

May 10, 2007

SUPPORTING STATEMENT

7 CFR 1927-B, REAL ESTATE TITLE CLEARANCE AND LOAN CLOSING

A. Justification.

1. Explain the circumstances that make the collection information necessary.

Rural Housing Service (RHS) and Farm Service Agency (FSA) are the credit agencies for agriculture and rural development for the United States Department of Agriculture. Rural Housing Service is a successor Agency of Rural Economic and Community Development (RECD) and Farmers Home Administration (FmHA). The Agencies offer a supervised credit program to build modest housing, family farms, sanitary water and sewer systems, and essential community facilities in rural areas. This regulation prescribes the policies and responsibilities including the collection and use of information necessary to complete real estate title clearance and loan closing of Rural Housing (RH), Farm Ownership (FO), Nonfarm Enterprise (FO-NFE), Emergency (EM), Operating (OL), Farm Labor Housing (LH), Rural Rental Housing (RRH), Rural Cooperative Housing (RCH), Water and Waste Disposal (WW), and Non-Program loans.

Section 501 of Title V of the Housing Act of 1949, as amended, authorizes the Secretary of Agriculture to extend financial assistance to construct, improve, alter, repair, replace or rehabilitate dwellings, farm buildings, and/or related facilities to provide decent, safe, and sanitary living conditions and adequate farm buildings and other structures in rural areas. The secretary is authorized to prescribe regulations to ensure that these loans, made with Federal funds, are legally secured.

Section 306.a of the Consolidated Farm and Rural Development Act (CONACT), 7 U.S.C. 1926.a (as amended) authorizes RUS to make loans to public agencies, American Indian tribes, and nonprofit corporations. The loans fund the development of drinking water, wastewater, and solid waste disposal facilities in rural areas with populations of up to 10,000 residents. The Secretary of Agriculture is authorized to prescribe regulations to ensure that these loans, made with Federal funds, are legally secured.

Sections 302, 311, and 321 of the CONACT authorize the Secretary to extend agricultural credit to farmers and ranchers. The Secretary is authorized to prescribe regulations to make such loans under Section 339 of the CONACT.

2. 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 required information is collected by the Closing Agent/Attorney and the field office staff. Forms and/or guidelines are provided to assist in the collection and submission of this information. None of the forms have expiration dates. Most of these forms collect information that is standard in the industry and are not additional burdens on the public. Specifically, the burden to be cleared with this regulation is described as follows:

REPORTING REQUIREMENTS – NO FORMS

RD Guide Letter 1927-B-1

This guide letter is used by the FSA local field office to compose a letter notifying the Closing Agent/Attorney that the applicant has selected them to close their Agency loan and will be responsible for paying the closing fee. Since the letter is prepared by the FSA local field office, the burden is limited to the time required to review, concur, and sign the letter to indicate concurrence. The average response time is estimated to be 5 minutes for total man-hours of 266.

The annual number of letters of this nature prepared by the FSA local field office is 3,325. It is estimated that this letter is used in approximately half of the loans secured by a mortgage and/or requiring title work in accordance with 7 CFR 1927-B.

REPORTING REQUIREMENTS - FORMS APPROVED IN THIS DOCKET

Form RD 1927-5, "Affidavit Regarding Work of Improvement"

This form is used by the Closing Agent/Attorney to obtain an affidavit regarding improvement work that has been done to the property being financed. The applicant(s) and/or seller(s) certify that they have not incurred any obligations for repairs on the property that will result in a lien on the Agency financed property.

Public burden consists of the time it takes the Closing Agent/Attorney to fill in the blanks, and for the applicant(s) and/or seller(s) to read, comprehend, and sign the form. Completion time is estimated to be 10 minutes. The total man-hours is estimated at 1,621, which includes 57 for FSA and 1,533 for RHS. The annual number prepared is projected to be 9,533, which includes 9,200 for RHS and 333 for FSA, based on the average number of loans closed annually which are secured by a mortgage and/or require title work in accordance with 7 CFR 1927-B.

Form RD1927-8, "Agreement With Prior Lienholder"

This form is used by the Loan Approval Official in conjunction with a loan made subject to an existing lien when it is determined necessary to protect the Government's security interest against foreclosure action by the prior Lienholder. It is also used by participating leveraged lenders in RHS to show their lien priority on the joint loan.

The form is completed by the local field office or participating leveraged lender for RHS. The burden on the public is limited to the time it takes for the prior lien holder and participating leveraged lender to read, comprehend, and sign the form to indicate concurrence. The estimated number of respondents is 3,930 for RHS and 1,330 for FSA, for a total of 5,260 annually. The estimated time required for completion is 5 minutes per respondent for a total of 421 man-hours, which includes 314 for RHS and 107 for FSA.

Form RD 1927-9, "Preliminary Title Opinion"

This form is used by the Closing Agent/Attorney to furnish a preliminary title opinion for all loans being closed by FSA and an occasional RHS loan using an attorney's opinion in connection with this regulation. The public burden consists of the time it takes the Closing Agent/Attorney to research the title on the subject property and complete and sign the form. Based on real estate loans closed involving an attorney's opinion, secured by a mortgage, and/or requiring title work in accordance with this regulation, the estimated number of respondents is 3,325 for FSA and 200 for RHS, totaling 3,525 annually. The time required is 90 minutes per respondent for a total of 5,288 man-hours, including 4,988 for FSA and 300 for RHS.

Form RD1927-10, "Final Title Opinion"

This form is used by the Closing Agent/Attorney to furnish a final title opinion for loans using an attorney's opinion and being closed in connection with this regulation. The public burden consists of the time it takes the Closing Agent/Attorney to update the title on the subject property (from the Preliminary Title Opinion), complete and sign the form, which is estimated at 20 minutes. Based on real estate and/or loans closed involving an attorney's opinion, we estimate 3,525 respondents annually, including 3,325 for FSA and 200 for RHS. The total man-hours is estimated to be 1,163, including 1,097 for FSA and 66 for RHS.

Form RD 1927-11 (state), "Warranty Deed (state)," (joint tenants), and Form RD 1927-12 (state), "Warranty Deed (state)"

These forms are used by the Closing Agent/Attorney to convey title to an Agency borrower in cases other than credit sales. Form RD 1927-11 is used when the title is being vested to joint tenants. Form RD 1927-12 is used when title is being

vested to a single individual. 7CFR 1927-B encourages, but does not require, the use of these forms if another type of acceptable deed is being used.

The paperwork burden to the public consists of the time it takes the Closing Agent/Attorney to complete the form (with information already obtained from an Agency and the title opinion), the borrower to review, comprehend and sign, and a notary public to witness and notarize the document. The recording information must be documented. Completion time is estimated to be 15 minutes. The FSA annual number prepared is projected to be no more than 4988 for Form RD 1927-11 and 1,663 for Form RD 1927-12 for a total of 6,651 as only 31 percent of the states have even approved this form for use. The estimated man-hours is 1,247 for Form RD 1927-11 and 416 for Form RD 1927-12 for a total of 1,663.

These forms are unique to each state, therefore they are not attached and were uploaded into the ROCIS system.

Form RD 1927-15, "Loan Closing Instructions/Loan Closing Statement"

This form is used by the FSA Loan Approval Official to transmit loan closing instructions and forms to be executed at the time of closing to the Closing Agent/Attorney. The form is prepared by the local field office, and used by the Closing Agent/Attorney to certify the loan was closed in accordance with 7CFR 1927-B, and that the funds and the documents executed were disbursed as instructed. The form is completed by the Closing Agent/Attorney and reviewed by the Loan Approval Official. Information to complete the form is obtained from the loan closing documents.

Based on the number of loans closed that are secured by a real estate mortgage and requiring title work in accordance with this regulation, we estimate 6,650 forms are used by FSA, to be completed annually with an estimated time of 30 minutes. The estimated man-hours are 3,325 for FSA.

Form RD 3550-25, "Loan Closing Instructions and Loan Closing Statement"

This form is used by the RHS Loan Approval Official to transmit loan closing instructions and forms to be executed at the time of closing to the Closing Agent/Attorney. The form is partially computer generated, completed by the local field office, and used by the Closing Agent/Attorney to certify the loan was closed in accordance with 7CFR 1927-B, that documents were properly executed and disbursed, and that funds were disbursed as instructed. The completed form is returned to the field office with closing documents, reviewed and signed by the Loan Approval Official.

Based on the number of loans closed that are secured by a real estate mortgage and requiring title work in accordance with this regulation, we estimate RHS

completes 17,000 annually with an estimated time of 30 minutes. The estimated man-hours for RHS are 8,500.

Form RD 1927-16, "Notification of Loan Closing"

This form is used by the RHS Loan Approval Official to notify the applicants of conditions to be met and information to be provided prior to setting a closing date. The form is computer generated and sent to the applicants to complete if their financial situation has altered since the date of application. Based on the number of loans approved that require a real estate mortgage and title work in accordance with this regulation, the annual number of respondents is estimated to be 18,410. The estimated completion time is 5 minutes, with total man-hours of 1,473.

Form RD 1927-19, "Certification of Attorney," and
Form RD 1927-20, "Certification of Title Insurance Company"

These forms are used by the Closing Agent/Attorney, selected by the applicant to close an Agency loan, to certify that the Closing Agent/Attorney meets the required conditions of 7 CFR 1927-B. Since the forms contain professional information about the Closing Agent/Attorney, they are not expected to require any research.

The burden consists of completing and signing the form, estimated at 5 minutes each. Most Closing Agent/Attorneys complete the form annually or when information changes and are not required to complete a new form for each applicant. The annual number prepared is projected to be 3,475 (150 for RHS and 3,325 for FSA) of Form RD 1927-19 and 13,045 (9,720 for RHS and 3,325 for FSA) of Form RD 1927-20. The total man-hours is estimated to be 278 (12 for RHS and 266 for FSA) for Form RD 1927-19 and 1,044 (778 for RHS and 266 for FSA) for Form RD 1927-20.

3. 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.

It is not possible to improve collection through the use of improved information technology because of the nature of the information collected. All documents are prepared only once for a loan closing and the legal information is subject to change even if there was a previous mortgage/legal document on the same security property. Because most of the documents are legal instruments, an original must be prepared. Zero percent of this information is collected electronically.

4. 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.

Because titles are unique to every piece of property taken as security no duplication occurs. This information is collected for loan closing only; it must be current. The title must be researched each time a security instrument is taken on a piece of property because the information is subject to change.

5. 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 the burden.

The collection of information involves Closing Agent/Attorneys that may meet the requirements of a small business and rural communities. To minimize the burden of these small businesses, the Agency requires minimum documentation to ensure adequate security on the loan. The approval process of the Closing Agent/Attorney has been reduced from an entire package providing evidence of insurance, bonding and bar membership that was reviewed by the State Director, to a simple certification sheet signed by the Closing Agent/Attorney selected by the applicant to close the Agency loan. Loans to small rural communities require signatures on loan closing documents.

6. Describe the consequences to Federal program or policy activities if the collection is not conducted or conducted less frequently, as well as any technical or legal obstacles to reducing burden.

If the information was collected less frequently, the Agency would not obtain the proper security position on the properties being taken as security and would have no evidence that the Closing Agent/Attorney closing Agency loans met the requirements of this regulation.

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

a. Requiring respondents to report information more than quarterly.

There are no information collection requirements that require specific reporting on more than a quarterly basis.

b. Requiring written responses in less than 30 days.

There are no such requirements.

c. Requiring more than an original and two copies.

There are no specific information collection requirements that require more than an original and two copies.

- d. Requiring respondents to retain records for more than 3 years.

There are no such requirements.

- e. Not utilizing statistical sampling.

There are no such requirements.

- f. Requiring use of statistical sampling which has not been reviewed and approved by OMB.

There are no such requirements.

- g. Requiring a pledge of confidentiality.

There are no such requirements.

- h. Requiring submission of proprietary trade secrets.

There are no such requirements.

8. 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 record-keeping, disclosure, reporting format (if any), and on data elements to be recorded, disclosed, or reported.

A 60-day Notice was published in the Federal Register on (72 FR 38, page 8689). No comments were received.

Consultations with persons outside the Agency were made to obtain their views on the frequency of data collection, the length of time required to complete the collection of data, the clarity of instructions, and their opinions and suggestions for insurance requirements for Closing Agent/Attorneys. The following persons were contacted on January 26 and 29, 2007:

Peggy Mende
640 Legion Road, Suite 1
Denton, Maryland 21629
Telephone: (410) 479-1202, X-4

Catherine Lewis
1975 Castlerock Drive, Suite 2
Sumter, South Carolina 29153
Telephone: (803) 905-7650, X-118

Thomas Cockerill, Attorney
Cockerill, Cockerill & Cook
235 South Meridian Street

Winchester, Indiana 47394
Telephone: (765) 584-3241

There were no major problems that occurred during these consultations.

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

There are no payments or gifts given to respondents.

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

All information collected is public (e.g. legal descriptions of properties, liens filed for public record) with the exception of the Closing Agent/Attorney certification. This certification does not give specific amounts of bonding and insurance coverage, but rather states that the subject meets the minimum coverage required by Agency regulations. There is no assurance of confidentiality provided to respondents for the information required in this regulation.

11. Provide additional justification for any question of a sensitive nature, such as sexual behavior or attitudes, religious beliefs, and other matters that are commonly considered private.

This regulation does not collect any data of a sensitive nature.

12. Provide estimates of the hour burden of the collection of information.

The following wage classification was used based on an average hourly rate for each class of respondent. Wages were determined by using average salaries of each wage classification throughout the country.

| Respondent | Wage Classification | Wage/Hour |
|--------------------|----------------------------|------------------|
| Legal Secretary | 1 | \$13.86 |
| Paralegal | 2 | 20.79 |
| Attorney | 3 | 92.40 |
| Applicant/Borrower | 4 | 13.86 |

The estimated total number of responses is 90,399 based on the number of loans closed that will be secured by a mortgage and/or require title work in accordance with 7 CFR 1927-B. The estimated total man-hours is 25,042 with an estimated burden cost to the public of \$1,827,069. See attached spreadsheet.

13. Provide an estimate of the total annual cost burden to respondents or record-keepers resulting from the collection of information.

There are no capital start-up costs involved in this information collection.

14. Provide estimates of annualized cost to the Federal Government.

The annual cost for the Agencies to develop and administer this regulation is \$2,221,800, determined by multiplying the number of employees directly involved in the preparation and administration of the regulation (1,400), times a national average cost factor (GS 7, Step 1, \$31,740), times a national average percentage of time the employees are involved (5%). The cost factor includes salaries, benefits, travel, communication, supplies, etc.

15. Explain the reasons for any program changes or adjustments reported in items 13 or 14 of the OMB Form 83-1.

The change in burden (-3,536 hours and -\$6,125,880) is the result of a decrease in appropriations which impacts on the number of loans to be closed and a correction on the number of field offices actually involved in loan closings. A shift from using attorney's opinions to the use of title insurance has resulted in a reduction in hours. This is an adjustment.

16. For collection of information whose results will be published, outline plans for tabulation and publication.

No information collected will be used for statistical purposes.

17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.

It is not cost effective for the Agency to display the expiration date on the forms due to the large number of field offices in both Rural Housing Service and Farm Service Agency and the significant difference in the volume of forms used by these offices.

18. Explain each exception to the certification statement identified in item 19 on OMB 83-1.

There are no exceptions requested.

19. How is this information collection related to the Service Center Initiative (SCI)? Will this information collection be a part of the one stop shopping concept?

This information collection is unlikely to be related to the services that can potentially be provided by the one-stop shopping concept of the Service Center Initiative.