

Paperwork Reduction Act Submission

Please read the instruction before completing this form. For additional forms or assistance in completing this forms, contact your agency's Paperwork Reduction Officer. Send two copies of this form, the collection instrument to be reviewed, the Supporting Statement, and any additional documentation to: Office of Information and Regulatory Affairs, Office of Management and Budget, Docket Library, Room 10102, 725 Seventeenth St. NW, Washington, DC 20503.

1. Agency/Subagency Originating Request: U.S. Department of Housing and Urban Development Office of Housing, Office of Single Family Program Development		2. OMB Control Number: a. 2502-0059 b. <input type="checkbox"/> None	
3. Type of information collection: (check one) a. <input type="checkbox"/> New Collection b. <input checked="checked" type="checkbox"/> Revision of a currently approved collection c. <input type="checkbox"/> Extension of a currently approved collection d. <input type="checkbox"/> Reinstatement, without change , of previously approved collection for which approval has expired e. <input type="checkbox"/> Reinstatement, with change , of previously approved collection for which approval has expired f. <input type="checkbox"/> Existing collection in use without an OMB control number For b-f, note item A2 of Supporting Statement instructions.		4. Type of review requested: (check one) a. <input checked="checked" type="checkbox"/> Regular b. <input type="checkbox"/> Emergency - Approval requested by c. <input type="checkbox"/> Delegated 5. Small entities: Will this information collection have a significant economic impact on a substantial number of small entities? <input type="checkbox"/> Yes <input checked="checked" type="checkbox"/> No 6. Requested expiration date: a. <input checked="checked" type="checkbox"/> Three years from approval date b. <input type="checkbox"/> Other (specify)	
7. Title: Informed Consumer Choice Notice and Application for FHA Insured Mortgage			
8. Agency form number(s): (if applicable) HUD-92900-A, HUD-92900-B, HUD-92900-LT, HUD 92900-WS, HUD-92900-PUR, HUD-92561, HUD-92544, Addendum to HUD-1, Model Notice for Informed Consumer Choice Disclosure, Model Pre-insurance Review			
9. Keywords: Housing, Mortgage Credit, Uniform Residential Loan Application, construction warranty			
10. Abstract: The addendum to the URLA and related documents are needed to determine the elibility of the borrower and proposed mortgage transaction for FHA's insurance endorsement. Lenders seeking FHA's insurance prepare these forms.			
11. Affected public: (mark primary with "P" and all others that apply with "X") a. Individuals or households e. Farms b. P Business or other for-profit f. Federal Government c. Not-for-profit institutions g. State, Local or Tribal Government		12. Obligation to respond: (mark primary with "P" and all others that apply with "X") a. Voluntary b. P Required to obtain or retain benefits c. Mandatory	
13. Annual reporting and recordkeeping hour burden: a. Number of respondents 8,000 b. Total annual responses 2,377,000 Percentage of these responses collected electronically 7 c. Total annual hours requested 225,050 d. Current OMB inventory 244,550 e. Difference (+,-) -19,500 f. Explanation of difference: 1. Program change: 2. Adjustment: -19,500		14. Annual reporting and recordkeeping cost burden: (in thousands of dollars) Do not include costs based on the hours in item 13. a. Total annualized capital/startup costs b. Total annual costs (O&M) c. Total annualized cost requested d. Current OMB inventory e. Difference f. Explanation of difference: 1. Program change: 2. Adjustment:	
15. Purpose of Information collection: (mark primary with "P" and all others that apply with "X") a. P Application for benefits e. Program planning or management b. Program evaluation f. Research c. General purpose statistics g. X Regulatory or compliance d. X Audit		16. Frequency of recordkeeping or reporting: (check all that apply) a. <input checked="checked" type="checkbox"/> Recordkeeping b. <input checked="checked" type="checkbox"/> Third party disclosure c. <input checked="checked" type="checkbox"/> Reporting: 1. <input checked="checked" type="checkbox"/> On occasion 2. <input type="checkbox"/> Weekly 3. <input type="checkbox"/> Monthly 4. <input type="checkbox"/> Quarterly 5. <input type="checkbox"/> Semi-annually 6. <input type="checkbox"/> Annually 7. <input type="checkbox"/> Biennially 8. <input type="checkbox"/> Other (describe)	
17. Statistical methods: Does this information collection employ statistical methods? <input type="checkbox"/> Yes <input checked="checked" type="checkbox"/> No		18. Agency contact: (person who can best answer questions regarding the content of this submission) Name: James A. Beavers Phone(202) 708-2121	

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), appear 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 E. Winiaraski, Deputy Director, Organizational Policy, Planning and Analysis Division, HROA

Signature of Senior Official or Designee:

Date:

X
Lillian Deitzer, Departmental Reports Management Officer
Office of Investment Strategies, Policy, and Management, Office of the Chief Information Officer

Supporting Statement for Paperwork Reduction Act Submissions

APPLICATION FOR HUD/FHA INSURED MORTGAGE

FORMS HUD 92900-A, HUD-92900-B, HUD-92900-LT, HUD-92900-PUR AND HUD-92900-WS, HUD 92544, HUD-92561,
Model Notice Informed Consumer Choice Disclosure, Model Pre-Insurance Review Checklist for Lender Insurance
(OMB No. 2502-0059)

A. JUSTIFICATION:

1. This information collection clearance package seeks to revise the OMB approval of 2502-0059. Section 203 of the National Housing Act (P.L.479, 48 Stat. 1246, 12 U.S.C. 1702 et seq.) authorizes the Secretary of HUD, upon application by the lender, to insure mortgages offered to him, which are eligible for insurance. Regulations codified at 24 CFR 203.1 through 203.681 detail the requirements pertinent to HUD's single family mortgage insurance programs, i.e., the eligibility requirements and underwriting procedures, which are determined by the documents included in this clearance package. Section 225(a) of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1999 (HUD FY 1999 Appropriations Act) (Pub.L. No. 105-276; 112 Stat. 2461, approved October 21, 1998) amended section 203(b)(2) to the National Housing Act to add at the end of this section the following language:

“In conjunction with any loan insured under this section, an original lender shall provide to each prospective borrower a disclosure notice that provides a one page analysis of mortgage products offered by that lender and for which the borrower would qualify. This notice shall include: (i) a generic analysis comparing note rate (and associated interest payments), insurance premiums, and other costs and fees that would be due over the life of the loan for a loan insured by the Secretary under this subsection with note rates, insurance premiums (if applicable), and other costs and fees that would be expected to be due if the mortgagor obtained instead other mortgage products offered by the lender and for which the borrower would qualify with similar loan-to-value ratio in connection with a conventional mortgage . . . , assuming prevailing interest rates; and (ii) a statement regarding when the mortgagor's requirement to pay mortgage insurance premiums for a mortgage insured under this section would terminate or a statement that the requirement will terminate only if the mortgage is refinanced, paid off, or otherwise terminated.”

Regulations at 24 CFR Part 203 entitled “Mutual Mortgage Insurance and Rehabilitation Loans” specify the requirements for making application and obtaining loan approval of a HUD-insured mortgage loan. The Uniform Residential Loan Application (URLA), and form HUD-92900-A together constitute the “standard application form” called for at 24 CFR 203.255 of the regulations. Every mortgage application for insurance is used to determine eligibility in three general areas: (1) the proposed loan under the statute, i.e., term, mortgage amount, and ratios of loan-to-value or replacement cost; (2) the property with respect to compliance with HUD/FHA statutory and regulatory requirements; (3) and the proposed mortgage debt, including the borrower's ability to repay. FHA relies on the information provided to determine eligibility of the mortgage for FHA's insurance endorsement.

Without the information provided by forms URLA, HUD-92900-A, HUD-92900-B, HUD-92544, and HUD-92900-LT, HUD would have difficulty in determining eligibility and, consequently, the insurance fund for the single-family mortgage insurance programs would be placed in jeopardy. The information in the Informed Consumer Choice Notice is used by prospective mortgagees to disclose if mortgage products, other than FHA mortgage insurance for which the mortgagor qualifies, result in lower costs to the mortgagor over the life of the mortgage. The Model Pre-Insurance Review is used by mortgagees participating in the Lender Insurance program to determine if the loan meets HUD's requirements for FHA insurance.

2. Lenders obtain information from borrowers in the normal course of business. HUD does not ascribe burden hours to information provided by borrowers. Lenders then report information to FHA for the purpose of obtaining mortgage insurance. The specific items of this information collection are as follows:

- a. The URLA and **form HUD-92900-A** (Addendum to a URLA) are used in every case by the lender to make application for FHA mortgage insurance. Together they describe the parties involved, the property, and the conditions and terms on which the mortgage insurance will be based. These documents may be revised routinely in compliance with other requirements under the Home Mortgage Disclosure Act (HMDA), or other mandates, e.g., the Patriot Act. The URLA is a standard mortgage document and HUD ascribes burden only to form HUD-92900-A.
- b. Documentation to make certain the borrowers have the capability to repay the debt, including, but not limited to, credit reports and credit scores; verification of income and employment; government assistance; rental income; housing and clothing allowances, hazard pay, rations and proficiency pay; alimony, child support or maintenance income; subsidy for mortgage payments; VA benefits; IRS form 2106; and/or trust agreements.
- c. Asset verification documents are required for every case and are used to make certain the borrowers have the capability to repay the debt and assets for the downpayment and closing costs. Asset verification documents may include but are not limited to documents required for changes to property title; gift letters; bank account statements from borrowers and/or gift donors; cancelled checks; bill of sale; proof of ownership and value; final HUD-1 for sale of property; receipt of earnest money deposit; evidence that a retirement account can be cashed at any time; sweat equity documentation; and/or lease-purchase agreement.
- d. For determining borrower eligibility for mortgage insurance for disaster victims [Section 203(h)], documentation is required evidencing a permanent residence in a disaster area as well as documentation evidencing that the property was damaged to such an extent that reconstruction is necessary.
- e. For determining eligibility for insurance under the Energy Efficient Mortgage program, documentation is required involving a home energy rating as well as determining the cost effectiveness of eligible energy improvements.
- f. For purchase transactions where the sales contract does not contain a provision that there are no other agreements between the parties and that the terms of the sales contract constitute the entire agreement between the parties, a certification from the borrower, seller and the selling real estate agent or broker involved in the transaction must be obtained stating that the terms and conditions of the sales contract are true to the best of their knowledge and belief and that any other agreement entered into by any of the parties in connection with the real estate transaction is part of, or attached to, the sales agreement. A similar certification is obtained at closing, which also includes a certification from the settlement agent. These certifications are used to ensure that borrowers make the required cash investment from an acceptable source and not directly from a party with an interest in the transaction. Copy attached.
- g. **Form HUD-92900-B**, Important Notice to Homebuyers is a statement concerning the “Monthly Insurance Premiums.” If the homebuyer pays an upfront insurance premium, they will also be charged a monthly mortgage insurance premium until the loan-to-value of the mortgage reaches 78 percent of the initial sales price or appraised value of the home, whichever was lower (provided that premiums are paid for at least five years). The homebuyer will reach the 78 percent loan-to-value threshold in one of two ways: either through normal amortization or through amortization along with payment to principal.
- h. **Form HUD-92561**, Mortgagor's Contract with Respect to Hotel and Transient Use of Property is required on two, three, or four-unit properties to assure that dwellings are used in accordance with program objectives. The information is required when page 2, Section IV, item 22f (Borrower's Certification), on form HUD-92900-A is answered in the affirmative.

- i. **Form HUD-92544**, Warranty of Completion of Construction in Substantial Conformity with Approved Plans and Specifications is used in new construction cases only. The form is called for on page 3 of the form HUD-92900-A as an “additional condition” before FHA can insure the mortgage.
- j. **Form HUD-92900-LT**, FHA Loan Underwriting and Summary Transmittal will replace forms HUD-92900-PUR and HUD-92900-WS. This new form - modeled after Fannie Mae’s and Freddie Mac’s loan transmittal forms - will simplify lender reporting of new loans to HUD for FHA insurance because the format is consistent with industry business practices and does not require lenders to maintain and support a separate process for reporting new loans to FHA.

More importantly, adopting a transmittal form reflects an emphasis on reporting critical data elements and loan characteristics to FHA that assist in evaluating risk rather than reporting how the mortgage amount and cash investment were calculated. Eliminating the mortgage amount and cash investment calculations from the Loan Underwriting and Transmittal Sheet does not eliminate the requirement to perform these calculations in accordance with applicable guidelines. It simply eliminates reporting on a specific form how the mortgage amount and cash investment were calculated for each loan. Lenders are expected to clearly document in the loan origination file how they performed these calculations in accordance with outstanding instructions. During the development and design of the Transmittal, certain data elements were eliminated, e.g. the maximum mortgage calculation, while others were added. Outlined below are the differences between the Mortgage Credit Analysis Worksheets and the Loan Underwriting Transmittal Sheet.

- k. The Mortgagor Notice of Intent to satisfy occupancy requirement upon discharge from the military is required of military personnel by 24 CFR 203.31 and 203.345/346.
 - l. The Model Notice for the Informed Consumer Choice Disclosure is used by lenders to provide a one-page analysis of other mortgage products offered by that lender for which the borrower would qualify, as compared to the FHA-insured loan. The comparison includes note rates, associated interest payments, insurance premiums, and other costs and fees over the life of the various loan products. The model notice also includes a statement regarding when the mortgagor’s requirement to pay mortgage insurance premiums for the FHA-insured loan would terminate or a statement that the requirement will terminate only if the mortgage is refinanced, paid off, or otherwise terminated.
 - m. The Model Pre-Insurance Review provides lenders who are participating in the Lender Insurance Program with an example of what HUD staff reviews prior to endorsing a mortgage for insurance. As a condition of participating in Lender Insurance, lenders (not HUD Staff) are responsible for completing the pre-insurance review to ensure that the loan is in compliance with all applicable HUD requirements. Lenders are not required to use this exact format when conducting a pre-insurance review but at minimum the pre-insurance review must include the elements shown on the attached example.
3. Each application request has its own unique characteristics of property, mortgage amount, and borrower; therefore, the use of computers can only be applied to the storage and retrieval of reference information and not to the burden-reduction aspect. However, data entry on these forms is increasingly generated by proprietary loan origination systems (LOS), if purchased or licensed by the lender, with much of that information provided electronically to HUD. Mortgage lenders may avail themselves of electronic options for data transmissions. In 2005, HUD began accepting case binders electronically. Approximately 7% of all case binders are now submitted in this manner.
4. No duplication exists due to the fact that each application is unique to the eligibility requirements explained in item 2. No similar information exists.

5. The information collected does not have a significant economic impact on a substantial number of small entities.
6. The reporting burden is loan-specific and, thus, cannot be conducted less frequently than on every single loan submitted to FHA for insurance endorsement. For the Informed Consumer Choice Notice, only a small percentage of mortgagors will receive this disclosure since it is only applicable when the mortgagor qualifies for both FHA financing *and* prime financing.
7. Lenders are required to keep records for the duration of the mortgage loan, which could be as long as 30 years. However, the average length of an FHA-insured mortgage is approximately 7.5 years.
8. HUD regularly receives comments and input on its information collection requirements from lending institutions, the home construction industry, insurance companies, appraisers, and service companies. This is not inconsistent with the guidelines in 5 CFR 1320.6. The agency notice soliciting comments on the information collection for OMB #2502-0059 was published in the Federal Register on June 22, 2007, (Volume 72, Number 120, pages 34472-34473). No comments were received.

Consultations outside the Agency

The design and development of the data collection instruments have been done in consultation with HUD staff and relevant organizations outside the agency including trade associations such as the Mortgage Bankers Association, National Association of Mortgage Brokers, National Association of Home Builders, as well as mortgage lenders.

Since this submission is a renewal for an existing information collection approval, consultations were conducted with respondents regarding the significant changes made to this submission, i.e., the introduction of Loan Underwriting and Transmittal Summary Sheet and the Pre-Insurance Review for Lender Insurance. These respondents were chosen for consultation due to their large volume of FHA-insured loans as well as their participation in the Lender Insurance Program. Because FHA's version of a Loan Transmittal form has not been approved but was modeled on Fannie Mae's and Freddie Mac's forms, the respondents contacted were asked to discuss this form in the context of using Fannie Mae's and Freddie Mac's loan transmittal forms.

- Sue Garbacz at JP Morgan Chase (732-452-8848) advised that since the loan transmittal form is pre-populated electronically using a proprietary loan originating system (LOS), the reporting burden is minimal but would estimate approximately 6 minutes to complete a version by hand. She stated that an FHA version of a loan transmittal would also be pre-populated using a proprietary LOS, and welcomes the use of one for reporting loans to FHA because doing so further aligns FHA with industry practices.

With regards to the Pre-Insurance Review for Lender Insurance, Ms. Garbacz stated that it probably takes staff at JP Morgan Chase approximately 15 minutes to review a loan prior to insurance. When asked if JP Morgan Chase modeled its Pre-Insurance Review on the checklist used by HUD Staff to endorse mortgages (Appendix XIX, HUD Handbook 4165.1 REV-2 dated April 2005), she indicated it did.

- Jane LeJuene at Bank of America (612-710-6829) indicated that since the loan transmittal form is pre-populated electronically using a proprietary LOS, the reporting burden is minimal but would estimate approximately 5 minutes to complete a version by hand. She stated that a FHA loan transmittal would simplify reporting burdens for lenders since a transmittal is consistent with conventional lending business practices and lenders would no longer have to support a separate reporting process for FHA. Ms. LeJuene deferred comments on her company's Pre-Insurance Review to her colleague Kelly Knapp (904-987-9008).

Ms. Knapp estimated 15 minutes for conducting a Pre-Insurance Review, indicating that it could take longer for loans on new construction or manufactured housing. When asked if Bank of America modeled its Pre-Insurance Review on the checklist used by HUD Staff to endorse mortgages, she stated that the review done by Bank of America is more intensive than the one found in HUD Handbook 4165.1 REV-2, Appendix XIX due to internal compliance procedures.

- Dee Lettieri at American Home Mortgage (516-919-3900 x. 3783) also advised that since the loan transmittal form is pre-populated electronically by a proprietary LOS, the reporting burden is minimal but would estimate that for someone unfamiliar with such a form, it would take approximately 10 minutes to complete by hand, and 5-6 minutes for someone who was familiar with the form. Ms. Lettieri also believed that a FHA loan transmittal would simplify reporting new loans to FHA since it aligns FHA with existing industry practices.

Ms Lettieri estimated 10-15 minutes for performing a review prior to insuring a loan. When asked if American Home Mortgage modeled its Pre-Insurance Review on the checklist used by HUD staff to endorse mortgages, she stated it did.

9. There are no gifts or other type payments made to respondents.
10. The Privacy Act Statement provided in form HUD-92900-A Section III, "Notice to Borrowers" furnishes the authority for the collection of the information requested and the assurance of confidentiality as established by law. Information regarding the borrower's financial status and income data are only used to determine eligibility. The basis for collecting the borrower's social security number on the form is covered under the Debt Collection Act of 1982, (P.L. 97-365) and is also provided in Section III., "Notice to Borrowers."
11. This information collection does not contain any questions of a sensitive nature.

12. Estimate of public burden.

Description of Information Collection	Number of Respondents	Frequency of Response	Total Annual Responses	Hours per Response	Annual Burden Hours	Hourly Cost	Total Annual Cost
HUD-92900-A, its related exhibits and other forms:	8,000	1 per loan	650,000	0.10	65,000	\$36.26	\$2,356,900
HUD-92900-B	8,000	1 per loan	650,000	0.03	19,500	\$36.26	707,070
HUD-92900-LT	8,000	1 per loan	650,000	0.10	65,000	\$36.26	2,356,900
HUD-92561 for 2, 3, or 4-unit properties	8,000	1 per qualifying loan	10,000	0.02	200	\$36.26	7,252
HUD-92544 New construction cases only	8,000	1 per qualifying loan	150,000	0.05	7,500	\$36.26	271,950
Additional burden associated with the computation concerning 2% of 650,000 loans involved in buydown agreements.	8,000	1 per qualifying loan	13,000	0.25	3,250	\$36.26	117,845
Additional burden associated with Completion of Mortgagor Notice of Intent to Satisfy Occupancy requirement upon discharge for military.	8,000	1 per qualifying loan	5,000	.02	100	\$36.26	3,626
Additional burden associated with Informed Consumer Choice Notice. This is a lender-developed disclosure and FHA has only provided a model for lender use.	8,000	1 per qualifying loan	9,000	0.50	4,500	\$36.26	163,170
Additional burden associated with Pre-Insurance Review Checklist. This is a lender-developed checklist and FHA has only provided a model for lender use.	500	1 per qualifying loan	240,000	.25	60,000	\$36.26	2,175,600
Totals	8,000		2,377,000		225,050		\$8,160,313

Hourly cost is based on an estimate of the lender cost of \$36.26 per-hour cost that includes overhead, staff preparation time, and approvals as required.

13. There are no additional costs to respondents.

14. The annualized cost estimates for the Federal Government are based on a \$36.26 per hour cost that is based on a GS-12 staff review.

The cost to the Federal Government relates to the processing of all non-direct endorsement cases and the review of direct endorsement and lender insurance cases. Current estimates show that 10% of the total annual burden of 225,050 hours ($225,050 \times .10 = 22,505$) would involve non-direct endorsement review for a cost of \$816,031 ($22,505 \times \36.26). The review of direct endorsement cases is estimated to be 10% of the non-direct endorsement cases or 2,251 hours ($22,505 \times .10 = 2,251$ hours), for a cost of \$81,622 ($2,251 \times \36.26). Total cost to the Federal Government is $\$816,031 + \$81,622 = \$897,653$. HUD does not review lender's Informed Consumer Choice Notices.

15. This is a revision of a previously approved information collection. This submission eliminates forms HUD-92900-PUR and HUD-92900-WS and replaces them with HUD-92900-LT. The number of respondents has

been corrected to show the number of lenders who report to HUD rather than the number of mortgagors. The numbers of responses and associated burden hours have decreased due to a decline in the number of insured mortgages.

16. This information collection does not include results that will be published.
17. We are not seeking approval to avoid displaying the expiration date of the OMB approval.
18. There are no exceptions to the certification statement identified in item 19 of the OMB 83-I.

B. Collections of Information Employing Statistical Methods

The collection of information does not employ statistical methods.