

# 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/Sub agency Originating Request: <b>U.S. Department of Housing and Urban Development</b> Office of Single Family Asset Management		2. OMB Control Number: a. <b>2502-0429</b> b. None	
3. Type of information collection: (check one) a. <input type="checkbox"/> New Collection b. <input checked="" type="checkbox"/> Revision of a currently approved collection c. <input type="checkbox"/> Extension of a currently approved collection d. <input type="checkbox"/> Reinstatement, <b>without change</b> , of previously approved collection for which approval has expired e. <input type="checkbox"/> Reinstatement, <b>with change</b> , 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="" 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="" type="checkbox"/> No 6. Requested expiration date: a. <input checked="" type="checkbox"/> Three years from approval date      b. <input type="checkbox"/> Other (specify)	
7. Title: <b>FHA-Insured Mortgage Loan Servicing Involving the Claims and Conveyance Process, Property Inspection/Preservation</b>			
8. Agency form number(s): (if applicable) <b>Claims and Conveyance</b> - HUD-09519-A <i>Property Inspection Report</i> , HUD-09539 <i>Request for Occupied Conveyance</i> , HUD-27011, Parts A, B, C, D, E <i>Single Family Application for Insurance Benefits</i> , HUD-50002 <i>Request to Exceed Cost Limits for Preservation and Protection</i> , HUD-50012 <i>Mortgagees Request for Extension of Time Requirements</i> , HUD-91022 <i>Mortgagee Notice of Foreclosure Sale</i>			
9. Keywords: <b>Housing, Mortgage, Financial Assistance, Homeownership</b>			
10. Abstract: This information collection involves mortgage loan servicers, "mortgagees" that service Federal Housing Administration "FHA" insured mortgage loans and the home owners, "mortgagors" who are involved with those activities. The revised information request for OMB review seeks to combine the requirements of several existing OMB collections under one comprehensive collection primarily for mortgagees that service FHA-insured mortgage loans and the mortgagors who are the home owners.			
11. Affected public: (mark primary with "P" and all others that apply with "X") a. <input checked="" type="checkbox"/> Individuals or households      e. Farms b. <input checked="" type="checkbox"/> Business or other for-profit      f. <input checked="" type="checkbox"/> 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. <input checked="" type="checkbox"/> Required to obtain or retain benefits c. <input checked="" type="checkbox"/> Mandatory	
13. Annual reporting and recordkeeping hour burden: a. Number of respondents      223 b. Total annual responses      614,838 Percentage of these responses collected electronically      94% c. Total annual hours requested      692,359 d. Current OMB inventory      338,641 e. Difference (+,-)      +353,718 f. Explanation of difference: 1. Program change:      353,718 2. Adjustment:		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      \$0.00 b. Total annual costs (O&M)      \$0.00 c. Total annualized cost requested      \$10,385 d. Total annual cost requested      \$10,385 e. Current OMB inventory      \$0.00 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. <input checked="" type="checkbox"/> Application for benefits      e. Program planning or management b. <input checked="" type="checkbox"/> Program evaluation      f. Research c. General purpose statistics      g. <input checked="" type="checkbox"/> Regulatory or compliance d. Audit		16. Frequency of recordkeeping or reporting: (check all that apply) a. <input checked="" type="checkbox"/> Recordkeeping      b. <input type="checkbox"/> Third party disclosure c. <input checked="" type="checkbox"/> Reporting: 1. <input checked="" type="checkbox"/> On occasion      2. <input type="checkbox"/> Weekly      3. <input checked="" 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 type="checkbox"/> No		18. Agency contact: (person who can best answer questions regarding the content of this submission) Name: <b>Robert Juenger</b> Phone: <b>202-708-1672 ext. 4966</b>	

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## 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:  X Mike Winiarski, Director, Organizational Policy, Planning and Analysis Division, HROA	Date:
Signature of Senior Officer or Designee:  X Lillian Deitzer, Departmental Reports Management Officer	Date:

# Supporting Statement for Paperwork Reduction Act Submissions

## Non-Performing FHA-Insured Mortgage Loan Servicing

### A. Justification

1. The National Housing Act (P.L. 479, 48 Stat., 1246, 12 U.S.C., 1701 et seq.) authorizes the Secretary of Housing and Urban Development to insure financial institutions against losses as a result of mortgagor defaults on single-family mortgages. The Act also allows HUD to deal with, complete, rent, renovate, modernize, insure, or sell for cash or credit, at his/her discretion, any properties conveyed to the Department under contracts of mortgage insurance. Re Delegations of authority to enter into and administer procurement contracts for goods and services for acquired properties have been made to specific positions within HUD local offices. Departmental officials assigned, detailed, or acting in these positions have been made responsible for exercising such procurement authority in accordance with all applicable laws, regulations, and procedures. Applicable regulations regarding procurement are contained in the Department's input to the Federal Acquisition Regulations.
2. The respondents for the collection are Mortgagees, Mortgagors and Contractors. This information request for OMB review seeks to combine the requirements of several existing OMB collections under one comprehensive collection for mortgagees that service FHA-insured mortgage loans, mortgagors who are the homeowners and contractors (M&M's) who manage HUD REO activities.

The Claims and Conveyance OMB collections affected are; 2502-0268 "Request for Occupied Conveyance", 2502-0349 "Certified Eligibility for Adjustments for Damage or Neglect", 2502-0429 "Single Family Application for Insurance Benefits" and 2502-0436 "Mortgagee's Request for Extension of Time Requirements". The following activities and requirements for this PRA are set forth in Title 24 of the Code of Federal Regulations (CFR) in numerous locations of the CFR, specifically 24 § 203.350, § 203.355, § 203.357, § 203.359, § 203.360, § 203.362, § 203.363, § 203.364, § 203.365, § 203.368, § 203.369, § 203.377, § 203.378, § 203.379, § 203.381, § 203.382, § 203.389, § 203.402, § 203.414, § 203.670, § 203.671, § 203.672, § 203.673, § 203.674, § 203.675, § 203.676, § 203.677, § 203.678, § 203.679, § 203.680, § 203.681.

### Claims and Conveyance

The filing, of Claims for insurance benefits and Conveyances to HUD as covered in this consolidated PRA, OMB 2502-0429 also includes the activities under current PRA's, found in OMB 2502-0268, OMB 2502-0436 .

- For OMB 2502-0268, authority for obtaining information is provided in regulations governing **occupied conveyance** at (24 CFR § 203.670 through § 203.681) stating that at least 60 days but not more than 90 days before the date on which the mortgagee expects to acquire title to the property: the mortgagee shall notify the mortgagor and each head of household who is occupying a unit of its potential acquisition by HUD. Mortgagees are required to provide a notice of acquisition to mortgagors and to any occupant of the property. In its first notice to the occupancy, the mortgagee includes Form HUD-09539, Request for Occupied Conveyance. If the occupant desires to remain in occupancy, the occupant must complete the subject form, HUD-09539, and submit the form to the local HUD office within 20 days after the date of the mortgagee's notice. Authority for obtaining information is provided in regulation governing occupied conveyance at 24 CFR § 203.670 thru § 203.681. This activity currently covered in an existing PRA approval of OMB 2502-0268 "Request for Occupied Conveyance", will be discontinued with the approval of this revised PRA submission.

This information is necessary for HUD to determine if the occupant is financially able to pay the fair market rent; and/or whether a member of the immediate family residing in the residence suffers from a

temporary, permanent, or long-term illness or injury which would be aggravated by the process of moving from the property. HUD uses the information in making its determination as to whether to approve or disapprove the occupant's request for occupied conveyance.

For OMB 2502-0436, authority for obtaining information is provided in regulations governing a **request for extensions of time requirements** are found at 24 CFR § 203.355, 357, 359, 363 and 365. This activity is currently covered in an existing approval of OMB 2502-0436 "Mortgagee's Request for Extension of Time Requirements", will be discontinued with the approval of this revised PRA submission.

The respondents are FHA mortgagee's who file form HUD-50012 "Mortgagees Request for Extension of Time Requirements" if, for some reason, it is not possible to take certain actions within specific time limitations. If HUD finds, after notice of default that the default was due to circumstances beyond the control of the mortgagee, HUD may, upon such terms and conditions as prescribed, approve the request of the mortgagee for an extension of the time for curing the default and time for commencing foreclosure proceedings or for acquiring title to the mortgaged property. Form HUD-50012, is used by HUD to evaluate requests for extensions of regulatory time limits within which specific foreclosure processing steps must be taken and to respond to the requests. The request for an extension of time must be filed with HUD prior to the expiration of the time frames. Mortgagees maintain copies of the HUD approval with related claim documents to verify that HUD has authorized the extension of time on a specific case.

This information may be submitted electronically and available on HUDClips. If the property has already been transferred to HUD, the printed form is signed and sent via e-mail, fax or regular mail to the Marketing and Management (M&M) contractor for that area. If the property has not been transferred to HUD, the printed form is signed and sent via e-mail, fax or regular mail to the National Servicing Center (NSC). HUD (or its M&M contractor) then documents its decision on the form, signs it, and returns it via e-mail, fax or regular mail to the mortgagee who maintains the approved or denied request in the claim file. This single form documents both the request for extension and HUD's approval or denial and is easily maintained in the mortgagee's claim file.

For OMB 2502-0429, authority for obtaining this information is provided in regulations Section 204(a) of the National Housing Act (12 U.S.C. 1710) which outlines the terms and conditions under which the Secretary of HUD may pay insurance benefits to a mortgagee for any insured mortgage. Regulations are found in 24 CFR § 203.350 through § 203.414. This activity is currently covered in an existing approval of OMB 2502-0429 "Single Family Application for Insurance Benefits", which will be continued with the approval of this revised PRA submission.

Form HUD-27011, Parts A, B, C, D and E "Single Family Application for Insurance Benefits" is the only form used by FHA to allow mortgagees to claim insurance benefits on single-family mortgages. Mortgagees carry on and document those loan servicing activities as a matter of standard business practice. Action for defaulted borrowers include, but are not limited to deeds in lieu of foreclosure, Pre-foreclosure sales, assumptions, special forbearances, partial claims, and recasting of mortgages. Information is collected regarding the verification of residence or employment, condition of property, short and long-term plans for housing and employment income, and access to financial services may be collected for evaluation of appropriate loss mitigation.

The vast majority of insurance claim forms are filed electronically using the FHA Connection or can also be submitted via the Electronic Data Interchange (EDI). In very few cases, at HUD's request or instruction, a paper submission of the insurance claim may be required and sent via e-mail, fax or regular mail. HUD reserves the right to request documentation in the form of hard copy for audit purposes or too HUD's M&M contractors pursuant to HUD current or future direction. All information collected to some

degree is standard business practice, however due to HUD's claim process HUD ascribes burden hours thereto.

- o The type of property information consists of: property appraisal; evidence of property damage type (tornado, boiler explosion, fire, flood, earthquake); evidence of damage or destruction of vacant or abandoned properties; approvals to convey a damaged property; evidence of vacancy or abandonment; documentation of P&P actions performed; date damage occurred; estimate of recovery or damage; property tax information; certification of property condition; special assessments; hazard insurance; insurance settlement for damage to the property; occupants of property and date vacated; title evidence (including easements, encroachments, violations of codes or covenants); oil, water, or mineral rights; other liens on the property; charges for community owned property; assignment information; acceptance of deed-in-lieu of foreclosure; documentation for pre-foreclosure sale (including the borrower's application to participate in the program, the lender's approval, and evidence of housing counseling to the borrower).
- o The type of property expenses consists of: disbursements for protection and preservation; property inspection reports; rental income/expense; attorney/trustee fees; mortgage insurance premiums; lost opportunity costs; advertising; eviction expenses; uncollected interest; foreclosure action (including notice of default, notice of sale, conducting the sale, transfer to title and recording of documents, transfer of funds); costs of sale (discount points, sales commission, recording fees servicing charge, termite report, title insurance); correction of any title defects.
- o The type of borrower information consists of: Financial information; verification of employment; original credit and security instruments; underwriting documentation; loan payment history; firm commitment; mortgage insurance certificate; deed; subordinate liens for partial claims; notice of default; borrower meetings; documents signed to modify the loan; late fees; penalties; non-sufficient check fees; loan subordination information; bankruptcy filing/discharge/release/dismissal; deficiency judgment after foreclosure.

Section 426 of the Housing and Urban-Rural Recovery Act of 1983 amended Section 204(a) of the National Housing Act authorizing payment of insurance benefits for **Claims Without Conveyance of Title (CWCOT)**, without conveying title of the foreclosed properties to HUD. On August 1, 1990, the CWCOT regulatory procedure was adapted for use only in cases involving deficiency judgments, or other situations where HUD either requests or requires a mortgagee to obtain a property appraisal and to use CWCOT (24 CFR § 203.368). The mortgagee may submit a request for CWCOT to HUD's local office to encourage the possibility of third party bidders at the foreclosure sale or to establish a deficiency judgment. This procedure allows for the filing of a claim without conveying title of the foreclosed property to HUD. There are mortgage loan origination dates that apply to loans in which the mortgagee can decline the use of CWCOT and other dates in which HUD can require the mortgagee to use CWCOT.

Where HUD has directed or authorized a mortgagee to use the CWCOT procedure, the mortgagee must estimate the foreclosure sale date for form HUD-91022 and hand carry or mail the form to the local HUD office 45 days prior to the estimated foreclosure sale date. The mortgagee shall furnish a copy of the legal Notice of Sale or other notification other the actual foreclosure sale date to the local HUD office on or before the date of publication, posting, or other standard legal notice. The name of the HUD-approved appraiser will be submitted on the form and when the appraisal is completed, forwarded to the local HUD office and a copy to the mortgagee. HUD will review the HUD-91022 and appraisal to set an adjusted fair market value for foreclosure sale bidding to the mortgagee, 5 working days prior to the foreclosure sale date. At the foreclosure sale, either the mortgagee or a third party will be the successful bidder. Where the mortgagee is the successful bidder, the mortgagee may elect to either retain title to the property or

convey title to the property to HUD. In either case, the mortgagee must file its claim for benefits within 30 days after acquiring good, marketable title to the mortgaged property.

Mortgagees after the foreclosure and acquiring good marketable title and possession of the property must **transfer/convey** the property to HUD within 30 days or within such further time as may be necessary to complete the title examination and perfect the title (24 CFR § 203.359 and § 203.389). Title conveyed to HUD must be good and marketable, but may accept certain specific and common exceptions to the title as listed in the regulations. HUD offices may waive additional objections, based on local practice and the general marketability of title clouded by those objections.

If a mortgagee fails to comply with HUD's conveyance regulations, HUD may **reconvey title** to the mortgagee (24 CFR § 203.363). Under these conditions, HUD will cancel the claim for insurance benefits. HUD will require reimbursement for expenses incurred regarding acquisition, holding and reconveyance, less and income received from the property. The mortgagee may reapply for insurance benefits at a subsequent date; provided, that the mortgagee may not be reimbursed for any expenses incurred in connection with the property after it has been reconveyed by HUD

Generally, the **property condition** will be undamaged by fire, earthquake, flood or tornado when a mortgagee conveys the title and property to HUD (24 CFR § 203.378 and § 203.379). Additionally, mortgagees are also responsible for loans in default and properties that are vacant or abandoned, when such damage or destruction is due to the mortgagee's failure to take reasonable action to inspect, protect and preserve the property.

In some cases, with HUD approval, damaged properties may be accepted. The mortgagee will provide a written request with full written description of the circumstances. The written description should contain the reason the mortgagee does not wish to make repairs, and an estimate by the mortgagee of the cost of repairs. The amount of the insurance recovery, if any should be noted. In the event HUD approves the acceptance of a property that has been damaged by fire, flood, earthquake, hurricane, tornado or the property has suffered damage because of the mortgagee's failure to take action, HUD will make an adjustment for damage or neglect to the mortgagee's claim for insurance benefits.

The mortgagee is responsible for the **inspection and preservation of properties** by taking reasonable actions to protect the value of the security until title can be conveyed to HUD (24 CFR § 203.377). Inspections are identified as initial, occupancy and vacant. The initial and vacant inspections are required by HUD regulations. The occupancy inspection is necessary to determine when foreclosure action must be initiated and when protection and preservation action must be taken, if the mortgagee cannot determine the occupancy status by telephone, letter, notice on doors or other means. The mortgagee is required to protect and preserve the property until its conveyance to HUD.

When a mortgage is in default, a payment is not received within 45 days of the due date, and efforts to reach the Mortgagor by telephone or other means within that period have proven unsuccessful, the Mortgagee must make an inspection of the property to determine occupancy status. Inspections must be performed 25-35 days following any prior inspection if the property is vacant, or 25-35 days following the last documented contact with the Mortgagor if the mortgage remains in default.

There are five types of property inspections: occupancy inspections, initial vacant property inspections, vacant property inspections, voluntary pre-conveyance inspections and eviction inspections. HUD form 9519-A, "Property Inspection Report" may be used to document and support each claimed inspection/expense and such a report must be maintained in the Mortgagee's case file and must be provided to HUD or its Management and Marketing (M&M) contractor upon request.

## **Occupancy Inspections**

- The Mortgagee must make an occupancy inspection to determine if the property is vacant or abandoned when a mortgage is in default, a payment is not received within 45 calendar days of the due date, and efforts to reach the Mortgagor by telephone or correspondence within that period have proven unsuccessful. Some areas may require more frequent inspections. If the inspection determines that the property is occupied or is vacant but is obviously being maintained (e.g., doors and windows secured, lawn is cut, For Sale sign on the property, etc.), but the Mortgagor continues to be in default, the Mortgagee must attempt to make telephone or other contact with the Mortgagor or occupant each month. If the occupancy inspection establishes that the property is abandoned, the Mortgagee must initiate preservation and protection actions beginning with an initial inspection and securing.

## **Initial Vacant Property Inspections**

- An initial vacant property inspection, also called the “initial inspection”, is performed on the date a Mortgagee first takes physical possession of a property by securing it. This should be as soon as reasonably practical, but no more than five calendar days following the determination that the property is vacant and/or abandoned. If the occupancy inspection identifies an imminent source of property damage or a health and safety hazard (e.g., flowing water, collapsed roof, gas leak) the Mortgagee must take action to remediate the damage/hazard no later than 48 hours following discovery.

In some instances the initial inspection will take place on the same date as the occupancy inspection. In these cases, the Mortgagee may only claim the cost of the initial inspection. The initial inspection report establishes the condition in which the Mortgagee first found the property, and may be of critical importance in distinguishing between Mortgagor and Mortgagee neglect, following conveyance.

## **Vacant Property Inspections**

- Vacant property inspections are performed after the initial inspection and securing have occurred. The Mortgagee must inspect a vacant or abandoned property every 25-35 days following an initial inspection, or more frequently as prescribed in local variations to determine whether any subsequent preservation and protection action is necessary. Vacant property inspections must include both interior and exterior assessments of property condition.

## **Voluntary Pre-Conveyance Inspections**

- HUD encourages, but does not require, Mortgagees or M&M contractors to conduct pre-conveyance inspections. Pre-conveyance inspections may significantly reduce post-conveyance disputes between Mortgagees and M&M contractors by allowing each party to agree that properties are in conveyance condition or identify additional requirements that must be met prior to conveyance. This is especially beneficial when properties will be conveyed damaged, as it will allow the Mortgagee to demonstrate that the damage is not surchargeable, thereby reducing the likelihood of demand letters, re-conveyance, or other sanctions.

Pre-conveyance inspections should be scheduled no earlier than five calendar days prior to the scheduled conveyance date. To encourage this practice, HUD will allow Mortgagees to claim the

cost of one additional inspection, claimed at the rate of an occupancy inspection, provided the pre-conveyance inspection does not coincide with the regular inspection schedule.

Mortgagees should contact the appropriate M&M contractor directly for further information on procedures regarding voluntary pre-conveyance inspections in their contract areas. The M&M contractor, using HUD's inspection form, will perform voluntary pre-conveyance inspections.

### **Pre-Eviction Inspections**

- o Mortgagees are required to perform a pre-eviction inspection within 72 hours of a scheduled eviction, whenever there is any doubt that a property is vacant. The pre-eviction inspection will be reimbursable as a vacant property inspection. When an inspection is already scheduled for the same week as the eviction, the pre-eviction inspection is to be performed within 72 hours of the eviction date. Mortgagees are to confirm the scheduled eviction the day before or morning of the scheduled eviction to be eligible to claim one hour of labor per person for a canceled or rescheduled eviction. Mortgagees should document in the claim review file, the name of the person or place called, the date and time of the call and results of the call.

In most cases the mortgagees will not board up vacant properties but in a minority of cases there may be cause for preservation and protection of the property. Actions may be taken on a case-by-case basis after they are reviewed and approved by the local HUD office. HUD allows certain amounts for lenders to spend on the preservation and protection of mortgaged properties. If a specific service cannot be performed at the scheduled rate, the lender must request HUD permission to exceed that cost limit through the use of form HUD-50002, Request to Exceed Cost Limits for Preservation and Protection. 24 CFR § 203.402(g)(1) and (g)(2) requires prior HUD approval to exceed scheduled amounts. Collection of information and FHA documentation is retained for a period of three years and may be stored in paper or electronic media after final and supplemental payments.

The mortgagee must certify to HUD, on the date the deed is filed for record, that the **occupancy status of the property** is vacant and free of personal property unless HUD has agreed to accept title with the property occupied (24 CFR § 203.381). The mortgagee must notify the mortgagors or occupants at least 60 days, but not more than 90 days before the mortgagee reasonably expects to acquire title. If the occupant contacts HUD within 20 days of the date of the mortgagee's notice, requesting to remain in the property, HUD will notify the mortgagee. In the event HUD approves an occupied conveyance, the mortgagee must note the date of HUD's approval letter on its claim for benefits.

The mortgagee must request the **cancellation of the hazard insurance** as of the date the deed is filed for record (24 CFR § 203.382).

The mortgagee shall notify the Commissioner of HUD of the filing of such **property conveyance** and shall assign without recourse or warranty, any or all claims, which the mortgagee has acquired in connection with the mortgage loan foreclosure proceedings (24 CFR § 203.360).

The mortgagee will furnish HUD with **documents and information for a HUD claims review** that consists of a copy of the deed, fiscal data pertaining to the mortgage loan transaction and any additional information that HUD may require (24 CFR § 203.365).

The mortgagee must maintain a claim file containing the documentation supporting all information submitted to claim payment for at least 3 years after the claim has been paid. HUD may request the mortgagee provide a file of the claim within 24 hours.



The mortgagee may foreclose and be required to pursue a **deficiency judgment** if required by HUD. Deficiency judgments are generally being pursued department-wide, except where state law makes them impossible or highly impracticable (24 CFR § 203.369 and § 203.402 (o)). The local HUD offices use internal data pertaining to defaults and foreclosure to identify mortgagors against whom deficiency judgments should be sought or the mortgagee can initiate the process by notifying the local HUD office. Deficiency judgments pursued by mortgagees must be assigned and transmitted to the local HUD office within 30 days of being obtained. HUD will utilize various methods to collect once the judgments have been assigned.

If the mortgagee **fails to comply with HUD regulations**, HUD may hold processing of the claim for insurance benefits in abeyance for a reasonable time in order to permit the mortgagee to comply. HUD may re-convey title of the property to the mortgagee and cancel the application for insurance benefits without prejudice to the rights of the mortgagee to reapply for insurance benefits at a subsequent date (24 CFR § 203.363).

HUD may consent to a **withdraw of an application for insurance benefits**, if the mortgagee accepts reconveyance of the property, promptly files a re-conveyance for record, accepts the title evidence it furnished to HUD and reimburses HUD for any expenses (24 CFR § 203.362 and § 203.364). The mortgagee will reimburse HUD for all expenses incurred in connection with the acquisition and reconveyance. The reimbursement will include interest on the amount of insurance benefits refunded by the mortgagee. The mortgagee will reimburse HUD for computed daily holding costs based on taxes maintenance operating expenses and administrative expenses.

## Partial Claims

- HUD assists mortgagors affected by destruction caused during natural disasters in presidentially declared disaster areas. HUD working with mortgagees, states and other agencies or departments provides guidance and direction. For example in 2006, HUD working with the state of Mississippi established an action plan for use of Federal Community Development Block Grant (CDBG) funds. In connection with its CDBG Homeowner Grant Assistance program mortgagors who suffered flood damage from Hurricane Katrina to a primary residence that was not located in a FEMA designated special flood hazard area as of August 29, 2005 may receive a one-time grant payment. In exchange for the grant payment, a qualifying mortgagor must agree to have certain covenants placed on the property and all existing lienholders must subordinate their liens to those covenants. HUD may hold a junior lien on an eligible property as security for a partial claim payment or Section 235 subsidy mortgage and have to subordinate the lien to the state required covenants in order for the mortgagor to receive state CDBG funds. The estimated partial claims for the CDBG grants were 25 properties that may have a HUD-held junior lien on them requiring subordination to the state required covenants.

## Accelerated Claims (601)

- Title VI, Section 601 of the VA, HUD, and Independent Agencies Appropriations Act 1999 (the “Act”), passed in October 1998, reformed the single-family claims and property disposition process. The legislation enables HUD/FHA to: (i) pay claims upon assignment of mortgages rather than only upon conveyance of the properties; (ii) take assignment of notes and transfer them to private parties for servicing, foreclosure avoidance, foreclosure, property management and asset disposition; and (iii) participate as an equity partner with private entities in asset disposition. The Accelerated Claims Disposition (ACD), program enables mortgagees to sell defaulted loans to HUD avoiding the costly foreclosure process, thereby adding to the overall servicing value of FHA-insured loans.

The Act provides HUD/FHA with additional flexibility to choose the most cost-effective methods of paying insurance claims and disposing of acquired notes or properties under the FHA single-family

programs. The ACD program allows for the sale to FHA of defaulted mortgage notes, with a high potential for foreclosure, resulting in payment of the full legal debt. The act authorizes FHA to take assignment of notes and transfer them to private parties for servicing, foreclosure avoidance, property management, and asset disposition. Section 601(d) amends Section 204(g) of the National Housing Act to allow a structured financing for asset disposition in which FHA retains an equity interest. This authority for FHA to be an equity participant in private entities, similar to the FHA multifamily disposition program, has the potential to increase the value of the assets and therefore the return to FHA. FHA has adopted a program that will take advantage of the authority granted in this legislation. The objective of the program is to maximize the sales proceed to FHA and ensure the FHA's public policy issues are addressed while disposing of the assets in the most efficient manner.

The ACD program was established as a pilot program with five original mortgagees; currently the program does not have any defaulted FHA mortgage loans in the pipeline.

3. Mortgagees, consist of major industry mortgage loan lenders and servicers in addition to medium and smaller size mortgagees. However, the one thing they have in common is an automated mortgage loan servicing that has the capability of servicing various types of loans and investors. HUD information is routinely gathered and reported to HUD, generally on a monthly basis through HUD's electronic systems. HUD has not mandated any hardcopy or electronic format for collecting and maintaining the records. The information is to be kept with similar mortgagee documentation and submitted to HUD only if requested as a part of a review. Mortgagees have the option to maintain mortgage loan documents in electronic or imaged format as long as hard copies can be printed and provided to HUD within 24 hours of the request, depending upon the documentation requested.

HUD employs contractors known as Management and Marketing companies (M&M) to provide services, previously mention en this PRA, to literally manage and market HUD REO's to the private sector.

4. There is no duplication of information. Mortgagors routinely document mortgage loan servicing efforts as a part of their own loan servicing and internal quality control procedures. HUD will accept the various formats already in use by mortgagees as long as the information is complete.
5. The collection of this information will not have a significant impact on a substantial number of small businesses.
6. This PRA does not add to mortgagee reporting or record keeping burdens, as this information is already routinely maintained for internal and other purposes. The mortgage servicing industry has standardized at least 95% of the functions involved with servicing FHA-insured mortgage loans. The Department has worked in concert with the mortgage loan industry to establish regulations to benefit the mortgagor and our goals.

Monthly reporting of delinquencies and claims by mortgagees is required to evaluate the health of the mortgage lending industry, and whether the mortgagee has performed adequate and prudent mortgage loan servicing as compared to other firms in their peer group.

FHA insurance is an important source of mortgage credit for low and moderate-income borrowers and neighborhoods. Providing assistance, as needed, to enable families to cure their delinquencies and retain their homes stabilizes neighborhoods that might otherwise suffer from deterioration and problems associated with vacant and abandoned properties. Avoidance of foreclosure and the resultant costs also serve to further stabilize the mortgage insurance premiums charged by FHA and the Federal budget receipts generated from those premiums.

7. The mortgage industry and the FHA loan program provides for a loss mitigation evaluation no later than 90 days from the date of the first unpaid installment. The mortgage industry and HUD regulations define time periods for reporting to HUD delinquent FHA-insured mortgage loans and to perform an evaluation every 30 days, while the mortgage loans are delinquent and in default. Mortgagees are required to maintain and store FHA-insured mortgage loan for a period of three years after maturity, termination or claim payment.
8. In accordance with 5 CFR 1320.8(d), this information collection soliciting public comments was announced in the *Federal Register* on July 14, 2008 Vol. 73, No. 135 page 40359. No comments were received.

The ability to provide the information required by this process and the use of the information is discussed with the mortgage loan industry on a continuing basis at yearly functions, meetings and personal contact by various HUD staff and managers. Additionally, HUD utilizes numerous electronic reporting systems to collect data from the mortgage loan industry through existing OMB approved data collections. This data establishes numbers and volumes for the mortgage industry’s various activities. Ad hoc reports may be created by compiling the data that is reported to HUD.

9. This PRA and the collection of information does provide incentives to the mortgagee for various reinstatement options which includes; special forbearance of \$100, loan modification of \$500 and partial claim of \$250, pre-foreclosure sale of \$1,000 and deed-in-lieu of foreclosure \$250.
10. The Privacy Act of 1974 protects respondents who meet the information reporting requirements. There are not other pledges of confidentiality.
11. The information collection does not contain any questions of a sensitive nature.
12. Estimated Burden and Cost to Respondents:

**CLAIMS AND CONVEYANCES**

Information Collection	Number of Respondents	Frequency of Response	Responses Per Annum	Burden Hour Per Response	Annual Burden Hours	Hourly Cost Per Response	Annual Cost
<b>Claims and Conveyances</b>							
<b>Unoccupied Conveyance</b>							
HUD-91022 “Mortgagee Notice of Foreclosure”	223	269	60,000	.50	30,000	\$15.00	\$450,000
HUD-50002 “Request to Exceed Cost Limits for Preservation and Protection”	223	23	5,200	.50	2,600	\$15.00	\$39,000
HUD-50012 “Mortgagee’s Request for Extension of Time Requirements”	223	23	5,200	.50	2,600	\$15.00	\$39,000
HUD-27011 “Claim for Insurance Benefits”	223	233	52,000	.50	26,000	\$15.00	\$390,000
Transfer of Property and Conveyance of Title	223	233	52,000	2.00	104,000	\$15.00	\$1,560,000
Conveyance of Damaged Property	223	23	5,200	2.00	10,400	\$15.00	\$156,000
Reconveyance of Title	223	12	2,600	2.00	5,200	\$15.00	\$78,000
Occupancy Status Certification	223	233	52,000	.50	26,000	\$15.00	\$390,000
Hazard Insurance Cancellation	223	233	52,000	.50	26,000	\$15.00	\$390,000
HUD Claims Review	233	23	5,200	1.00	5,200	\$15.00	\$78,000
Optional Deficiency Judgment	223	2	520	2.00	1,040	\$15.00	\$15,600
<b>Occupied Conveyance</b>							
HUD-09539 “Request for Occupied Conveyance”	223	23	5,200	.50	2,600	\$15.00	\$39,000
<b>Claims Without Conveyance</b>							

<b>of Title</b>							
CWOT Evaluation	223	<1	52	4.00	208	\$15.00	\$3,120
HUD-91022 “Mortgagee Notice of Foreclosure”	223	<1	52	.50	26	\$15.00	\$390
Appraisal for HUD Approval	223	<1	52	2.00	104	\$15.00	\$1,560
HUD-27011 “Claim for Insurance Benefits”	223	<1	52	.50	26	\$15.00	\$390
<b>Property Inspection and Preservation</b>							
HUD-9519-A “Property Inspection Report”	223	233	52,000	.50	26,000	\$15.00	\$390,000
Occupancy Inspections	223	233	52,000	1.00	52,000	\$15.00	\$780,000
Initial Vacant Property Inspections	223	233	52,000	1.00	52,000	\$15.00	\$780,000
Vacant Property Inspections	223	117	26,000	1.00	26,000	\$15.00	\$390,000
Voluntary Pre-Conveyance Inspections	223	233	52,000	1.00	52,000	\$15.00	\$780,000
Pre-Conveyance Inspections With M&M Involvement	11	10	110	.50	55	\$15.00	\$825
Pre-Eviction Inspections	223	117	26,000	1.00	26,000	\$15.00	\$390,000
Preservation and Protection	223	233	52,000	4.00	208,000	\$15.00	\$3,120,000
<b>Presidentially Declared Disaster Partial Claims (PDPC)</b>							
PDPC Evaluation	223	<1	100	4.00	400	\$15.00	\$6,000
PDPC Subordinate Lien	223	<1	100	2.00	200	\$15.00	\$3,000
HUD-27011 “Claim for Insurance Benefits”	223	<1	100	.50	50	\$15.00	\$750
<b>Accelerated Claims (AC)</b>							
AC Evaluation	223	8	1,700	2.00	3,400	\$15.00	\$51,000
Note Assignment and Transfer	223	8	1,700	2.00	3,400	\$15.00	\$51,000
HUD-27011 “Claim for Insurance Benefits”	223	8	1,700	.50	850	\$15.00	\$12,750
Totals			614,728		692,304		\$10,384,560

The hourly cost is based on estimated mortgagee staff salary of \$31,200 annually.

13. There are no additional costs to the respondents.

14. Estimated Burden and Annual Cost to the Federal Government:

<b>Information Collection</b>	<b>Responses Per Annum</b>	<b>Burden Hour Per Response</b>	<b>Annual Burden Hours</b>	<b>Hourly Cost</b>	<b>Annual Cost</b>
<b>Unoccupied Conveyance</b>					
Conveyance of Damaged Property	5,200	1.00	5,200	\$25.00	\$130,000
HUD-50002 “Request to Exceed Cost Limits for Preservation and Protection”	233	.50	2,600	\$25.00	\$65,000
HUD-50012 “Mortgagee’s Request for Extension of Time Requirements”	5,200	.50	2,600	\$25.00	\$65,000
<b>Claims Without Conveyance of Title</b>					
Appraisal for HUD Approval	52	1.00	.50	\$25.00	\$1,300
<b>Deed-in-Lieu of Foreclosure</b>					
Non-Corporate Request for DIL	335	1.00	335	\$25.00	\$8,375
Corporate Request for DIL	33	1.00	33	\$25.00	\$825

The hourly cost per response reflect the the average hourly wage paid for a federal employee who is typically a GS12.

15. This revision is based on the activity involving mortgage loan servicing of delinquent, defaulted, and foreclosed mortgage loans with claims filed after the foreclosure. Several currently approved collections are being combined.

Due to conditions in the banking industry, particularly acquisitions and mergers, the number of respondents servicing these mortgages has significantly decreased.

16. There are no plans to publish this information collection for statistical use.
17. HUD is not seeking approval to avoid displaying the expiration date.
18. There are no exceptions to the certification statement identified in Item 19 of the OMB 83-I.

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

This collection of information does not employ statistical methods.