



## 19. Certification for Paperwork Reduction Act Submissions

On behalf of this Federal Agency, 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:<br><br>X<br>Michael E. Winiarski, Deputy Director, Organizational Policy, Planning and Analysis Division, HROA                                                                     | Date: |
| Signature of Senior Officer or Designee:<br><br>X<br>Lillian Deitzer, Departmental Reports Management Officer<br>Office of Investment Strategies, Policy, and Management, Office of the Chief Information Officer | Date: |

# Supporting Statement for Paperwork Reduction Act Submissions

## UNDER THE PAPERWORK REDUCTION ACT

OMB Approval Number 2502-0494

HUD 92800.5B

### Conditional Commitment/Direct Endorsement Statement of Appraised Value

#### PART A. Justification

1. Section 203 of the National Housing Act (P.L. 479, 48 Stat. 1256, 12 U.S.C. 1701 et.seq.) authorizes the Secretary of the Department of Housing and Urban Development to insure mortgages on proposed construction and existing single-family properties, when requested by FHA approved mortgagees. This request for OMB review involves an extension of a previously approved collection on Form HUD 92800.5B, Conditional Commitment/Direct Endorsement Statement of Appraised Value (OMB control number 2502-0494).
2. Lenders must provide to loan applicants either a completed copy of form **HUD-92800.5B**, or a copy of the completed appraisal report, at or before loan closing. Form HUD 92800.5B serves as the mortgagee's conditional commitment/direct endorsement statement of value of FHA mortgage insurance on the property. The form provides a section for a statement of the property's appraised value and other required FHA disclosures to the homebuyer, including specific conditions that must be met before HUD can endorse a firm commitment for mortgage insurance. HUD uses the information only to determine the eligibility of a property for mortgage insurance.

In its last approval of this collection, OMB included the following terms of clearance: "The heavy annual burden (i.e., 144,000 hours) makes it particularly important to stick to the current plan for some automation by 10/05. In its next submission under this control number, HUD shall report on its progress in automation, and shall continue to do so until the planned automation is achieved.

HUD reports that its electronic case binder system actually went into effect early (in May 2005) and lenders in the Lender Insurance Program may now use paperless case binders. Of the 416,069 loans originated in 2006, there were 230,721 or 55.45 percent insured under the paperless case binder system.

However, the form HUD-92800.5B or a copy of the appraisal must still be prepared and handed to the borrower. Because the paper documents are still created for presentation to the borrowers, there has been no noticeable effect on the burden hours for the disclosure. HUD does not ascribe burden hours to the provision of the appraisal, as this is a standard business practice.

3. This collection of information is not electronic. Paper copies of the documents (HUD-92800.5B or a copy of the appraisal report) are required for disclosures to borrowers. Copies of the forms are not submitted to HUD, but are retained in the lender loan files. The forms may be electronically generated, and lenders who use paperless loan binders may store the copies electronically.
4. Disclosures are unique to each individual mortgage and therefore not duplicative.
5. The reporting burdens for small business participants should not be materially affected, as the bulk of FHA insured mortgages are originated and serviced by large financial institutions and their affiliates.
6. The collection and disclosure requirements for conditional commitment/direct endorsement for FHA mortgage insurance are one-time "on occasion" types, and therefore no reduction in frequency is possible.

7. There are no special circumstances involved in this collection.
8. In accordance with the guidelines in 5 CFR 1320.6, HUD published a notice soliciting comments on the information collection for OMB #2502-0494 in the Federal Register on June 29, 2007 (Volume 72, No. 125, page 35716). No comments were received. HUD regularly receives comments and input on its information collection requirements from lending institutions, the home construction industry, insurance companies, appraisers, and service companies, and takes those comments into consideration in conducting business. In response to industry concerns, the subject form was revised in November of 2005. FHA has shifted from historical emphasis on the repair of minor property deficiencies and now only requires repairs for those property conditions that rise above the level of cosmetic defects, minor defects, or normal wear and tear. Appraisers report all readily observable property deficiencies and adverse conditions. Lenders use professional judgment and rely upon prudent underwriting practices in determining when property conditions pose threats to the safety of occupants and/or jeopardizes the soundness and structural integrity of a property such that additional inspections and/or repairs are necessary.
9. There are no gifts or other types of payments made to respondents.
10. This information collection takes into consideration the need to assure data confidentiality and provide adequate Privacy Act Notice statements where needed.
11. This information collection does not contain any questions of a sensitive nature.
12. The reporting burden on respondents is computed to reflect expected loan volumes.

| Information Collection | Number of Respondents | Responses per Respondent | Total Responses | Hours Per Response | Total Annual Hours | Hourly Cost | Total Annual Cost |
|------------------------|-----------------------|--------------------------|-----------------|--------------------|--------------------|-------------|-------------------|
| HUD-92800.5B           | 8,000                 | Varies                   | 425,000         | .12                | 51,000             | \$30        | \$1,530,000       |

The hourly cost is based on an estimate of lender staff at \$30.00 per hour, which includes the cost of salaries, overhead, staff support, recordkeeping, etc.

13. There are no additional costs to respondents.
14. HUD reviews approximately ten percent of single family loan binders. Although 55.45 percent of loans are now insured and reviewed under the paperless case binder system, the time for review is not materially affected

| Information Collection | Total Responses | Hours Per Response | Total Annual Hours | Hourly Cost | Total Annual Cost |
|------------------------|-----------------|--------------------|--------------------|-------------|-------------------|
| HUD-92800.5B           | 42,500          | .12                | 5,100              | \$40        | \$204,000         |

The hourly cost is based on the hourly rate for a GS-12 plus overhead, staff support, recordkeeping, etc.

15. This is an extension of a previously approved information collection. The number of respondents has been corrected to show all FHA approved lenders. FHA loan volume has decreased, reducing the responses, burden hours, and cost. Additionally, lenders increasingly provide borrowers with appraisals in lieu of the form HUD-92800.5B, which negates the need for the disclosure.
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.

## **B. Collections of Information Employing Statistical Methods**

Not applicable. The collection of information does not employ statistical methods.