
19. Certification for Paperwork Reduction Act Submissions

On behalf of the U.S. Department of Housing and Urban Development, I certify that the collection of information encompassed by this request complies with 5 CFR 1320.9.

Note: The text of 5 CFR 1320.9, and the related provisions of 5 CFR 1320/8(b)(3) appears at the end of the instructions. The certification is to be made with reference to those regulatory provisions as set forth in the instructions.

The following is a summary of the topics, regarding the proposed collections of information that the certification covers:

- (a) It is necessary for the proper performance of agency functions;
- (b) It avoids unnecessary duplication;
- (c) It reduces burden on small entities;
- (d) It uses plain, coherent, and unambiguous terminology that is understandable to respondents;
- (e) Its implementation will be consistent and compatible with current reporting and recordkeeping practices;
- (f) It indicates the retention periods for recordkeeping requirements;
- (g) It informs respondents of the information called for under 5 CFR 1320.8(b)(3):
 - (i) Why the information is being collected;
 - (ii) Use of the information;
 - (iii) Burden estimate;
 - (iv) Nature of response (voluntary, required for a benefit, or mandatory);
 - (v) Nature and extent of confidentiality; and
 - (vi) Need to display currently valid OMB control number;
- (h) It was developed by an office that has planned and allocated resources for the efficient and effective management and use of the information to collected (see note in item 19 of the instructions);
- (i) It uses effective and efficient statistical survey methodology; and
- (j) It makes appropriate use of information technology.

If you are unable to certify compliance with any of these provisions, identify the item below and explain the reason in item 18 of the Supporting Statement.

Signature of Program Official:

Date:

X
Michael Winiarski, Acting Director, Policy Planning and Analysis Division, HROA

Signature of Senior Officer or Designee:

Date:

XLillian Deitzer, Departmental Reports Management Officer,
Office of the Chief Information Officer

Supporting Statement for Paperwork Reduction Act Submissions

Supporting Statement for Application for Insurance of
Advance of Mortgage Proceeds (Form HUD-92403)

2502-0097

A. Justification

1. Section 207 of the National Housing Act (12 U.S.C. 1713), as amended, insures mortgage loans to finance the construction or rehabilitation of a broad range of rental housing. Section 207 mortgage insurance, although still authorized, is no longer used for new construction and substantial rehabilitation. It is, however, the primary insurance vehicle for the Section 223(f) refinancing program (12 U.S.C. 1709). The basic program instructions are in HUD Handbook 4400.1 - Project Mortgage Insurance - Basic Section 207 Instructions, available on www.HUDCLIPS.org.

Multifamily new construction and substantial rehabilitation projects are currently insured under the Section 221(d)(3) and Section 221(d)(4) programs. The 221(d)(3) and 221(d)(4) programs are authorized by the National Housing Act (12 U.S.C. 17151(d)(3) and (d)(4)). Basic TAP program instructions are in HUD handbook 4560.01 - Mortgage Insurance for Multifamily Moderate Income Housing Projects, available on www.HUDCLIPS.org.

The programs are administered by the Office of Multifamily Housing Development and insure lenders against loss on mortgage defaults. The intent of the programs is to increase the supply of quality and reasonably priced rental housing for middle-income families. Mortgage insurance may be used to finance the construction or substantial rehabilitation of detached, semidetached, row, walk-up, or elevator type structures with 5 or more units. A project is eligible for mortgage insurance if the sponsor can demonstrate that there is a definite market demand, that the project is economically self-sufficient, and that financing is secure. The programs have statutory per unit mortgage limits, which vary according to the size of the unit, the type of structure, and the location of the project. There are also loan-to-value and debt service limitations. Program regulations are found at 24 CFR 221, subparts C and D, and 24 CFR 200.53.

2. A mortgagor requests an advance of mortgage proceeds for funds expended or obligated for construction related items; a mortgagee requests mortgage insurance for funds so advanced; and HUD certifies mortgage insurance for funds it approves for advance. The form HUD-92403 is initiated by the mortgagor and is submitted to the lender, who completes its portion and forwards it to HUD. The amount to be approved for mortgage insurance is the total approved for advance less the mortgagor's cash escrow for on-site construction, if any, which has been previously approved for advance. The mortgagor may also be the contractor. In fiscal year 2006, the Department did not insure any mortgages under section 207. Developers and lenders prefer Section 221(d)(3) and 221(d)(4) whose terms are more advantageous.

HUD estimates that at any given time, there are approximately 2,000 projects in the construction phase. The mortgagors of these projects work through roughly 100 FHA-approved multifamily lenders.

3. Improved information technology to reduce burden cannot be applied to this information collection without expensive measures to prevent fraud waste and abuse. The information is initially submitted by an authorized agent of the mortgagor (certified by their signature) to the mortgagee. Next, a duly authorized agent of the mortgagee identifies the amount to be disbursed for the transaction at hand, as well as in the aggregate from previous requests in order to make a request from HUD (the mortgagee's agent attests to the accuracy by their signature), and the request is then passed on to HUD. A HUD representative reviews the request and makes any deductions or modifications to account for disallowed items. With the large number of official sign-off levels required by this information collection, and the likelihood that there would be

widely varying electronic capabilities at each level, an electronic submission system is not feasible from a cost and logistics standpoint at this time.

Additionally, an electronic submission would also be vulnerable to fraud, since office personnel could make an electronic submission and use the funds for other purposes without the general contractor, mortgagor and mortgagee's awareness. It is not yet feasible to automate due to inability to authenticate the identity of the parties. Contractors must certify pay requisitions. Fraudulent information is punishable by jail sentence.

4. There is no duplication of information. No other form provides HUD with the sort of information necessary to determine the amount that will be approved for advance of mortgage proceeds.
5. This information collection does not adversely affect small business.
6. The Application for Insurance of Advance of Mortgage Proceeds (form HUD-92403) is used by the mortgagee to request the advance of mortgage proceeds to reimburse the mortgagor for funds expended or obligated for construction related items. If this collection is not made as frequently as described, it could place a financial hardship on the mortgagor and/or the general contractor seeking reimbursement for costs.
7. HUD does not require any frequency of submission. In practice, mortgagors initiate the form HUD-92403 more or less on a monthly basis during the construction period because contractors depend on timely payments to keep their businesses flowing. Construction draws (which are supported by form HUD-92403) must be made on a frequent recurring basis in line with the completion of agreed upon work in order to allow the contractor to pay for materials, manpower, and make a reasonable profit. For some projects, construction draws have consistently been approved for over a \$1,000,000 a month, due to the size and scope of the effort.

HUD requires the submission of three originals of the HUD-92403, all with original signatures. Once HUD signs the forms, it retains one form for its records and returns two signed forms to the mortgagee. The mortgagee retains one form for its records and returns the third to the mortgagor. In this manner, all parties involved get original signatures from the others. In dealing with such large amounts of money, original signatures help to ensure the integrity of the transactions.

8. In accordance with 5 CFR 1320.6, the agency's notice of this collection of information was published in the Federal Register on May 2, 2007 (Vol. 72, No. 84 page 24325). No comments were received.

Consultations held with individuals experienced with processing this information indicated a representative submission required 12 minutes. Each response consists of (1) input from a (contractor/mortgagor) averaging six minutes, plus (2) input from a mortgagee (additional six minutes of response time) for a total of 16,800 responses at 12 minutes each.

9. There will be no payments or gifts to respondents.
10. No assurances of confidentiality are given.
11. No information of a sensitive nature is requested.

12. Estimate of the Burden Hour

Information Collection	Number of Respondents	Frequency of Response	Total Annual Responses	Hours per Response	Total Annual Burden Hours	Hourly Rate	Total Annual Cost
HUD-92403 - mortgagors	2,000	Varies	16,800	0.10	1,680	\$30	\$50,400
HUD-92403 - mortgagees	100	Varies	16,800	0.10	1,680	\$30	50,400
Total	2,100		33,600		3,360		\$100,800

The hourly rate is a blended rate based on an estimate of the average annual salaries for lender personnel and mortgagors/contractors.

13. There are no additional costs to respondents.

14. Cost to the Federal Government

Information Collection	Total Annual Forms Reviewed	Hours per Response	Total Annual Burden Hours	Hourly Rate	Total Annual Cost
HUD-92403	16,800	2.00	33,600	\$36	\$1,209,600

The hourly rate is based on the annual salary of a GS12, Step 5.

15. This is a request for an extension of a currently approved collection. The numbers of respondents has decreased to reflect the actual number of projects in the construction phase and the mortgagees who process these applications. The number of responses has increased to show that responses are required from both mortgagors and mortgagees. Total annual cost has increased slightly to correct a math error. The cost to the Federal Government has increased to reflect the actual annual wage of processing personnel.

16. The results of this information will not be published.

17. HUD is not seeking approval not to display the expiration date.

18. There are no exceptions to the certification statement.

B. Collection of Information Employing Statistical Methods

Statistical methods will not be utilized.