

February 2007

Supporting Statement for Paperwork Reduction Act Submissions

OMB Control Number: 1660-0086

Title: National Flood Insurance Program -Mortgage Portfolio Protection Program (MPPP)

Form Number(s): None

General Instructions

A Supporting Statement, including the text of the notice to the public required by 5 CFR 1320.5(a)(i)(iv) and its actual or estimated date of publication in the Federal Register, must accompany each request for approval of a collection of information. The Supporting Statement must be prepared in the format described below, and must contain the information specified in Section A below. If an item is not applicable, provide a brief explanation. When Item 17 or the OMB Form 83-I is checked "Yes", Section B of the Supporting Statement must be completed. OMB reserves the right to require the submission of additional information with respect to any request for approval.

To complete the supporting statement, type in your responses in the white space below each question. Your responses should be full and complete and provide sufficient information to help the OMB desk officer to understand what you are planning to do and why and how the Agency/Federal Government will benefit from and use the information you will be obtaining or soliciting.

Specific Instructions

A. Justification

1. Explain the circumstances that make the collection of information necessary (give details as to why this information is being collected). Identify any legal or administrative requirements that necessitate the collection. Attach a copy of the appropriate section of each statute and regulation mandating or authorizing the collection of information. Provide a detailed description of the nature and source of the information to be collected.

The National Flood Insurance Program (NFIP) authorized by Public Law 90-448 (1968) and expanded by Public Law 93-234 (1973) and Public Law 103-325 (1994) provides federally supported flood insurance for existing buildings exposed to flood risk. In return, communities enact and administer construction safeguards to ensure that new construction in the floodplain will be built to minimize future flood damage. In accordance with Public Law 93-234, the purchase of flood insurance is mandatory when federal or federally related financial assistance is being provided for acquisition or

flood hazard areas of communities that are participating in the program. The Mortgage Portfolio Protection program (MPPP) is an option that companies participating in the NFIP and other servicing mortgage loan portfolios can bring their mortgage loan portfolios into compliance with the flood insurance purchase requirements of the three public laws described above. 44 CFR Part 62.23(L)(1) implements the MPPP requirements for specific notices and other procedures be adhered. Hence, insurance companies applying for or renewing their participation in the WYO program are asked to indicate that they will adhere to the requirements of the MPPP. This includes providing an implementation package to those lending institutions that choose to use the MPPP on a voluntary basis to ensure the lending institutions have full knowledge of the program criteria. Also furnished are the requirements for rating MPPP policies and the MPPP insurance applications.

The MPPP was introduced as an additional tool, provided by the Federal Insurance Administration, to assist the mortgage lending and servicing industries in bringing their mortgage portfolios into compliance with the flood insurance requirements of the Flood Disaster Protection Act of 1973, by ensuring that their borrowers that are at risk of being flooded are protected by flood insurance. It is expected that the proper implementation of the various requirements of this MPPP will result in mortgagors, following their notification of the need for flood insurance, to either show evidence of such a policy, or to contact their local insurance agent or appropriate Write Your Own (WYO) company to purchase the necessary coverage.

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. Provide a detailed description of: a) how the information will be shared, if applicable, and for what programmatic purpose.

The form is filled out by a WYO Company representative, the several blanks indicate the company's name, the representative and their contact information and the form is signed by that representative. The information is used by the NFIP to contact the representative if needed.

The MPPP allows the lender, after appropriate notice to the borrower that flood insurance is required, to purchase a NFIP policy on behalf of the borrower, to assure compliance with Public laws 92-234 (1973) and 103-325 (1994). For participating lenders the MPPP provides a tool with significant benefit that provides an additional method for them to comply with the statutory flood insurance purchase requirements. The MPPP cannot be used in connection with new loan transactions but must be used only in connection with lenders efforts to bring its mortgage portfolios into compliance. A flood insurance policy under the MPPP can be purchased only from a property insurance company participating in the WYO program and only as a last resort for those properties where the borrower, after having been given the required notices for the need to purchase flood insurance, has not done so. The information collection (MPPP application data) when received are

used by the NFIP to determine that appropriate premiums have been collected and program rules properly followed.

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. Also describe any consideration of using information technology to reduce burden.

It has been reported that the application information, by the lender on behalf of the property owner, is typically a fully automated process agreed upon by the insurance company and lender. The information collected, i.e. the submission of the application data and associated financial information to the government is done electronically.

The FEMA Mitigation Division is currently examining paperless possibilities for this and other processes.

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.

The requirement for the MPPP coverage is triggered by the borrower's failure to acquire or renew a flood insurance policy after having been given the required notices of the need to purchase flood insurance. The information required is drawn from the lender's records and provided to the WYO company and ultimately submitted to the government. The government has no similar information available.

The collection of information by FEMA consists of a two pages: the first is the Addendum 5, Receipt For Materials; and the second is Addendum 6, Agreement to Adhere to The Guidelines and Requirements of the Mortgage Portfolio Protection Program 2006-2007 form (consisting of the Insurance Company name and National Association of Insurance Commissioner (NAIC) number and the signature, name and title of the representative of the company).

As noted above (#3.), the application information is typically a fully automated process agreed upon by the insurance company and lender and is not determined in any way by FEMA.

5. 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.

It is unlikely that there is an impact on small businesses or other small entities. The MPPP was designed to appeal to and be of most benefit to the lender with a significant number of loans in their portfolios. Further, because of the circumstances required to purchase, the MPPP application calls for less data than the conventional WYO insurance application. The

lender notification and application processes have been designed to provide flexibility for the lender in structuring the notice letters and by allowing the WYO companies to handle the processes on behalf of the lender.

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

It would be impossible for lenders and insurers to coordinate the offering of MPPP coverage without their being able to collect relevant application and related financial information. Information is received from the WYO companies each month so that information needed for program management, actuarial and financial control purposes in order to track the creation, replacement, cancellation endorsement or renewal of policies.

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

(a) Requiring respondents to report information to the agency more often than quarterly.

The monthly WYO report is required for program management, actuarial and financial control purposes and conforms to and seeks to be compatible with normal company accounting practices.

(b) Requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it.

The monthly WYO report is done monthly, this is a regular requirement, and the companies have full notice of this.

(c) Requiring respondents to submit more than an original and two copies of any document.

The WYO companies submit the information electronically; there are no requirements for more than the one submission.

(d) Requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records for more than three years.

All insurance files are kept up to date as long as the property is insured. Once the file closes (which only occurs when the insurance is allowed to lapse), the companies keep the files until the chance of litigation plus one year (two and a half (2 1/2) years).

(e) In connection with a statistical survey, that is not designed to produce valid and reliable results that can be generalized to the universe of study.

All information collected is in relation to the insurance policy, and to the program.

(f) Requiring the use of a statistical data classification that has not been reviewed and approved by OMB.

Such data is not required.

(g) That includes a pledge of confidentiality that is not supported by authority established in statute or regulation, that is not supported by disclosure and data security policies that are consistent with the pledge, or which unnecessarily impedes sharing of data with other agencies for compatible confidential use.

No pledge of confidentiality is required.

(h) Requiring respondents to submit proprietary trade secret, or other confidential information unless the agency can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law.

No proprietary trade secrets are required.

8. Federal Register Notice:

a. Provide a copy and identify the date and page number of publication in the Federal Register of the agency's notice soliciting comments on the information collection prior to submission to OMB. Summarize public comments received in response to that notice and describe actions taken by the agency in response to these comments. Specifically address comments received on cost and hour burden.

A 60-day Federal Register Notice was published for comments on March 30, 2007, volume 72, number 61, pages 15142 – 15143. There were no comments received.

b. 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.

A task force consisting of lenders, WYO companies and insurance agents worked with the government for approximately two and a half years on the development of the MPPP. The MPPP reflects the input of a number of interested parties from both the lending and insurance industries.

c. Describe consultations with representatives of those from whom information is to be obtained or those who must compile records. Consultation should occur at least once every three years, even if the collection of information activities is the

same as in prior periods. There may be circumstances that may preclude consultation in a specific situation. These circumstances should be explained.

The government is in regular scheduled and unscheduled consultation with the WYO companies in all aspects of the program, including the MPPP. The annual NFIP conference has provided an open forum to address, among other issues, compliance with the Mandatory purchase requirements and the role played by the MPPP.

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

No gifts are made to respondents. Payment is made to the WYO companies for the sales and servicing of NIFP policies, including MPPP policies, and the consequent submission of relevant data.

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

Confidentiality is provided under the provisions of the Privacy Act and the published “routine use.”

11. 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 questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private are ever required.

12. Provide estimates of the hour burden of the collection of information. The statement should:

a. Indicate the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated. Unless directed to do so, agencies should not conduct special surveys to obtain information on which to base hour burden estimates. Consultation with a sample (fewer than 10) of potential respondents is desired. If the hour burden on respondents is expected to vary widely because of differences in activity, size, or complexity, show the range of estimated hour burden, and explain the reasons for the variance. Generally, estimates should not include burden hours for customary and usual business practices.

There are approximately 20 WYO companies participating in the MPPP and writing and servicing these policies. Their burden regarding this filing involves filling out several

blanks on a one page form. Otherwise the companies work with approximately 250 mortgage lenders or servicers on an initial or as required basis. A small burden is associated with the notice and processing of the MPPP policy. However, because the MPPP is atypical and issued as a “last resort”, they are relatively few in number, the time involved is estimated at 6,093 hours per year.

A new WYO company would have a start up burden, but would not apply to join the MPPP as it is a complex program only offered by larger, well established WYO companies. However, with the maturation of the WYO program there are few new entrants and not all new participants elect to offer the MPPP. Moreover, it has been the practice of new WYO companies to engage servicing companies to ease entry and limit costs.

Estimated Total Annual Burden Hours: 2386.

Annual Burden Hours

Project/Activity (Survey, Form(s), Focus Group, Worksheet, etc.) (Time involved in filling out FEMA MPPP* form	No. of Respondents	Frequency of Responses (the form is filled out once each year)	Burden Hours Per Respon- dent	Annual Respon- ses	Total Annual Burden Hours
				(AxB)	(Ax BxC)
WRO-Lender/ Services Coordination	22	1	.5 (or 30 minutes)	22	11
Lender/Mortgagor Service Coordination	250	1	.5 (or 30 minutes)	250	125
WYO Company Policy Issuance	6000 (Approximate number of MPPP policies each year.)	1	.25 (or 15 minutes)	6000	1500
WYO (New Prog. Entrant Insurance Company)	1	1	750	1	750
TOTAL	6,273				2386

The 750 burden hours per respondent is the amount of time it takes a new program entrant (insurance company) to prepare, train and compile various needed information.

b. If this request for approval covers more than one form, provide separate hour burden estimates for each form and aggregate the hour burdens in Item 13 of OMB Form 83-I.

A form has been developed. The form is called the WYO Financial Assistance/Subsidy Arrangement Notice of Acceptance and Mortgage Portfolio Protection Program Agreement (MPPP Agreement). The form is filled out by a company representative and is submitted to the NFIP. The NFIP uses this information to contact the representative if needed.

c. Provide estimates of annualized cost to respondents for the hour burdens for collections of information, identifying and using appropriate wage rate categories. The cost of contracting out or paying outside parties for information collection activities should not be included here. Instead this cost should be included in Item 14.

The recordkeeping and processing associated with the MPPP is less than one minute for each form (WYO systems are fully automated and the MPPP policies are less than 1/10 of a percent of the total policies processed by the WYOs).

ANNUAL COST TO RESPONDENTS

Program	Burden Hrs	Mean Hr. Rate (\$)	Average Cost per Respondent (\$)	Annualized Cost All Respondents (\$)
WRO-Lender/Service Coordination	22	\$100	\$50	\$1100
Lender/Mortgagor Service Coordination	125	\$100	\$50	\$12,500
WYO Comp. Policy Issuance (6,000)	1500	\$25	\$25	\$37,500
New WYO Prog. Entrant (insurance company) and hours needed to compile various information.	750	\$75	\$75	\$56,250
Total				\$107,350.

To provide cost to respondents for the hour burden, we used the U.S. Department of Labor, Bureau of Labor Statistics' Occupational Employment Statistics which reports national median and mean hourly rates based on the Standard Occupations Code.

Therefore, the estimated costs to respondents is:

- WYO company coordination activities 11 hours X \$100 hour est. for a Senior Marketing Representative = \$1,100.
- Lender / Servicer coordination 125 hours X \$100 est. for a Senior Operations / Systems Staff = \$12,500.
- WYO company issuance 1,500 hours X \$25 est. Customer Service Rep. = \$37,500.
- New entrant start up 750 hours X \$75 est. average for a Company Management, Systems, Training and Customer Representatives = \$56,250.

TOTAL: \$107,350.

13. Provide an estimate of the total annual cost burden to respondents or recordkeepers resulting from the collection of information. The cost of purchasing or contracting out information collection services should be a part of this cost burden estimate. Do not include the cost of any hour burden shown in Items 12 and

There is no start up cost, operational or maintenance cost to respondents in this collection since the MPPP is only offered by the NFIP to WYO companies with already functioning operations.

14. The cost estimates should be split into two components:

- a. Operation and Maintenance and purchase of services component.** These estimates should take into account cost associated with generating, maintaining, and disclosing or providing information. Include descriptions of methods used to estimate major cost factors including system and technology acquisition, expected useful life of capital equipment, the discount rate(s), and the time period over which costs will be incurred.
- b. Capital and Start-up-Cost should include, among other items, preparations for collecting information such as purchasing computers and software, monitoring sampling, drilling and testing equipment, and record storage facilities.**

The recordkeeping associated with the MPPP is minimal. WYO systems are fully automated and the MPPP policies are less than 1/10 of a percent of total policies. The time/cost is zero.

Information Collection Activity	*Annual Capital Start-Up Cost (investments in overhead, equipment and other one-time expenditures)	*Annual Operations and Maintenance Cost (such as recordkeeping, technical/professional services, etc.)	Annual Non-Labor Costs (expenditures on training, travel and other resources)	Total Annual Cost to Respondents

Filling out the MPPP form (5 blanks - company name & number, company representative name and title	None. There is no start up cost, since the insurance company is already in existence and all overhead is included.	This form would be included with any other yearly submissions, the form submitted to FEMA involves a 1 minute activity once a year.	No training, travel, etc. is needed to fill in the form.	
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14. Provide estimates of annualized cost to the Federal Government. Also, provide a description of the method used to estimate cost, which should include quantification of hours, operational expenses (such as equipment, overhead, printing and support staff), and any other expense that would have been incurred without this collection of information. You may also aggregate cost estimates for Items 12, 13, and 14 in a single table.

The cost to the Federal Government is minimal as there is no new or additional information collected nor any processing for this very small select group of NFIP. Since the people/entities that “respond” to the MPPP (these include lenders who are required by their regulators to ensure their borrowers are insured and the insurance companies that respond to this need). There are no contractors to the Federal Government.

ANNUALIZED COST TO THE FEDERAL GOVERNMENT

Item	Cost (\$) Approx.
Contract Costs [Specify what is for and what is included, i.e S/W development, survey, etc.]	0
Staff Salaries [State number of employees involved, GS-level, Time spent w/ this collection] (One GS-12 and GS-13)	\$5000.00
Facilities (Filing – minimal portion of file) (estimate)	\$5.00
Computer Hardware and Software (no new computer ware is needed)	0
Equipment Maintenance (Fax – minimal portion of fax usage) (estimate)	\$100.00
Travel	0
Printing (this covers various supporting documents that a company might request from us)	\$1000
Postage	0
Other	0
Total	\$6105.00

The salaries of two government employees, a GS-12 and one GS-13 to manage this program for about two to four weeks.

15. Explain the reasons for any program changes or adjustments reported in Items 13 or 14 of the OMB Form 83-I. Changes in hour burden, i.e., program changes or adjustments made to annual reporting and recordkeeping hour and cost

burden. A program change is the result of deliberate Federal government action. All new collections and any subsequent revisions of existing collections (e.g., the addition or deletion of questions) are recorded as program changes. An adjustment is a change that is not the result of a deliberate Federal government action. These changes that result from new estimates or actions not controllable by the Federal government are recorded as adjustments.

There is a program cost of \$107,350 for the insurance company/lender activities. The cost is unchanged.

16. For collections of information whose results will be published, outline plans for tabulation and publication. Address any complex analytical techniques that will be used. Provide the time schedule for the entire project, including beginning and ending dates of the collection of information, completion of report, publication dates, and other actions.

The results of this collection will not be published.

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

Not seeking this approval.

18. Explain each exception to the certification statement identified in Item 19 “Certification for Paperwork Reduction Act Submissions,” of OMB Form 83-I.

No exemption.

B. Collections of Information Employing Statistical Methods.

This information collection does not employ statistical methods.