
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:	Date:
X Michael E. Winiarski, Deputy Director, Organizational Policy Planning and Analysis Division, HROA	

Signature of Senior Officer or Designee:	Date:
X Lillian Deitzer, Departmental Reports Management Officer Office of the Chief Information Officer	

Supporting Statement for Paperwork Reduction Act Submissions

Home Equity Conversion Mortgage (HECM)

Insurance Application for the Origination of Reverse Mortgages and Related Documents

OMB Control Number 2502-0524

HUD-92901, HUD-92902, HUD-92051, HUD-92561,

A. Justification:

1. Section 255 of the Housing and Community Development Act of 1987 (P.L. 100-242, 2/5/88) established a Federal Mortgage Insurance Program, Section 255 of the National Housing Act, to insure Home Equity Conversion Mortgages (HECMs). A HECM allows senior homeowners to convert a portion of accumulated home equity into monthly streams of income and/or lines of credit. Unlike a traditional home equity mortgage where the borrower makes principal and interest payments to a lender, with a HECM the lender pays the borrower.

Regulations codified at 24 CFR 206.1 through 206.211 detail the requirements pertinent to HUD's HECM program.

2. The respondents are approximately 820 HECM lenders and 1,200 HECM counselors. HUD estimates that lenders will receive approximately 115,000 new HECM loan applications for review and approval, of which 90,000 will receive FHA insurance. HUD also estimates approximately 10,000 HECM refinance loans will receive FHA insurance.

Counseling Requirements

In accordance with statutory provisions of Section 255, prospective borrowers and other persons with an interest in the mortgaged property must receive HECM counseling from HUD-approved housing counseling agencies that discuss a) the options, other than a HECM, that are available to the homeowners, including other housing, social service, health, and financial options; b) other home equity conversion options that are or may become available to the homeowner, such as other reverse mortgage products, sale-leaseback financing, deferred payment loans, and property tax deferral; c) the financial implications of entering into a HECM; d) a disclosure that a home equity conversion mortgage may have tax consequences, affect eligibility for assistance under federal and state programs, and have an impact on the estate and heirs of the homeowners; and e) whether the prospective borrower has signed a contract or agreement with an estate planning firm that requires, or purports to require, the borrower to pay a fee on or after closing that may exceed amounts permitted by the Secretary under 24 CFR 206.31 and the extent to which these services may not be needed or may be available at nominal or no cost from other sources, including the lender (24 CFR 206.41(b)). At the conclusion of each counseling session, HECM counselors must complete a Certificate of HECM Counseling, form HUD-92902, and have the eligible HECM borrower(s), sign and date the form. The borrower must provide the signed and dated certificate to the lender for processing of their loan application. (24 CFR 206.41)

Loan Processing Requirements

FHA insures reverse mortgages for one to four family units under various provisions of the National Housing Act. With any HECM loan insured under this section, the borrower must complete a loan application and the HUD/VA Addendum to the Uniform Residential Loan Application, HUD 92900-A (also used for standard FHA loan applications under OMB control number 2502-0059). Currently, the borrower completes the Residential Loan Application for Reverse Mortgage (FNMA-1009), a streamlined version of a currently approved OMB collection or Uniform Residential Loan Application (URLA) (FNMA-1003) as part of the application process. Many questions contained on form 1003 are "generic" loan application and not relevant for the reverse mortgage customer. Therefore, Fannie Mae designed the streamlined application, form FNMA-1009, that can be used as an alternative to the URLA. The FNMA-1003 and the FNMA-1009 are standard business practices, and HUD requests no burden hours with this submission.

In addition, the borrower is required to provide other documents related to income, asset verification, and property eligibility. These documents are approved under OMB Control Number 2502-0059, and HUD does not request burden hours in this submission. The form HUD-92800.5b is approved under OMB Control Number 2502-0494, and HUD does not request burden hours in this submission.

HUD has provided samples of the different documents lenders may use in HECM loans. Copies of those samples are attached. Similar documents are used as standard business practice, and HUD requests no burden hours.

Underwriting

The duties and responsibilities of the lender for underwriting and funding the loan are universal to the mortgage lending industry. The lender will review the borrower's credit report and appraisal reports (FNMA-1004, FNMA-1004c, FNMA-1073, and FNMA-1025; OMB Information Collection 2502-0538) to ensure the FHA requirements have been met for final approval of the loan application. The lender must note property conditions that must be addressed prior to closing, on form HUD 92800.5b (OMB Information Collection 2502-494). This includes, but is not limited to, ensuring marketable title, identifying needed repairs, proper insurance, arrangements for Federal debts have been made, release of mechanics liens, and reviewing existing debt structure. HUD requests no burden hours for underwriting in this submission.

Disclosure Requirements

Unique to the HECM loan, the lender must compute two interest rates: 1) the expected average mortgage interest rate, used to calculate the principal limit and payment plan, and 2) the mortgage interest (accrual or note) rate, to setup the loan. At loan application, the lender must provide the borrower with a written disclosure explaining any adjustable interest rate features of a mortgage that will include circumstances in which the rate may increase; limitations on the increase; and the effect of an increase. Lenders are required to disclose the current index amount; the date of publication of the index; and the new interest rate, at least 25 days before any adjustment to the interest rate occurs. (24 CFR 206.21) (OMB Information Collection 2502-0322.)

The lender bears the responsibility of ensuring the loan meets FHA requirements and applicable State law. As a standard mortgage business practice, the lender has the responsibility of communicating the terms and conditions of the mortgage transaction, as described in the Note, Security Instrument, Loan Agreement and Exhibits, Good Faith Estimate, Truth-In Lending Act Disclosure, and other legal documents. The terms and conditions of the mortgage transaction, payment plan options and available interest rates are discussed at loan application with the borrower. (OMB Information 2502-0059 and OMB Information Collection 2502-0265.) HUD requests no burden hours in this submission.

Refinance Requirements

Section 201 of the American Homeownership and Economic Opportunity Act of 2000 (Pub. L. 106-569, approved December 27, 2000) amended the NHA to authorize the refinancing of existing HECMs. Lenders must complete for each borrower an Anti-Churning Disclosure form (HUD-92901) to ensure that the borrower is not being induced into refinancing an existing HECM without benefit or solely for the benefit of the mortgagee. The Anti-Churning form will disclose the total cost of the refinancing transaction based upon the mortgagee's estimate and provide the borrower with an estimate of the new principal limit amount.

Closing

In accordance with 206.43, the lender must 1) disclose to the borrower, all costs of obtaining the mortgage and clearly state which charges are required to obtain the mortgage and which are not required to obtain the mortgage; 2) ask the borrower about any costs or other obligations that the borrower has incurred to obtain the mortgage; and 3) make sufficient inquiry, at closing, to confirm that the borrower will not use any part of the amount initial disbursement for payments to or on behalf of an estate planning service firm when the borrower requests at least 25% of the net principal limit at closing. At closing, the lender and borrower will review and execute the HUD-1, HUD-1 Addendum and other loan documents. After closing, the lender bears the responsibility of issuing loan payments to borrowers, according to their selected payment plan option, and ensuring the completion of repairs as evidenced by the Compliance Inspection Report (OMB Information Collection 2502-0189 and OMB Information Collection 2502-0265). HUD requests no burden hours in this submission.

The Good Faith Estimate provides the borrower with an understanding of the amount needed to close the mortgage transaction and the amount available to the borrower. A Truth in Lending Act Disclosure states whether the loan is an open-end or closed-end credit. The Loan Agreement describes the lender's conditions for making loan advances to the borrower as described in the Note and Security Instrument. It defines financial terms and documents used in the mortgage transaction. The lender provides the Loan Agreement concurrently with the Note and Security Instrument. The Note serves as a promissory note of repayment and the Security Instrument is used to secure a lien against the property. These documents are executed by the borrower. (OMB Information 2502-0059 and OMB Information Collection 2502-0265.) HUD requests no burden hours in this submission.

Endorsement

Lenders are required to submit case binders to HUD for review and endorsement. (OMB Information 2502-0059.) HUD requests no burden hours in this submission.

Lenders wishing to participate in the program must establish a pre-authorized debit (PAD) account to transmit premium payments. There are approximately 50 lenders entering the program each year.

3. Vendors are currently supplying lenders with soft copies of the Note, Security Instrument, and Loan Agreement. The HUD Website allows lenders and counselors to download HUD forms. Automated technology is being used to gather information needed for the completion of the appraisal report and calculation of payment plan options. Each loan application has its own unique characteristics of property, mortgage amount and borrower data; therefore, the use of computers can only be applied to the storage and retrieval of reference information and not to the burden-reduction aspect. The burden is the minimum and consistent with the statutory and regulatory requirements.
4. This information collection is not collected elsewhere.
5. No significant impact on small businesses or other small entities.
6. The information is necessary to screen mortgage insurance applications in order to protect the FHA insurance fund and the interests of consumers and potential borrowers. Without the collection of information, the Federal Program would be open for misuse by “interested Third Parties,” such as estate planning service firms and the Federal Program could be open for misuse by Lenders and an abundance of consumer complaints because the borrower didn’t understand the program requirements.
7. There are no special circumstances in the collection of this information.
8. The agency notice soliciting comments on the information collection for OMB #2502-0524 was published in the Federal Register on June 29, 2007 (Volume 72, Number 125, page 35714). No comments were received. FHA has a close working relationship with FHA lenders who originate HECMs, thus, it is our intention to contact the National Reverse Mortgage Lender’s Association and HUD Homeownership Center staff to solicit their input on this collection.
9. No gifts are paid to respondents.
10. No assurance of confidentiality is provided, nor is such appropriate or feasible.
11. No questions of sensitive nature are involved.
12. Estimated public burden

Information Collection	Number of Respondents	Frequency of Response	Total Annual Responses	Hours per Response	Total Annual Burden Hours	Hourly Rate	Total Annual Cost
HUD-92902	820	Varies	115,000	.10	11,500	\$19	\$218,120
HUD-92901	820	Varies	10,000	.50	5,000	\$19	93,480
Request to establish a PAD account	820	Varies	50	.25	7	\$19	133
Consumer Measures Against Excessive Fees Disclosure							
Provided by Lenders	820	Varies	125,000	.16	20,000	\$19	378,906
Counselor Information	1,200	Varies	125,000	.75	93,750	\$15	1,404,000
Grand Total	2,020		375,050		132,902		\$2,150,727

The \$19.00 hourly rate reflects the cost to the lender for the origination of the mortgage.

The \$15.00 rate reflects the cost paid to counselors for providing counseling services to the mortgagor regarding the fees associated with applying for the HECM program and refinancing existing HECM loans.

13. There are no additional costs to respondents or record keepers resulting from the collection of this information.
14. There is no annual cost to the Federal government.
15. This is an extension of a currently approved collection. As noted in Item 12, the popularity of the program and increased marketing efforts has increased the number of borrowers and the expected total burden.
16. The results of this information collection will not be published because the data contains personal information.

17. HUD is not seeking approval to avoid displaying the OMB expiration date.
18. There are no exceptions to the certification statement identified in item 19 of the OMB 83-I. The forms will be modified upon OMB review.

B. Collections of Information Employing Statistical Methods.

Statistical methods are not used as they would not increase accuracy or reduce reporting burden.