

PAPERWORK REDUCTION ACT SUBMISSION
QUARTERLY LOAN LOSS RESERVE REPORT AND PCLP GUARANTEE
Form 2234 OMB Control # 3245-0346

A. Justification

Introduction

This information collection was previously provided on an emergency basis in June of 2009 as a result of changes to the 504 loan program by the American Recovery and Reinvestment Act of 2009 (Recovery Act), (P. L. 111-5).

The emergency approval period expires on December 31, 2009.

With this submission, SBA has made no additional changes to the form.

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.

The PCLP program was designed to further the Agency's transformation from the transactional oversight of individual loans to the management of loan portfolios processed by appropriate qualified lenders. The PCLP lenders – Certified Development Companies (CDCs) in this instance, are authorized to process, approve, close and service SBA 504 loans, subject to only a brief eligibility review and assignment of a loan number by SBA. This program is similar to the PLP process for obtaining a 7(a) guaranty. The SBA reviews a PCLP's financings at least annually and approves PCLP status for periods of no more than two years at a time. Currently PCLP loan approvals represent approximately 16.0 percent (numbers) of all 504 loan approvals and approximately 17.0 percent of the dollars. SBA has a responsibility to monitor and evaluate the efficiency and effectiveness of the SBA PCLP Program consistent with Section 4(b)(3) of the Small Business Act (Risk Management Database), the Federal Managers Financial Integrity Act (FMFIA) codified at 31 U.S.C. Section 3512 *et. seq.*, and OMB Circulars A-123 (Management's Responsibility for Internal Control) and A-129 (Policies for Federal Credit Programs and Non-tax Receivables). This collection of information facilitates SBA's ability to carry out this responsibility.

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.

The information collected is used by program managers, top Agency management, and government entities with oversight authority over SBA. This data is used primarily for loan monitoring, portfolio risk management, and lender oversight. The data is also used to determine how effectively SBA's loan programs are meeting the needs of various geographical, demographical, and industry markets and segments; the safety and soundness of SBA's loan policies and procedures; and to set program fees consistent with the subsidy rate model. SBA

also uses the information to report to its various oversight authorities regarding the number, dollar volume, and demographic characteristics of its 504 loan guaranty recipients.

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.

PCLP Lenders (CDCs) submit the collected information via fax, regular mail or E-tran to a centralized and highly automated SBA processing center. E-tran was developed as part of the eLoan initiative, one of the e-Government projects. The collection process generally works as follows:

- PCLP Lender A with a high level of technological capability, extracts data from its indigenous origination systems and transfer an XML data package electronically to SBA via the Internet.
- PCLP Lender B, less sophisticated but with Internet capability, enters data directly into an electronic application provided through the Internet.
- PCLP Lender C, unwilling or unable to transmit electronically, continues to fax the streamlined applications to the processing center.

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 collected under this program is unique to the individual applicant and the circumstances and conditions of its business operation, so there are no other sources of the information. In developing the forms, SBA sought to minimize burdens by primarily considering for collection, data that a PCLP lender already collects and maintains in its files. One of the cornerstones of the PCLP concept was for the program to fit as seamlessly as possible with lenders' normal business practices and data collection. This reduces lender processing costs, particularly for very small loans. The Agency, therefore, went to great lengths to minimize data collection and to avoid duplicate data collection.

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.

There are two broad constituencies impacted by this data request, PCLP lenders and prospective small business borrowers. While the major portion of SBA's loan volume accrues from large lenders, the Agency does have a number of small lenders that participate in SBA's loan programs. The Agency is aware that data collection affects the cost of processing loans, particularly for very small loans, and on a per dollar basis can be as prohibitive for large lenders as it is for small lenders. SBA worked very carefully with large and small lenders to minimize and streamline the PCLP data collection without sacrificing the usefulness of the information

collected. These same efforts have also reduced the collection of data from the Agency's principal constituency, small business borrowers.

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 collect the information may compromise the effectiveness of the 504 loan program, SBA's recoveries, and the program's contribution to improving the nation's economy. SBA is responsible for providing small business access to capital in an efficient and timely manner, while maintaining its fiduciary responsibility to the taxpayer. This collection of information facilitates SBA's ability to fulfill those responsibilities by providing the critical information needed by SBA to monitor and analyze loan and lender data trends and risks. This minimal reporting is a critical means of controlling the additional risk that SBA assumes in delegating authorities and expediting processing. SBA collects data to allow lenders and borrowers to modify significant loan terms as needed after the loan is approved, such changes can significantly modify SBA's position and increase the potential for loss. Real-time monitoring allows for early warning triggers that indicate an increase in risks, and assist the Agency to identify where its resources should be employed to mitigate risks and ultimately reduce potential loan losses.

7. Existence of Special Circumstances

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

PCLP lenders submit loan data for SBA's loan guarantee approval on a loan by loan basis. Because PCLP lenders want SBA to approve loans on a rolling basis, they submit this information more than once a quarter. Some of the data collected includes business information. SBA has procedures to protect the information's confidentiality to the extent permitted by law. This information can be accessed only with the approval of the Office of Financial Assistance Technology Project Manager.

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 June 26, 2009, Volume 74, No. 122, page 30648. Comments were to be submitted on or before August 25, 2009. 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.

SBA does not provide any specific assurances of confidentiality; nonetheless, the information collected will be protected to the extent permitted by law, including the Freedom of Information Act, 5 U.S.C. 552.

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.

SBA collects social security numbers and information on ethnicity, race, and criminal records. The social security number is the unique identifier associating a person with a PCLP loan. SBA also uses social security numbers to facilitate critical credit searches in the federal databases listing defaulted loans, in consumer credit databases and in fraud detection systems. SBA collects demographic information to assess the extent to which SBA's loan programs assist all demographics. We also note that SBA has a Privacy Act System of Records that covers this information. See attached Federal Register Notice at 74 FR 14890 (April 1, 2009, 14912), Loan System – SBA 21.

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.

The estimated burden for this collection of information is based on consultation with a sample of PCLP lenders. Currently only 26 SBA Lenders are PCLP lenders.

With the changes due to the Recovery Act, allowing refinancing under certain conditions, there would be additional time burden for lenders to underwrite loans. The increase, which impacts the Form 2234(C), is estimated at an additional 15 minutes per transaction. The impact on the burden information for this collection of information has been insignificant as the Agency has received less than 2 percent of the total PCLP requests for refinancing from June 2009 to the end of November 2009.

The total estimated responses for Form 2234 based on historical rates are 1,700 per year. The currently reported average time spent completing the 2234, Parts A, B, and C is 55 minutes. The estimated annual hourly burden for PCLP loan approval submissions is therefore approximately 1,558 hours (1,700 x 55 min. divided by 60 = 1,558 hours annually). There is no increase in the number of forms required to be submitted for this Recovery Act change.

- SBA collects Form 2233 only quarterly and estimates that it takes each of the 26 PCLPs approximately 30 minutes to respond to the information collection. The PCLP can report all of its loan loss reserve balances on the one page form. Therefore, SBA estimates that the total annual hourly burden for Form 2233 is 52 hours. ($26 \times 4 \times 1/2 \text{ hour} = 52 \text{ hours}$ annually). The Recovery Act eligibility changes would cause no additional time burden in completing the Quarterly Loss Reserve Report (Form 2233).

The total estimated cost burden for this collection of information based on the equivalent of a GS-11 loan officer's salary is \$27,248. This cost is broken down as follows:

- Form 2234 – 1,558 hours x \$29.00 = \$45,182. This cost is expected to rise because of 1) the potential growth in this program; 2) the annual increase in hourly rate.
- Form 2233 = 52 hours x \$29.00 per hour = \$1,508.

13. Estimate of Total Annual Cost

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

There are minimal start-up costs to our external partners.

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.

Because PCLP lenders have delegated authority to process, approve, and close loans associated with this collection of information, the immediate burden for the agency is primarily to review for completeness and input the data for submissions that are not done through E-Tran. Approximately, 70% of PCLP loans are submitted using E-tran. Therefore, based on the cost of a GS-7 clerk (\$19.56 per hour) taking approximately 30 minutes to perform these tasks, SBA estimates that the cost to the government would be approximately \$4,987 annually ($1,700 \text{ PCLP submissions} \times 30.0\% \times 30 \text{ minutes per application} \times \$19.56 \text{ per hour} = \$4,987$). As noted above SBA uses the information to facilitate its analysis of loan trends and monitoring and assessment of risks in the program and lender operations. The burden related to those functions is an integral part of SBA's overall loan monitoring and risk assessment process, and would be incurred even without this collection.

Although the changes due to the Recovery Act (especially allowing refinancing) may cause additional underwriting burden for lenders, they would not cause any additional time burden for an SBA GS-7 clerk to review and to input loan data onto the system as there are only a few more boxes that need to be checked and filled in if applicable.

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.

As stated above, less than 2 percent of total applications received between June 2009 and November 2009 were for refinancing. The number of applications received since April 2009 has been steady, except for two expected surge periods in September (end of fiscal year) and in November (CDC’s anticipation of the end of the ARRA funds).

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...

Only aggregated or summary data that appears in various agency reports will 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.

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.

In Section 19 of OMB Form 83-I, item I indicates the use of statistical survey methodology in the collection of information. Because each loan application is unique to the applicant and to the loan terms (maturity, interest rate, Loan Amount, etc.) SBA can not employ a statistical survey methodology to obtain the required information for the loan program. A statistical survey for this area would not likely be representative and, therefore, would increase SBA’s financial risk if relied upon.

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.