



Billing Code: 8025-01

## SMALL BUSINESS ADMINISTRATION

Reporting and recordkeeping requirements under OMB review

**AGENCY:** Small Business Administration

**ACTION:** 30-Day Notice

**SUMMARY:** The Small Business Administration (SBA) is publishing this notice to comply with requirements of the Paperwork Reduction Act (PRA), which requires agencies to submit proposed reporting and recordkeeping requirements to OMB for review and approval, and to publish a notice in the Federal Register notifying the public of that submission.

**DATES:** Submit comments on or before [Insert date 30 days after the date of publication in the FEDERAL REGISTER]

**ADDRESSES:** Comments should refer to the information collection by name and/or OMB Control Number and should be sent to : *Agency Clearance Officer*, Curtis Rich, Small Business Administration, 409 3<sup>rd</sup> Street, S.W., 5<sup>th</sup> Floor, Washington, D.C. 20416; and *SBA Desk Officer*, Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Washington, D.C. 20503.

**FOR FURTHER INFORMATION CONTACT:** Curtis Rich, Agency Clearance Officer, (202) 205-7030 [curtis.rich@sba.gov](mailto:curtis.rich@sba.gov)

**COPIES:** A copy of the Form OMB 83-1, supporting statement, and other documents submitted to OMB for review may be obtained from the Agency Clearance Officer.

## **SUPPLEMENTARY INFORMATION:**

SBA's Office of Credit Risk Management (OCRM) is responsible for the oversight and supervision of the SBA operations of approximately 4000 7(a) Lenders, Certified Development Companies ("CDCs"), and Microloan Intermediaries ("Intermediaries"), that participate in SBA's business loan programs and, for enforcement of the applicable rules and regulations. Currently, the agency guarantees more than \$90 billion dollars in small business loans through these programs. The information collection described in detail below helps OCRM protect the safety and soundness of the business loan programs and taxpayer dollars.

In general, SBA collects information in connection with PARRiS<sup>1</sup> reviews for 7(a) Federally-regulated Lenders, SMART<sup>2</sup> reviews for CDCs, and PARRiS Safety and Soundness Examinations for SBA Supervised Lenders including Small Business Lending Companies (SBLCs) and Non-Federally Regulated Lenders (NFRLs).<sup>3</sup> SBA also requests certain information when it conducts Delegated Authority Reviews of 7(a) Lenders and CDCs, and Microloan Intermediary Site Visits. The discussion below identifies the nature of the information to be collected for each type of lender and the related review or examination. In addition, SBA has created separate lists, which are also discussed below, to clearly identify the information to be collected.

### **I. 7(a) Lender and CDC PARRIS and SMART Analytical and Full Reviews and Safety and Soundness Exams**

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<sup>1</sup> PARRiS refers to the specific risk components reviewed for 7(a) Lenders: (i) Portfolio Performance; (ii) Asset Management; (iii) Regulatory Compliance; (iv) Risk Management; and (v) Special Items.

<sup>2</sup> SMART refers to the specific risk components reviewed for Certified Development Companies: (i) Solvency and Financial Condition; (ii) Management and Board Governance; (iii) Asset Quality and Servicing; (iv) Regulatory Compliance; and (v) Technical Issues and Mission.

<sup>3</sup> SBLCs and NFRLs are defined in 15 USC 632(r) and 13 CFR 120.10.

## A. Common Information Collected

For all Analytical Reviews, Full Reviews, and Safety and Soundness examinations<sup>4</sup> of 7(a) lenders and CDCs, as applicable, in general, SBA requests information related to the lender's or CDC's management and operation, eligibility of its SBA loans for SBA guaranty, compliance with SBA Loan Program Requirements, credit administration, and performance of its SBA loan portfolio.

1. *Management and Operations:* The information requested generally includes the SBA program organization chart with responsibilities, business plan, financial and program audits, evidence of lender compliance with regulatory orders and agreements (if applicable and as appropriate), and staff training on SBA lending.

2. *Eligibility and Credit Administration:* In reviewing these areas, SBA primarily requests lender's or CDC's policies, loan sample files; independent loan reviews; loan credit scoring and risk rating methodologies; and information on loans approved as exceptions to policy.

3. *Compliance with Loan Program Requirements:* Here, SBA collects information on services and fees charged for Third-party vendors<sup>5</sup>, lender's FTA<sup>6</sup> trust account, and lender's use of the System of Awards Management to perform agent due diligence.

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<sup>4</sup> Safety and Soundness Examinations are only performed on SBA Supervised Lenders in the 7(a) program. SBA Supervised Lenders include SBA licensed Small Business Lending Companies and Non-Federally Regulated Lenders as defined in 13 CFR 120.10. Analytical Reviews and Full Reviews are performed on 7(a) Lenders and CDCs.

<sup>5</sup> For purposes of this notice, Third-party vendors include, for example, Loan Agents (e.g., Packagers and Lender Service Providers) and Professional Managers with management contracts.

<sup>6</sup> FTA refers to SBA's Fiscal and Transfer Agent. 7(a) Lenders that sell SBA loans in the Secondary Market are required by the terms of the Form 1086, Secondary Participation Guaranty Agreement, to deposit the guaranteed portion of loan payments in a segregated account for the benefit of investors.

4. *Portfolio Performance*: In considering lender or CDC portfolio performance, SBA requests that lenders provide a listing of loans indicating those past due, those with servicing actions, individual risk ratings, and those in liquidation or purchased for SBA to compare with SBA data. SBA also requests that lenders provide an explanation for risks identified (e.g., identified by high risk metrics or PARRiS flags triggered).

Further detail on the information SBA collects in Analytical and Full Reviews and Safety and Soundness Exams is contained in the SBA Supervised Lender Safety and Soundness Examination/Full Review Information Request; 7(a) Lender PARRiS Analytical Review Information Request; CDC SMART Analytical Review Information Request; 7(a) Lender PARRiS Full Review Information Request; and, CDC SMART Full Review Information Request. Each Information Request document is available upon request.

B. SBA Supervised Lender Supplemental Information for Safety and Soundness Exams

SBA is the primary federal regulator for SBA licensed SBLCs and NFRLs that participate in the 7(a) program.<sup>7</sup> Because SBA is the primary federal regulator, SBA performs comprehensive exams that require information in addition to that referenced in Section I.A. Specifically, for SBA Supervised Lender examinations, SBA additionally requests corporate governance documents and information on the lender's financial condition, internal controls and risk mitigation. SBA also requests information on higher

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<sup>7</sup> SBA Supervised Lenders are a relatively small subset of 7(a) Lenders. 7(a) Lenders include SBA Supervised Lenders and Federally Regulated 7(a) Lenders (i.e., those lenders regulated by the federal bank regulators – Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Federal Reserve Board, the National Credit Union Administration, and the Farm Credit Administration).

risk loans, payments related to loans in loan sample, fidelity insurance, credit scoring model validation and lender self-testing for compliance with SBA Loan Program Requirements. SBA Supervised Lender safety and soundness examinations include review of capital, earnings, and liquidity in accordance with 13 CFR 120.1050(b) and accordingly, SBA requests information on the lender's financing, asset account calculations, and dividend policy. Further detail on the information that SBA requests for SBA Supervised Lender examinations is contained in SBA Supervised Lender Safety and Soundness Examination/Full Review Information Request. This document is available upon request.

#### C. CDC Supplemental Information

SBA is also the primary federal regulator for CDCs. SBA guarantees 100% of 504 program debentures. Therefore, SBA also requests additional information to prudently oversee CDCs, as it does for SBA Supervised Lenders. The additional information generally requested includes corporate governance documents and information on lender's financial condition, internal controls and risk mitigation practices, and the CDC's plan for investment in other local economic development. In addition, SBA requests, as applicable, information on a CDC's Premier Certified Lenders Program (PCLP) Loan Loss Reserve Account and loans that a CDC packages for other 7(a) lenders. You may request a copy of the CDC SMART Analytical Review Information Request and CDC SMART Full Review Information Request for more details on this supplemental information request.

#### **I. 7(a) Lender and CDC Delegated Authority Reviews**

SBA collects information for Delegated Authority Reviews performed, in general, every two years for lenders applying or reapplying to SBA's Delegated Authority Programs (e.g., Preferred Lender Program for 7(a) Lenders and Accredited Lender Program or PCLP for CDCs).<sup>8</sup> If a lender is scheduled to receive an Analytical or Full Review or a Safety and Soundness Examination during the same review cycle as a Delegated Authority Review, generally SBA will coordinate the timing of the reviews and the related information collections to lessen the burden.

For 7(a) delegated authority reviews, SBA requests information on organizational changes, staff training and experience, lender explanation for risk indicators triggered, lender risk mitigation efforts, lender's financial condition, lender's deficiencies underlying regulatory orders (if applicable and as appropriate), and loan sample files (as requested).

For CDC delegated authority reviews, SBA requests corporate governance documents and additional information on organization/staff, financial condition, internal controls and risk mitigation. SBA also requests a CDC's policies including its no-adverse-change determination, loan reviews, and lender explanation for its higher risk metrics.

For more detail on Delegated Authority Review collections, you may request a copy of the 7(a) Lender Nomination for Delegated Authority Information Request; and, the ALP/PCLP Renewal Guide and Information Request.

## **II. Microloan Intermediary Reviews**

For Microloan Program Intermediary oversight, SBA District Offices perform an annual site visit for active Intermediaries. SBA requests information on SBA program

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<sup>8</sup> Through SBA's Delegated Authority programs, qualified lenders may process SBA loans with further autonomy and reduced paperwork than through regular SBA loan processing.

management and operations including organizational chart with responsibilities, business plan, staff training on SBA lending, and risk mitigation practices. SBA primarily reviews the Intermediary's credit administration through a loan sample file request. Specifics on the information collected are contained in SBA's Microloan Intermediary Site Visit/Review Information Request document, a copy of which is available upon request.

### **III. Other Reviews, Corrective Action Plans, and Increased Supervision for 7(a)**

#### **Lenders, CDCs, and Intermediaries**

SBA may pose additional information requests for its Other Reviews<sup>9</sup>, generally of higher risk lenders. For example, for 7(a) lenders under a public regulatory order or agreement, SBA may request information relating to the status of the underlying deficiencies, as appropriate, or request loan files for SBA to review to mitigate risk before the loan can be sold into the secondary market. SBA may also request corrective action plans from lenders following reviews where findings and deficiencies are identified. Finally, SBA may request additional information of lenders under increased supervision. However, information requests for increased supervision tend to be lender specific.

In general, for information that has already been provided by a 7(a) lender, a CDC, or a Microloan Intermediary but is unchanged, a lender may certify that the information was already provided and is unchanged in lieu of resubmitting the information. The certification must also state to whom and on what date the information was provided to SBA.

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<sup>9</sup> Other Reviews may include, for example, Secondary Market loan reviews, reviews of lender self-assessments, or Agreed Upon Procedures Reviews performed by third-party practitioners or an independent office within the Lender to which SBA and the Lender agree, that follow a review protocol as prescribed or approved by SBA.

**Summary of Information Collection:**

**Title:** SBA Lender and Microloan Intermediary Reporting Requirements

OMB Control Number: 3245-0365

**Description of Respondents:** SBA 7(A) Lenders, Certified Development Companies, and Microloan Intermediary lenders.

**Form Numbers:** N/A

**Total Estimated Annual Responses:** 1,861

**Total Estimated Annual Hour Burden:** 14,573

**Solicitation of Public Comments:**

Comments may be submitted on (a) whether the collection of information is necessary for the agency to properly perform its functions; (b) whether the burden estimates are accurate; (c) whether there are ways to minimize the burden, including through the use of automated techniques or other forms of information technology; and (d) whether there are ways to enhance the quality, utility, and clarity of the information.

Curtis Rich

Management Analyst

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