

Paperwork Reduction Act Submission
SBA Form 1502 R - Lender's Disbursement/Collection Report For
SBA Guaranteed Revolving Lines of Credit

Introduction

SBA currently receives loan status information (approved but undisbursed, partially disbursed, fully disbursed, current, past due, delinquent, in liquidation, etc.) as well as the outstanding balance on each loan the Agency guarantees from every participating lender on a monthly basis. Such information is currently collected on SBA Form 1502. (OMB Control Number 3245-0185)

SBA is also temporarily receiving loan disbursement and collection data on selected revolving lines of credit which the Agency has guaranteed in order to get beyond the month end data which the Form 1502 provides and get information about all the disbursement and collection activity occurring between the month end measuring dates. The SBA Form created for this purpose is the 1502R.

The 1502R was specifically designed for use in the SBA's new Dealer Floor Plan (DFP) Pilot Initiative. This form collects information about DFP Lines of Credit that the regular 1502 does not because in the DFP program, there are multiple disbursements and multiple payments each month tied to businesses activity rather than just one predictable payment due on a given date.

The 1502 report was designed to provide loan status data on SBA's 7(a) portfolio for a fixed day of the month. The 1502R was designed to give information on what occurred between those fixed monthly dates for selected lines of credit. The 1502R collects the data for three monthly periods with each month separately reported.

Since any DFP line of credit which SBA guarantees can have a 60 month term, the purpose of this request is for the Agency to have the ability to continue the use of this form for 5 years. Since the DFP Program is initially set to expire on September 30, 2010 the 5 year period should be no shorter than to September 30, 2015. However, if 36 month is the maximum then we seek approval until 9/30/2013

Changes to the collection:

SBA has made minor clarifying changes to several existing items and made a few formatting changes. Some of these changes are in response to concerns raised by Lenders seeking clarity of the information requested and other changes are for consistency with current nomenclature in the SBA loan programs generally.

- "Borrower's Name" changed to "SBA Loan Name";
- "Loan Number" changed to "SBA Loan Number";
- "Total Disbursement Numbers" changed to "Total Number of Disbursements"
- "Total Disbursement Dollars" changed to "Total Dollars Disbursed"
- "Total Payment Numbers" changed to "Total Number of Payments"
- "Total Payment Dollars" changed to "Total Dollars Received"
- "Payments to Interest" changed to "Dollars to Interest";
- "Payments to Principal" changed to "Dollars to Principal";
- "Additional Curtailment" changed to "Dollars for Curtailment";
- "Lender's Name" changed to "Lender's Official"

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 applicable section of each statute and regulation that mandates or authorizes the collection of information.

SBA currently operates a Dealer Floor Plan Pilot Initiative (DFP) which allows the Agency to provide 7(a) guarantees to revolving floor plan lines of credit that lenders provide to dealers of titleable assets such as automobiles, motorcycles, boats, recreational vehicles and manufactured housing.

As a revolving line of credit there are continual disbursements and repayments occurring that correspond to the sales activity of the business. As the business needs an item of floor planned inventory there is a disbursement from the line so the business has the funds to acquire that inventory and as each floor planned item of inventory is sold there is a repayment and reduction in the line's balance. Money is continually being taken out of the line and put back in during any given month. The 1502R gives insight into these activities.

SBA's existing monthly loan reporting Form 1502 only captures the loan status data for one given date each month, which is satisfactory for the term loans that SBA guarantees because they have few disbursements and generally just one payment of principal and interest each month. However, for revolving lines of credit with continual disbursement and repayment activity, the impact is that the actual cumulative amount of disbursements and repayments could far exceed the actual loan amount.

SBA is collecting this information on the 1502R in order to model and account for DFP lines of credit according to the new revolving loans guidance that OMB added to Circular A-11.

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.

SBA is collecting this information on the 1502R in order to model and account for DFP lines of credit according to the new revolving loans guidance that OMB added to Circular A-11. SBA will use this information to construct an assumption for average annual gross disbursements for DFP loans. This assumption will be used in the calculation of the program re-estimated subsidy rates (and formulation rates should the program be extended). The disbursement data would also support correct accounting for subsidy transfer on DFP loans.

With this data, Agency personnel involved in the Loan Servicing function will be able to determine if the line is revolving and if the lender is receiving payments as the borrower receives payments from its buying customers.

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.

At this point in time there have been 60 DFP lines of credit guaranteed by SBA and some of these lines are recent and have not been disbursed. Due to the limited number of DFP Lines of Credit the Agency has guaranteed and the limited number of lender participating in the DFP Program, the Agency does not plan to prepare the 1502R for electronic submission at this time. The 1502R previously approved by OMB is currently on-line and available to the lenders that have to use it.

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 gathered from this form is not being gathered elsewhere. The regular loan status report gives details based on one transaction – the monthly payment – whereas the 1502R gives information about the continual disbursement and collection activities of the account during the month. The information collected is unique to each individual loan. SBA will continue to review this information collection process to identify and avoid any duplicative information 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-I), describe any methods used to minimize burden.

Collected information does not impact small businesses or other small entities. The information is collected from lending institutions participating in the 7(a) loan program, and none of them are small.

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 this information would impact SBA's ability to adequately review and oversee revolving lines of credit and adversely impact the Agency's ability to build appropriate subsidy modeling for such lines.

Another consequence is that we would have to model DFP lines of credit with anecdotal rather than observed gross disbursement data.

7. Existence of special circumstances.

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

None of these special circumstances are applicable.

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 required 60-day public comment notice as published in the Federal Register on November 27, 2009, 74 FR 62359. SBA did not receive any comments in response to the notice. However, based on other feedback from lenders who have used the form, SBA has made minor changes to clarify the information requested. The recommended changes are outlined in the *Introduction* section of this form.

9. Payments or gifts.

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

Neither payment nor gift will be provided to the respondents.

10. Assurances of confidentiality.

Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or agency policy.

Any confidential or privileged information that is collected will be protected to the extent permitted by law, including but not limited to the Freedom of Information Act, 5 U.S.C. § 552 and the Right to Financial Privacy Act, 12 U.S.C. § 3401.

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.

Not applicable.

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.

Between July 1, 2009 and March 31, 2010 there have been 60 guarantees approved by SBA for lines of credit structured under the Agency’s DFP Program. Of this total approximately 45 had been disbursed by March 31, 2010.

SBA estimates that for each floor plan line of credit guaranteed by the Agency, the lender will need to spend 20 minutes to complete their first 1502R Form and 15 minutes for all subsequent 1502Rs. If the loan is disbursed within 3 months of approval there would be four 1502Rs for each loan for the loan’s first year taking up 65 minutes and four reports for each subsequent year taking up 60 minutes.

For ease of estimation we would say 1 hour per year per loan. If activity should triple SBA would be guarantying about 15 DFP lines per month or 180 per year which would be 180 burden hours per year.

Based on a lender’s loan officer’s annual salary of \$58,510 broken down to an hourly rate of \$28 per hour, the annual cost to respondents would be 180 hours x \$28 = \$5,040. The \$58,510 is based on statistics from the Department of Labor Occupational Outlook Handbook Earning Survey.

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 costs other than those outlined in #12 such as photo copying and postage.

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.

SBA personnel will need to spend an estimated 10 minutes per 1502 R entering the data onto an Excel spread sheet so the Office of the Chief Financial Officer will have this data to use when establishing the model for dealer floor plan lines of credit.

Based on 60 existing and 45 approvals per quarter, the 45 approved in the 1st qtr having to report 4 times and the 45 approved in the 2nd qtr, there should be approximately 690 reports submitted to SBA

60	60	60	60	240
45	45	45	45	180
	45	45	45	135
		45	45	90
			45	45
				690

This work will be performed by a GS 5 or GS 6 where their salary in Arkansas (the location for SBA Commercial Loan Service Center) is close to \$40,000 per year or \$19.23 per hour, or 32 cents a minute. 10 minutes times 690 reports times 32 cents is approximately \$2,208.

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.

The increase in burden is due to the way the work that has to be done was computed. The 690 reports was arrived at under the assumption that all approved lines of credit were disbursed in the month they were approved so there needed to be a 1502R for that month to report activity. The prior submission assumed there would be a lag between line of credit approval and initial disbursement so that the initial 1502R might not be required for some months after approval which makes the number of reports less.

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.

It is not anticipated that the data collected will be published or made available for the public. The purpose of the data collection is for SBA's internal monitoring of lenders' performance and subsidy model construction.

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.

OMB expiration date will be displayed.

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 line of credit is unique in its structure and because SBA must account for each line, SBA cannot employ a statistical survey methodology to obtain worthwhile data on the revolving lines of credit guaranteed by SBA.

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.

This collection does not employ statistical methods.

REMOVED ITEMS

The information is provided from those lenders who have received 7(a) guarantees on lines of credit structured to provide floor plan financing to a select group of businesses. The SBA's Chief Financial Officer (CFO) will use the information to further understand how much sales activity the businesses that obtain this type of financing are experiencing and to gain insight into the correlation between disbursement and repayment. The lines of credit which are reported on by this form are those where principal payments occur with each sale of floor planned inventory and interest payments occurs independent of sales and only once a month regardless of sales. The form will help CFO Staff in subsidy model building to know the total amount of funds a business receives over the course of a specified time period rather than just static information from one day a month. Such information could be used to build better subsidy models for revolving loan programs.

Over the course of any given year 45 new lines would be added each quarter. The total number of 1502Rs coming in for the next year would be 4×60 or 240 reports for the lines already guaranteed plus 45×1 for the 1st quarters new ones plus 45×1 for the second quarters new ones and 45×1 for the 1st quarters second report

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