

**Supporting Statement for Paperwork Reduction Act Submission**  
**SBA Lender and Microloan Intermediary Reporting Requirements**

OMB Control Number 3245-0365

**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.*

This information collection, used by SBA's Office of Credit Risk Management (OCRM), supports agency supervision of and enforcement for SBA's 3,848 7(a) Lenders, Certified Development Companies ("CDCs"), and Microloan Intermediaries that participate in the SBA business loan programs.

The required reporting is primarily conducted in conjunction with lender reviews or examinations as authorized by 15 U.S.C. 634(b)(14) and note, 636, 650, 657t, and 697; 13 CFR 120.440, 1000, 1025, 1050, and 1055; and SBA's Standard Operating Procedures (SOPs) 50 10 5(J) Lender and Development Company Loan Programs, SOP 51 00 On-site Lender Reviews and Examinations, SOP 50 53 (A) Lender Supervision and Enforcement, SOP 52 00 (B) Microloan Program, and the following SBA Policy Notices: (1) SBA Policy Notice 5000-1332 (SBA Risked-Based Review Protocol for SBA Operations of Federally Regulated 7(a) Lenders), effective 12-29-2014; (2) SBA Policy Notice 5000-1348 (Revised Risk-Based Review Protocol for Certified Development Companies), effective 08-05-2015; and (3) SBA Policy Notice 5000-1940 (Revised Risk-Based Review/Examination Protocol for SBA Supervised Lenders), effective 01-18-2017 (collectively, the SBA OCRM Policy Notices).

The information collected in 3245-0365 is critical towards protecting the safety and soundness of SBA's loan programs and taxpayer dollars.

**Amendments to Collection of Information**

As set forth in the SBA SOPs and OCRM Policy Notices, SBA developed a new analytical framework and set of protocols that SBA follows when analyzing the review information SBA collects from lenders. The protocols are collectively referred to as Risk-Based Review (RBR) protocols and reflect SBA's priority of targeting its lender review data collection and analysis based on lender risk. The RBRs feature two composite risk measurement methodology and scoring guides: one called "PARRiS," which SBA developed for the oversight of 7(a) Lenders, and a second one called "SMART," which SBA developed for the oversight of CDCs.

In its 2015 information collection, SBA required the respondent lenders to submit additional information related to (i) on-site review/exam plans; (ii) interim reports (iii) authorized disclosures as to pending enforcement actions instituted by other regulators, (iv) secondary market reports from certain higher risk lenders and (vi) Microloan Intermediary lender oversight reporting. With the full implementation of the PARRiS and SMART risk-based protocols, OCRM tailored its requests for information to the risk level of the lender. For example, a lower-risk lender receiving an analytical review will be required to provide less information than a higher-risk lender receiving a comprehensive full review.

With this submission SBA is also providing a detailed description of the information to be collected in association with on-site reviews of Microloan Intermediaries. The information is not new but it had never been submitted in the level of detail that it is now. Most of the information is collected during interviews with the Intermediaries; therefore, the document submitted is only intended to outline the information to be collected, it is not presented to the Intermediaries in this format.

Finally SBA is amending this information collection to incorporate the requirement for Small Business Lending Companies (SBLCs) to submit annual validation, with supporting documentation and methodologies demonstrating that any scoring model used by the SBLC is predictive of loan performance.

## **2. How, By Whom and For What Purpose will Information 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 will use the information collected to oversee and monitor performance and compliance of SBA Lenders and Microloan Intermediaries, and to timely assess a lender's risk to SBA programs. SBA uses reporting to plan, facilitate, and lessen the burden of risk-based reviews. SBA will use reporting, when appropriate, in lieu of more onerous targeted reviews. SBA may also use the information reported for the following purposes: 1) in determining lenders' participation in delegated authority programs; 2) in determining whether to approve Secondary Market loan sales by higher-risk lenders; or 3) in determining the need for increased supervision or enforcement. Lender corrective action reporting informs SBA about how the lender is addressing or intends to address deficiencies identified during the review and examination process. SBA may then use those reports to assess the adequacy of the lender's corrective action. Finally, reporting enables important feedback to lenders that assists lenders in correcting deficiencies to avoid unnecessary losses.

Depending on the type of lender and level of risk identified, SBA collects information necessary to perform a PARRiS Analytical Review (PAR) or SMART Analytical Review (SAR); a PARRiS Full Review (PFR) or a SMART Full Review (SFR); or a Safety and Soundness Examination. In addition, SBA collects information for Delegated Authority Reviews performed, in general, every two years for those lenders seeking expedited loan processing through SBA's Delegated Authority Programs (e.g., Preferred Lender Program for 7(a) Lenders and Accredited Lender Program or Premier Certified Lender Program for CDCs). SBA also conducts targeted and other reviews for which SBA may request some of the information described below. However, targeted reviews are tailored to a lender's specific facts and circumstances.

SBA also collects information in advance of on-site reviews of Microloan Intermediaries, which are generally conducted every year. The requested information includes an aging report for the Intermediary's microloan portfolio and an organization chart. During the review, Intermediaries are required to provide a minimum of three microloan files for review.

Finally, although, SBA and lenders (indirectly through SBA feedback) are the primary users of the information, SBA may share information with other regulators (e.g., the FDIC or state

financial institution regulators) to assist with supervision, regulation, and program responsibilities and to avoid redundant information requests from multiple regulators.

### **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.*

SBA generally accepts transmission of this information electronically via SBA's secure document management system or via e-mail. SBA has also established secure data storage servers, which allow lenders to upload information securely via the internet. SBA encourages the use of electronic submissions as a means of reducing the burden and cost of paper submissions to SBA.

In order to reduce the paperwork burden to respondents and to increase internal efficiencies, SBA is exploring improvements to its technological systems for collections of information. SBA will re-compete its oversight contracts and the associated document management systems in FY2019. More efficient technologies regarding electronic collection of information and the storage and retrieval of data from respondents will be included in the Request for Proposal.

### **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.*

SBA's OCRM recently examined current lists of documents collected to identify duplicative document requests. OCRM identified a few duplicative document requests, which were eliminated from the collection. There remains no similar information available that can be used for this purpose. Further, each assessment and corrective action relates to a specific review, therefore, existing information would not provide meaningful data for SBA to carry out its oversight responsibility. For example, only the SBA Lender can provide SBA with that lender's updated policies and procedures, its corrective action plan, and its loan payment history for reconciling with SBA's records. For OCRM Secondary Market information requests, SBA cannot obtain lenders' credit memoranda or loan file information unless that information is provided by the lender. Finally, the collection states that if a Lender has previously supplied the information and it remains unchanged, the Lender can, in lieu of resubmission, provide a simple certification to that effect.

### **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.*

Although some of these SBA Lenders and Microloan Intermediaries may be small under SBA size regulations, this collection of information will not have a significant economic impact on a substantial number of these entities.

### **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 and review this information would increase the risk of losses and have an adverse impact on the costs of operating the SBA-guaranteed financial assistance programs. Less frequent collection of this information could adversely impact lessen the Agency's understanding of the true operating conduct of the regulated entities, which would also increase the risk of program losses. In addition, SBA would not have the information to inform Lenders of Lender deficiencies that allow Lenders to proactively make corrections and potentially avoid subsequent losses.

## **7. Existence of Special Circumstances**

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

No special circumstances exist; however, if it is determined that a lender is operating in a state of financial distress or a lender's risk levels are concerning, SBA may require more frequent reporting.

## **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)... Summarize public comments received... and describe actions taken by the agency in response to these comments. Specifically address comments received on cost and hour burden. 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 with request for public comment was published in the Federal Register at 83FR 14099 on April 2, 2018. The comment period was scheduled to end on June 1, 2018. SBA received two comments requesting that SBA provide detail as to the information to be collected. Accordingly, SBA published a revised notice on June 29, 2018, at 83 FR 30810 that provided the requested level of detail. That notice also provided a second 60-day public comment period that ended on August 28, 2018. SBA received comments from two (2) commenters: the National Association of Development Companies (NADCO) a trade group representing entities engaged in SBA lending in the 504 Loan program, and CDC Small Business Finance, a CDC that is also a Microloan Intermediary.

NADCO appreciated SBA changes that removed the necessity for CDCs to provide documentation multiple times and provided some additional recommendations. Specifically, NADCO recommended the creation of a document repository for CDC reporting and document collections. SBA is considering creating a document repository. This, however, is a longer term project. NADCO recommended some reordering of the information request items. SBA has agreed to the reordering. NADCO recommended that ALP delegated lender status be allowed to continue or alternatively be renewable every five years, rather than two, and that requests for renewal be submitted concurrently with the Annual Report. Renewal of ALP delegated lender status is a regulatory/policy matter outside the scope of this information collection. In addition, SBA already allows CDCs to submit ALP/PCLP renewal requests concurrently with the Annual Report. NADCO

recommended a number of items also be deleted from the collection given that the information is already provided. These items are very important to oversight and SBA often does not receive them from CDC's in CDC's Annual Report submission. Nevertheless, the information collection provides that a CDC may, in lieu of resubmission, provide a certification to that effect. Finally, NADCO recommended removing board information requests for members CVs and other board membership from the collection. SBA requires such information to determine the effects of potential affiliation and conflicts of interest. Again, if the information is unchanged since previously submitted to SBA, the CDC may certify that the information was already provided.

CDC Small Business Finance made the comments related to the Technical Assistance Grant (TA) portion of the Microloan Program. This information collection does not pertain to Technical Assistance Grants. Nevertheless, SBA will contact the CDC to address its questions and concerns relating to TA.

### **9. Payments of Gifts**

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

No payment or gift will be provided 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*

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, 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.*

No information of such a sensitive nature is required.

### **12. Estimate of Hourly Burden of the Collection of Information**

*Provide estimates of the hour burden of the collection of information, as 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.*

Our best estimate at this time is that this informational collection will apply to 1,625 respondents<sup>1</sup>. The table below sets forth OCRM's estimates for the hourly burden of the information collection by the review categories discussed in response to Question #1 above. For example, line 1 covers 7(a) PARRiS Full Reviews (full reviews of 7(a) lenders completed pursuant to PARRiS

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<sup>1</sup> OCRM anticipates that of the 1,861 responses to information requests, approximately 236 respondents will submit responses for more than one information request (e.g., a 7(a) lender submitting information for a full review and also for a corrective action), bringing the total number of respondents to 1,625.



**14. Estimated Annualized Cost to the Federal Government**

**15. 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 will not incur any significantly measurable direct costs for the lender oversight functions related to this information collection. Any additional indirect costs to SBA would be covered by the already-existing OCRM infrastructure.

**16. Explanations of Program Changes in Items 13 or 14 on OMB 83-I**

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

. This revision has increased the burden on respondents to provide the requested information for most categories due to the introduction of additional reporting requirements needed for the Agency to efficiently manage program risk. However, there is a decrease in the revised burden hours (14,573 hours) compared to the previously reported burden (22,009 hours) . The decrease can be attributed to the implementation of new analytical framework and protocols for the level of review of lenders based on risk factors, with, for example, the first level of review being less comprehensive than a full review, and thereby imposing less of a time burden on lenders.

**17. 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...*

There are no plans to publish data from this collection of information, other than aggregated data as part of annual program reporting,

**18. Expiration Date for Collection of this Date**

*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, SBA has no plans to restrict display of an OMB approval date.

**19. Exception 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*

Not applicable.

**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.