

**PAPERWORK REDUCTION ACT SUBMISSION
SUPPORTING STATEMENT
PREMIER CERTIFIED LENDERS PROGRAM (PCLP) QUARTERLY LOAN RESERVE
Form 2234 (OMB Control Number 3245-0346)**

A. Justification

Changes to the information collection:

This information collection consists of Form 2233 and Form 2234, Parts A, B, and C. SBA is revising the information collection, specifically Form 2234C, *Eligibility Information Required for PCLP Submission*, to make the changes necessary to conform to recent amendments to the 504 loan program regulations. The regulatory amendments do not affect Form 2233 or Forms 2234 A and B.

As stated in the proposed rule, 504 and 7(a) Loan Programs Update (78 FR 12633) these changes include:

- Removal of language related to the personal resources test which requires an assessment of the liquid assets of each owner of 20% or more of the equity of the applicant company to determine the overall value of the amount such owners must inject into the business.
- Removal of language related to the 9- month rule which permits financing of expenses toward a 504 project only if they were incurred within 9 months prior to receipt by SBA of a complete loan application, unless the time frame was waived for good cause; and
- Revision of language to incorporate changes in CDC operational and organizational requirements

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 qualified CDCs. 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. The SBA reviews a PCLP's portfolio at least annually and approves PCLP status for periods of no more than two years at a time. Currently PCLP loan approvals represent approximately less than 5 percent (numbers) of all 504 loan approvals and less than 5 percent of the dollars. SBA has a responsibility to monitor and evaluate the efficiency and effectiveness of the SBA PCLP Program consistent with section 508 of the Small Business Investment Act of 1958, codified at (15 U.S.C. 697e (c)(8); Section 4(b)(3) of the Small Business Act (Risk Management Database), 15 U.S.C. 633(b)(3); the Federal Managers Financial Integrity Act (FMFIA) codified at 31 U.S.C. Section 3512 *et. seq.*, 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 its 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 the Small Business Administration and Certified Development Companies to ensure the small business applicant is eligible for SBA financial assistance. Additionally, the information collected is used for loan monitoring, portfolio risk management, and CDC 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 as a factor in determining 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 regular mail or E-tran (an electronic loan submission method) to a centralized and automated SBA 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 CDC 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 CDCs' normal business practices and data collection. This reduces CDC processing costs. 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-I), describe any methods used to minimize burden.

There are two broad constituencies impacted by this data request, PCLP CDCs and prospective small business borrowers. While the major portion of SBA's loan volume accrues from large CDCs, the Agency does have a number of small CDCs 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 CDCs as it is for small CDCs. SBA worked very carefully with large and small CDCs 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 and integrity 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 CDC 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 CDCs 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. .

7. Existence of Special Circumstances

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

PCLP CDCs submit loan data for SBA's loan guarantee approval on a loan-by-loan basis. Because PCLP CDCs 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.

Notice of this information collection and request for public comment were included in the proposed rule *504 and 7(a) Loan Programs Update* that was published on February 25, 2013 at 78 FR 12633. The elements of the Final Rule that affected this information collection were the elimination of the nine month rule and the personal resource test. The comments received were overwhelmingly positive regarding the elimination of the Personal Resources Test and the Nine Month Rule. There was one comment seeking clarification as to whether long-term debt could be included in a 504 project. However, this language is in the Third Party Lender Agreement signed by the Third Party, no changes were made as a result. There were also comments received regarding the affiliation rule. These comments were also generally positive, however a few comments were in opposition of the affiliation rule because of current

affiliation with for-profit entities or because of current relationships with other CDCs. The affiliation portion of the proposed rule was held for further study.

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 in connection with PCLP loans. The social security number is the unique identifier associating a person with the 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. However, this information is collected through the use of SBA Form 912, which is currently approved for use under OMB Control Number 3245-0178.

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 CDCs. Currently only 18 SBA CDCs are PCLP. However, only 1 PCLP CDC has recent loan activity and they have minimized use of the PCLP program.

SBA anticipates that the regulatory changes will result in paperwork reduction in SBA Form 2234. Since the agency is not anticipating an increase in loan volume for the PCLP program, we are using our last historical loan volume and hourly burden estimates for Form 2234(A, B, and C) as a baseline for the proposed regulations initial implementation phase. SBA anticipates the proposed 504 program changes, most notably the elimination of the Personal Resources Test negligibly change the paperwork burden of the collection of information for the 2234C.

The total estimated responses for Form 2234(A, B, and C) based on a three year average are 25 per year. The currently reported average time spent completing the 2234(A, B, and C) is 60 minutes. The estimated annual hourly burden for PCLP loan approval submissions is therefore (25 x 60 min. divided by 60 = 25 hours annually).

SBA collects Form 2233 only quarterly and estimates that it takes each of the 18 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 36 hours. (18 x 4 x 1/2 hour = 36 hours annually). No additional time burden in completing the Quarterly Loss Reserve Report (Form 2233).

- Form 2234 (A, B, and C) requires 25 hours plus Form 2233 requires 36 hours is a total burden hours of 61

There is a reduction in the burden hours because expected volume has decrease greatly over the past three years.

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.

The total estimated cost burden for this collection of information based on the equivalent of a GS-11 loan officer's salary is \$1,769. This cost is broken down as follows:

- Form 2234 (A,B,and C) – 61 hours x \$29.00 = \$725. This cost is expected to decrease because PCLP applications have decreased greatly
- Form 2233 = 36 x \$29.00 per hour = \$1,044.

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 CDCs 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 electronically 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 review for completeness and input the data , SBA estimates that the cost to the government would be approximately \$4,738 annually (25 PCLP submissions x 30.0% x 30/60 minutes/hrs. per application x \$19.56 per hour = \$73.35, which is a reduction due to expected decrease in PCLP applications). As noted above SBA uses the information to facilitate its analysis of loan trends and monitoring and assessment of risks in the program and CDC 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. The elimination of the Personal Resource Test would negligibly decrease review time by SBA staff.

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..

Based on historical data, SBA is expecting a decrease in PCLP loan requests. This decrease is expected to dramatically decrease the burden hours of this form to both the public and the government.

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...

From time to time or as part of annual program performance reporting, SBA publishes aggregated data (e.g., number of loans approved; total dollar value of loans approved) based on this information collection.”

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 cannot 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.