and further protected under Exemption 4 of the Freedom of Information Act, 5 U.S.C. 552, which prohibits disclosure of confidential

or privileged commercial or financial information. Information collected on Form 413 is maintained in the agency's Privacy Act System of Records, SBA 21-- Loan Files. SBA has also promulgated regulations specifically to be in compliance with both the Privacy Act and the Freedom of Information Act, see 13 C.F.R. Part 102. Specifically, section 102.35 provides for the use and collection of social security numbers and the procedure that must be followed.

11. Questions or 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, the specific uses to be made of the information, the explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their consent.

This form does ask for a social security number in the signature block area following Section 8. The Privacy Act (5 U.S.C. §552a) has been included as an attachment to this form in the "Statements Required by Law and Executive Order". The social security number is not mandatory but it is helpful in assisting in making a character determination and to be able to distinguish you from other individuals that may have the same or similar name or other personal identifier.

12. Estimates of hourly burden of the collection of information.

Provide estimates of the hour burden of the collection of information. Indicate the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated.

(a) Estimate of the hour burden of the collection of information for the respondents:

Loan Guaranty:

31,500	respondents per year
x 1.5	hour per response for respondents to complete form
47,250	total hour burden for all respondents

In FY 2007 the 7(a) and 504 programs had approximately 110,000 applicants. However, 94 percent of 7(a) applications were processed with formats in which the SBA Form 413 is generally not used (i.e., SBA Express and the Pilot Express loan programs). This reduces the number of 7(a) applications to approximately 6,000. This number together with 504 loan applications equals approximately 10,500 loans. Since each 20 percent or more owner must complete this information, SBA is estimating an average of 3 completions of this information per application. Our representatives in the field who have direct exposure to the public estimated the hours per response.

Disaster:
 44,397 respondents per year (based on 4-year avg.)
 x 1.5 hour per response for respondents to complete form
 66,595 total hour burden for all respondents

8(a) BD/SDB:
 15,500 respondents per year
 x 1.5 hour per response for respondents to complete form
 23,250 total hour burden for all respondents

Total combined hour burden: 47,250 + 66,595 + 23,250 = 137,095

(b) Estimate of the annualized cost to respondents for the hour burden:

Loan Guaranty:
 47,250 total hour burden for all respondents
 x 23.00 estimated cost per hour for respondents
 \$ 1,086,750 total annualized cost to respondents for the hour burden

Disaster:
 66,595 total hour burden for all respondents
 x 23.00 estimated cost per hour for respondents
 \$1,531,685 total hour burden for all respondents
 + 306,337 (20% overhead)
 \$1,838,022 total annualized cost to respondents for hour burden

8(a) BD/SDB:
 23,250 total hour burden for all respondents
 x \$23.00 estimated cost per hour for respondents
 \$ 534,750 total annualized cost to respondents for the hour burden

(\$23.00 is the hourly wage of a GS-11, Step 1, which is equivalent to the level of expertise needed to complete the form.)

Total combined cost burden to respondents: \$1,086,750 + \$1,838,022 + 534,750 = \$3,459,522

13. Estimate of total annual cost burden for submission.

Provide an estimate for the total annual cost burden to respondents or recordkeepers resulting from the collection of information.

There are no capital and start-up costs to the respondents for the collection of this information. There are no operation and maintenance and purchase of service costs to the respondents for the collection of this information.

14. Estimated annualized costs to the Federal government.

Provide estimates of annualized costs to the Federal Government. Also provide a description of the method used to estimate cost, which should include 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.

Estimate of the hour burden of the collection of information for the Agency:

Loan Guaranty:

47,250	respondents per year (based on fiscal year 2007)
<u>x 0.5</u>	hour per response for the Agency to review the form
23,625	total hour burden for the Agency

Using as a base the number of loans approved under programs, which make use of the Form, then calculating the number of applicants and guarantors, the total number of respondents can be estimated. Our representatives in the loan processing centers who actually review this Form estimated the hours per response.

Disaster:

44,397	respondents per year (based on 4-year avg.)
<u>x 0.5</u>	hour per response for the Agency to review the form
22,199	total hour burden for the Agency

8(a) BD/SDB:

15,500	respondents per year (based on fiscal year 2007)
<u>x 0.5</u>	hour per response for the Agency to review the form
7,750	total hour burden for the Agency

Total combined burden for Agency: 23,625 + 22,199 + 7,750 = 53,574

Estimate of the annualized cost to the Agency for the hour burden:

Loan Guaranty:

\$23.00 cost per hour x 47,250 responses = \$1,086,750.00
(generally reviewed by a GS-11) total annualized cost to respondents for the hour burden

Disaster:

\$23.00 cost per hour x 44,397 responses = \$1,021,131 + \$204,226 (20% overhead) =
\$1,225,357.00

8(a) BD/SBD:

\$29.00 cost per hour x 15,500 responses = \$449,500.00
(generally reviewed by a GS-12) total annualized cost to respondents for the hour burden

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

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

The hour burden has been decreased to reflect the increased use of other expedited processes that do not require this form. The burden is also impacted by the fact that in some cases use of Form 413 is optional. Applicants may choose to not use a form or to use some other personal financial statement format, e.g., one provided by the lender.

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 of information will not be published.

17. Expiration date for collection of information.

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.

The SBA is not seeking approval to not display the expiration date.

18. Exceptions to certifications 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.

There are no exceptions to the certification statement (Item 19) of the "Certification for Paperwork Reduction Act Submissions" of OMB Form 83-1.

B. Collections 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.

Items 1-5 are not required, as the collection of this information does not employ statistical methods.