

**2010 SUPPORTING STATEMENT**  
7 CFR Part 1980-D, Rural Housing Loans  
**OMB Number 0575-0078**

**A. Justification**

**1. Explain the circumstances that make the collection of information necessary:**

The Housing and Community Facilities Program (HCFP), hereinafter referred to as the “Agency,” is a credit agency for Rural Development for the U.S. Department of Agriculture. The Agency offers supervised credit programs to build modest housing and essential community facilities in rural areas. This regulation prescribes the policy necessary to process Rural Housing loan guarantees to low- and moderate- income applicants. The Agency was formerly known as the Rural Housing Service (RHS) and Rural Housing and Community Development Service (RHCDS), a successor agency to the Farmers Home Administration under the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994, Public Law 103-354.

Section 517 (d) of Title V of the Housing Act of 1949, as amended, provides the authority for the Secretary of Agriculture to issue loan guarantees for the acquisition of new or existing dwellings and related facilities to provide decent, safe, and sanitary living conditions and other structures in rural areas.

The Act also authorizes the Secretary to pay the holder of a guaranteed loan the difference between the rate of interest paid by the borrower and the market rate of interest.

The purpose of the Single Family Housing Guaranteed Loan Program (SFHGLP) is to assist low and moderate-income individuals and families in acquiring or constructing a single-family residence in a rural area with loans made by private lenders. Eligibility for this program includes very low, low, and moderate-income families or persons whose income does not exceed 115 percent of the median income for the area, as determined by the Secretary.

The SFHGLP was authorized under the Cranston-Gonzalez National Affordable Housing Act and the Agency issued a final rule implementing the SFHGLP on April 17, 1991, before departmental reorganization. The program began as a pilot program in 20 States on May 17, 1991. In 1992, the SFHGLP was offered on a nationwide basis.

The Agency recognized the need to make its program even more compatible with the existing structure of the mortgage lending community. On May 22, 1995, the Agency published the final rule incorporating the needed changes to encourage greater participation by lenders and the secondary market for mortgage loans.

The Agency is in the process of re-engineering and streamlining the current guaranteed regulation and published the proposed rule as 7 CFR part 3555, “Guaranteed Rural Housing Loan Program,” in the Federal Register on December 15, 1999 (64 FR 70123). The Agency analyzed the comments to the proposed rule and has made changes deemed appropriate based on the comments. A technical handbook based on the revised regulation will accompany the final

rule. Due to higher priorities placed upon the division by the Department, the publication of the final rule of 7 CFR Part 3555 is not anticipated until 2011. Implementation will not occur until FY 2012. Once the 7 CFR 3555 is implemented the 1980-D burden docket will be obsolete.

By re-engineering and streamlining the present guaranteed regulation the incorporated policy and procedural changes will enable the Agency to better perform our mission of expanding affordable housing throughout America by providing more flexibility to mortgagees by reducing procedural requirements, enhance, condense and streamline the paper process, improve customer service, reach more homebuyers by removing barriers, and allow the Agency to achieve greater efficiency, flexibility and effectiveness in managing the guaranteed program. The intended outcome is to provide a better program to serve low- and moderate-income borrowers, and reduce public burden.

Because the Agency extends credit through loan guarantees, it is necessary to collect information from both a potential homebuyer and lender. In general, the program is most appropriately used to offset the risk of making high loan-to-value ratio loans in rural areas. It is not intended to offset risks that stem from poor credit history or poor property condition. Lenders must provide the Agency with clear and accurate information so that Agency staff can promptly determine whether the loan qualifies for a loan guarantee.

**2. Indicate how, by whom, and for what purpose the information is to be used. Except for a new collection, indicate the actual use the Agency has made of the information received from the current collection:**

The Guaranteed Rural Housing program is designed to provide low- and moderate-income households the opportunity to own adequate, modest, decent, and sanitary dwellings and related facilities for their own use in rural areas. The program offers people the opportunity to acquire, build, rehabilitate, improve or relocate dwellings in rural areas. It also allows a present homeowner to refinance an existing guaranteed or direct loan with the lender using standard forms approved by the United States Department of Housing and Urban Development (HUD), Federal Housing Administration (FHA), Fannie Mae and Freddie Mac. The program provides guarantees for qualified loans that a lender would not make without a guarantee. The agency guarantees mortgage loans made by an approved lender against default by the borrower.

To participate in the SFHGLP lenders must submit their qualifications to the Agency and enter into an agreement that outlines both the lender and Agency's commitments and responsibilities under the guaranteed program. Confirmation of those qualifications is necessary to insure the lender possesses a high standard of demonstrated ability to originate service, hold and report loans in accordance with Agency guidelines.

The lender is responsible for working with the applicant to insure all necessary documentation is obtained to meet eligibility criteria for the guaranteed program. The lender reviews the application, processes the loan and performs all loan underwriting. Once underwritten, a complete loan package is forwarded to the Agency requesting a commitment of loan guarantee funds. For every loan request delivered to the Agency, the lender must establish that the applicant has the ability to repay the debt; is willing to repay the debt; and the property is sufficient security for the mortgage. Although the lender must underwrite the applicant and

property information to ensure that the loan meets all program criteria, the Agency must review the lender's documentation to ensure that loans to be guaranteed meet program requirements. The information requested by the Agency includes borrower financial information such as household income, assets and liabilities and monthly expenses. If the Agency review indicates the loan meets all program requirements, the Agency will agree to guarantee the loan, subject to any conditions provided for in the Agency's written commitment to the lender. These requirements are in compliance with OMB Circular A-129.

The success of the SFHGLP relies on lenders to make sound underwriting decisions. Because the Agency does not under the loans it guarantees, lenders that apply for guarantees must originate, perform underwriting, servicing and liquidate the loans. Upon request, the lender must be able to provide the Agency with all mortgage loan files including all loan origination documents. Additionally lenders must maintain record of all payments and disbursements paid on the obligation while the Agency has potential liability. The lender should also maintain a record of all servicing actions, relevant post closing documents, and all borrower notices and correspondence. This information is utilized for lender monitoring ensuring the integrity of the loan program is maintained.

Lenders are responsible for servicing guaranteed loans and protecting their security interests. The Agency expects lenders to perform those servicing actions that a reasonable and prudent lender would perform in servicing its portfolio of non-guaranteed loans. Reports from lenders must be submitted on a monthly basis for to report defaults and a quarterly basis report the status of portfolio. Reports are submitted electronically to the Agency. The Agency uses monthly reports to monitor loans in default and lender performance. Quarterly reports provide loan-level detail for all SFHGLP loans in a lender's portfolio. The Agency's reporting requirements confirm if the lender is continuing to comply with program guidelines, or may be failing to provide high quality origination, underwriting or servicing.

During the pilot year of the program, Congress authorized funds for an interest assistance program to eligible borrowers to enhance their repayment ability. Funds have not been authorized for interest assistance since that time and only a relatively small number of these loans are still active. To grant continued interest assistance, the lender will periodically update financial information with the borrower and determine the continued qualification of the borrower for interest assistance. The lender submits the interest assistance calculation to the Agency for review and approval.

When interest assistance is granted, the borrower enters into an agreement with the Agency to repay a portion of that assistance (recapture) when the dwelling is sold, title is transferred or the borrower ceases to occupy the property. When recapture is triggered, the lender must notify the Agency and request information regarding the amount of interest assistance that could be subject to recapture. The recapture amount is calculated based upon a payoff date.

A key part of the guaranteed program is ensuring that lenders who fulfill their responsibilities under the program and incur losses receive a reimbursement quickly and simply. At the same time, the Agency must protect the interests of the Government by ensuring that claims are not paid to lenders that have failed to uphold their responsibilities under the program or claim reimbursement or unacceptable expenses. Lenders must submit a marketing summary and report of loss accompanied by supportive evidence documenting their efforts to secure, preserve,

manage and dispose of acquired property to collect on any loss incurred. Part of the mission of the SFHGLP is to ensure that properties are effectively and prudently managed and maintained. The collection of this information ensures that mission is upheld.

The guaranteed program has grown from a \$3.1 billion program in Fiscal Year (FY) 2005 to over \$16.21 billion in FY 2009. The regular budget authority in addition to authority obtained under the American Reinvestment and Recovery Act of 2009 (ARRA) transformed into 133,045 new rural homebuyers nationwide in FY 2009. This represents over a 400 percent increase in assisted homebuyers over program delivery in FY 2006. While the influence of ARRA funds allowed the program to grow substantially in FY 2009, the absence of other competing programs in the mortgage industry has created an awareness and acceptability of the SFHGLP with lender partners. Based upon projection volumes in FY 2010, if the program is funded, the SFHGLP could continue to deliver the volume experienced in FY 2009.

The specific collection of information is set forth in the final rule of 7 CFR 3555. Only burden over and beyond that which a prudent lender would customarily require in providing non-Agency loans to the public, is included. Any burden created by other Government regulations or laws are not included in this package and are considered in the scope of the lender's normal business procedures. The specific information collection burden to be cleared with this regulation is described below:

### **REPORTING REQUIREMENTS – NO FORMS:**

**Uniform Residential Appraisal Report (URAR):** Each loan guarantee must be supported by an appraisal. The appraisal provides the basis for determining the value of the loan security. The calculation of the loan guarantee is based on the appraised value of the property that is security for the mortgage. Use of the URAR is utilized mortgage industry wide. Lenders are held accountable for the integrity, accuracy and thoroughness of the appraisals. The success of the guaranteed program and the Agency's ability to minimize any potential loss is based upon the integrity, accurateness and thoroughness of the appraisal obtained from lenders. During the normal course of business, lenders would obtain and use this form for non-guaranteed residential loans. The additional burden of 10 minutes per response for a total of 21,600 work hours is to make and provide a copy of the completed appraisal to the Agency. The lender also has the option to submit this report electronically.

**Inspections of Construction:** New dwellings financed under the guaranteed program must be designed and constructed in accordance with certified plans and specifications and must meet the thermal standards specified by the Agency. To ensure acceptable construction quality, the lender's permanent case file must contain evidence that the plans and specifications comply with all applicable development standards of new construction, contain evidence of construction inspections and provide at least a one year warranty plan or 10 year insured builder warranty plan, both acceptable to Rural Development. While the Agency will not require the lender to submit documentation maintained in the lender's file regarding new construction, the Agency has the option to request this information in appropriate situations such as when:

- The Agency is performing a processing review for a new lender.

- The Agency is performing a period review of the Lender's compliance with program regulations.
- The agency believes that the lender is not fulfilling the obligations of the Lender Agreement and/or program regulations.
- The agency is reviewing a loss claim.

Existing dwellings must be inspected to determine that the dwelling meets the current requirements of Housing Urban and Development (HUD) Handbook 4150.2 and HUD Handbook 4905.1. The lender has the option to choose either an appraisal performed by a Federal Housing Administration (FHA) roster appraiser, who by designation can confirm the property meets minimum standards; or to obtain an appraisal performed by a licensed and certified appraiser not on the FHA roster and a home inspection. Regardless of whether the appraisal is completed by an appraiser on the FHA roster or by a licensed or certified appraiser not on the FHA roster, the lender must obtain documentation for an existing dwelling showing that the following requirements have been met:

- Water quality analysis, if served by an individual water supply.
- Septic system evaluation, if served by an individual septic system. An FHA roster appraiser may perform such an evaluation.
- Any repairs necessary for the dwelling to be structurally sound, functionally adequate and in good repair.
- Pest inspection, if required by the lender, appraiser, inspector, or State law.

Dwelling requirements, for the most part, are standard in the industry and do not place extra burden on the lender, except in some cases, extra inspections required on newly constructed homes by state law or building municipalities. Lenders are required to certify that the dwelling meets the Agency's thermal standards for new construction and that inspection, in accordance with RD Instruction, have been performed.

The estimated burden per response is 30 minutes. The estimated number of respondents is based on the number of lenders originating loans and is estimated to be 2,181. The annual number of responses is based on the number of loans to be made (133,045). The Agency estimates that 12 percent of the loans, based upon FY 2009 will be for new construction (15,965 loans) and will require inspections at 3 critical stages of construction or 47,895 new construction inspections annually.

The Agency estimates that 88 percent of the loans will be for existing construction (117,080 loans) and will require only one inspection. Total inspections anticipated are 164,975 estimating 30 minutes to complete the inspections or 82,487 work hours.

**Standard Credit Documentation:** Each request for Loan Note Guarantee must be supported by a mortgage loan application and sufficient information for the underwriter to reach an informed decision about whether to approve the mortgage. Standard credit documentation should include a copy of the sales contract (applicable to purchase transactions only) and any other information needed to verify, clarify or substantiate information in the applicant's application. Lenders utilize industry recognized forms to verify a applicant's employment, income, assets and credit. The equivalent of other types of documentation may be used such as obtaining a verbal verification of employment (supported with W-2's and earning statements) in lieu of a written

confirmed verification of employment utilizing industry recognized forms. Credit documents support the lender's decision to approve the mortgage application. Since the lender is responsible for the integrity and accuracy in the underwriting file, the Agency relies on the lender's judgment in determining when the use of alternative documentation sources is appropriate in lieu of actual written confirmation through use of an industry recognized form. During the normal course of mortgage lending business, the lender would collect sufficient information to determine eligibility, repayment and creditworthiness of a loan applicant.

The total number of respondents is based on the number of lenders participating in the program and is estimated to be 2,181. The number of annual responses is estimated to be 134,999 based upon historical information in FY 2009. It is anticipated the borrower will spend 1 hour gathering information and completing the loan application for submittal to the lender. It is anticipated the loan officer would spend 1 hour per response reconciling the borrower's application and confirming information. It is anticipated the underwriter will spend 1 hour reviewing the credit documentation to make an informed underwriting decision. Total combined burden is 404,997 work hours.

**Transfer and Assumptions:** Lenders must obtain written concurrence from the Agency prior to consenting to a transfer of a property securing a guaranteed loan with an assumption of the outstanding debt to a program eligible applicant. The lender must also notify the Agency if a borrower transferred a property without the lender's and Agency's approval or transfers the property without assumption of the debt.

Assumptions in the program are rare since the transferor is not released from liability. The Agency estimates that the total number of lenders and borrowers who may be involved in a transfer and assumption will be minimal since, in most instances, it would be more beneficial for all parties to obtain a new loan to purchase the property.

The estimated number of respondents is 2 annually with 30 minutes required per response and is based on the projected number of transfers and assumptions. This will result in 1 total work hour.

**Guaranteed Rural Housing Loan Status Reporting:** Form RD 1980-80, "Guaranteed Rural Housing Loan Status Reporting" was originally developed to provide a user-friendly format for lenders to report the Single Family guaranteed loans they service. Lenders were required to report their entire portfolio of guaranteed loans annually using the form. However, the mortgage industry, as well as our sister Federal agencies, now require lenders to report their portfolio on a quarterly basis, electronically.

The Agency developed a mechanism (electronic data interchange) for lenders to report their portfolio to the Agency electronically in an industry recognized standard format. The Agency has also moved to be consistent with the industry and have lenders report their entire portfolio on a quarterly basis instead of an annual basis. Nearly all mortgage servicers use electronic systems that allow them to report servicing information electronically. All participating servicing lenders report electronically with no paper based reporting retiring Form RD 1980-80. Because electronic reporting greatly reduces reporting burden, lender feedback indicates that reporting information to the Agency on a quarterly basis (4 times per year), takes about the same amount of time as having to report 1 time per year using the paper form RD 1980-80.

The number of respondents is equal to the estimated number of servicing lenders regularly participating in the program and is estimated to be 859. One response per lender per quarter is required for an annual total of 3,436 responses.

Since lenders have automated their responses for all loans serviced, the average time required for the lender to review instructions, search existing data sources, gather and maintain data needed, complete, and review the collection of information is 15 minutes per response for a total of 859 work hours.

**Guaranteed Rural Housing Borrower Default Status:** Form RD 1980-81, “Guaranteed Rural Housing Borrower Default Status” provides a format for lenders to submit information to the Agency regarding delinquent loans. With information received, the Agency monitors the program and lender performance.

In the past, many lenders generated this form using manual methods. To automate the process, an electronic data interchange was implanted to eliminate the burden of the manual method. Lenders now submit their monthly default status reports electronically to the Agency using an industry-standardized format. All lenders report electronically with no paper based reporting, thereby retiring the use of Form 1980-81. Based on lender feedback, burden has not changed overall, but is easier due to using an industry-standardized format. The reason burden is not decreased with the implementation of electronic reporting lenders either elects to submit electronically from an extraction of their portfolio or through a web submission (applicable to low portfolio). In the latter, the lender manually reviews the electronic submission before it is sent to ensure the delinquency codes are accurate for each account being reported. This coincides with industry standards.

The number of respondents is equal to the estimated number of servicing lenders regularly reporting defaulted guaranteed loans and is estimated to be approximately 386, based on recent lender monitoring reports. One response per servicing lender per month is required for a total of 4,632 responses annually. The average time required for the lender to review instructions, search existing data sources, gather and maintain data needed, complete, and review the collection of information is 30 minutes per response for a total of 2,316 work hours.

**Servicing Plan:** Loss mitigation tools must be utilized where appropriate to reduce losses to the government and assist the borrower in retaining homeownership. The lender should make every possible effort to assist borrowers who are experiencing temporary financial hardship and are willing to cooperate in resolving a default situation. Once the loan becomes 90 days delinquent and avenue other than foreclosure will be pursued, the lender must prepare a servicing plan which will expeditiously bring the account current. The lender must submit the servicing plan to the Agency for consideration. Lenders typically submit this plan electronically, but have the option to submit by regular mail.

The Agency estimates the burden per response to be 1 hour. Based on plan submissions in FY 2009, 4,592 plans are received annually. The annual burden to the lender is estimated at 4,592 work hours.

**Property Disposition Plan:** The lender should make every effort to sell Real Estate Owned (REO) properties quickly and at the price that minimizes losses to the government. If at

liquidation, title to the property is conveyed to the lender, the lender must prepare and submit a property disposition plan to the Agency for approval outlining the steps the lender will take to dispose of the property. The Agency allows the lender 6 months to market and sell the acquired property. Interest is maximized at 6 months. The plan ensures the lender will act prudently in the disposition process.

In FY 2009, 4,724 loss claims were filed. Of those claims, 4,350 were by the liquidation method of foreclosure; 48 involved Deed-In-Lieu claims, 200 involved short sales and 126 were foreclosure to 3<sup>rd</sup> party purchasers. 4,398 claims required property and disposition plans due to REO acquired. The average time to complete the property disposition plan is 1 hour, for a total of 4,398 hours annually. Lenders typically submit this plan electronically, but have the option of submitting by mail.

**Future Recovery:** Lenders must notify the Agency if a Real Estate Owned (REO) property remains unsold at the end of the allowable sale period. The Agency estimates the amount that is likely to be recovered for a property that the lender has not sold within the marketing time frame and requires a loss claim to be filed. A loss claim is based upon an estimated net recovery value. Once the REO is sold, the Agency requires the Lender to provide verification of sale by submitting a HUD-1, Settlement Statement (standard industry) or similar written document as verification of the sale amount. Should the property sell for a higher price than what the anticipated sales price on the loss claim was based, that difference must be reported to the Agency. The Agency determines how the proceeds will be disbursed. If an actual payment, for example, a delayed insurance payment or collection on a deficiency judgment occurs after claim payment, the Lender is to notify the Agency of the recovered funds. The additional burden is to make and provide a copy of documentation received by the lender in the sale of the REO, such a HUD-1, Settlement Statement (standard industry) or similar written documentation confirms the REO sold and the actual contract sales price.

The annual number of responses is based on the anticipated number of loss claims paid whereby the REO remained unsold at the end of the marketing period and a claim was paid based upon a liquidation value appraisal. The number of claims to be paid is estimated to be 1513, based upon FY 2009. The burden to submit the documentation is estimated at 10 minutes per response resulting in 242 work hours.

**Overpayment Notification:** Borrowers may receive more interest assistance than they were eligible for as a result of factors such as misreported household income, calculation errors, or failure on the part of the borrower to report income increases. The difference between the amount of interest assistance the borrower received and the amount that would have been received at the property interest rate constitutes an overpayment. When it is discovered that the Government overpaid its share of interest assistance, the lender is required to report this to the Agency and take action to repay the overpayment. This is expected to occur only in extremely rare incidence was only available as a pilot in 1991 and less than 20 loans remain nationwide. The number of reports required is estimated to be 1 per year. The burden to prepare and submit the report is estimated to be 30 minutes per response for a total of .50 work hour.

**Mortgage Credit Certificates (MCCs):** MCC's may be considered in determining an applicant's repayment ability. The Tax Reform Act of 1984 authorizes MCCs to provide housing assistance through a tax credit to families with low and moderate incomes. The MCC



entitle the “first-time” homebuyer to non-refundable Federal income tax credits thereby reducing the borrower’s Federal income tax liability. The MCC enhances the applicant’s repayment ability because the amount of the monthly MCC can be deducted from the proposed mortgage payment.

The process of obtaining the MCC is not a burden imposed by the Agency. The burden clearance is for providing the Agency with required documentation to show that the borrower has an approved MCC.

The annual number of responses is based on the expected number of borrowers that may use the MCC provision. Only about 16 States currently offer MCCs and of those States, only a few utilize the MCCs frequently. The Agency estimates that 100 guaranteed loans, based upon FY 2009, will utilize MCCs, resulting in 100 estimated annual responses. The average time per response is 10 minutes per response for a total of 16 work hours.

### **REPORTING REQUIREMENTS - FORMS APPROVED WITH THIS DOCKET:**

**Form RD 1980-11, “Guaranteed Rural Housing Lender Record Change.”** Lenders are responsible for servicing SFHGLP loans and protecting their security interest. Lenders that do not wish to hold SFHGLP loans may sell them to any approved lender, Fannie Mae, or Freddie Mac. The lender that holds the loan may choose to contract with a third party to service its loans. Whenever lenders sell SFHGLP loans or contract servicing responsibilities to a third party, the transferring lender must inform the Agency of the occurrence. Form RD 1980-11, “Guaranteed Rural Housing Lender Record Change” serves as the vehicle to the lender for reporting that change.

When more than one loan is being sold to the same lender, or when the servicer on more than one loan is being changed to the same servicer, the lender need only prepare one form and attach a list of borrowers affected. This may occur when a servicer sells their portfolio (or a portion thereof) to another servicer, or when a merger or acquisition occurs. Within the guaranteed serviced portfolio this has become a more frequent occurrence with many industry lenders ceasing business, merging with others or is forced out of business by the Federal Deposit Insurance Corporation (FDIC) reporting a large number of failed banks. The annual number of respondents for subsequent transfers has risen significantly in past years due to mortgage industry uncertainties and lenders ceasing to continue business. Based upon individual requests received from lenders in FY 2009, we estimate 12,504 forms will be prepared and forwarded to the Agency from 859 servicers. The Agency receives 50-75 per day for processing.

The Agency expects lenders to perform those servicing actions that a reasonable and prudent lender would perform in servicing its portfolio of non-guaranteed loans. When the Agency withdraws a lender’s approval, any SFHGLP loans held by the lender must be sold within six months to an Agency-approved lender. Notification of the transfer of servicing activities to an Agency approved lender is accomplished with the use of this form. Limited action of this type of occurrences have happened in the past and therefore the Agency expects only a limited number of cases where a lender would be required to transfer its loan servicing to another lender. It is

estimated no more than 4 lenders will be required to transfer its loan servicing for a total of 4 required transfers with 30 minutes required per response for a total of 2 hours work.

Total number of responses is estimated to be 12,508 with 30 minutes required per response for a total of 6,254 work hours.

**Form RD 1980-16, “Agreement for Participation in Single Family Housing Guaranteed/Insured Loan Programs of the United States Government.”** If a lender wishes to participate in the SFHGLP, the lender submits Form RD 1980-16, Agreement for Participation in Single-Family Housing Guaranteed/Insured Loan Programs of the United States Government and necessary supporting documentation to Rural Development. This form is the Agreement between the Agency and the lender. It provides the basis for making and servicing Agency guaranteed loans and reflects the standard lender agreement promoted by the Department of Treasury, financial Management Services, and the Office of Management and Budget.

The program relies on lenders to make sound underwriting decisions. Because the Agency does not underwrite the loans it guarantees, lenders that apply for loan guarantees must originate, underwrite, service and hold loans responsibility. To ensure that these standards are met, the Agency must approve a lender before it participates in the SFHGLP.

The application package includes evidence the lender has a demonstrated ability to originate, underwrite and service single-family mortgages and meets the criteria set forth in 7 CFR 1980, Part D. Additionally information collected confirms that neither the lender nor any of the lender’s principal officers have been suspended or debarred from participation in Federal programs. Confirmation that the lender’s approval status with Fannie Mae, Freddie Mac, Housing Urban and Development (HUD), Veterans Administration (VA) or another acceptable government agency is active at the time of application is collected.

The application package ensures the standards of RD Instruction 1980-D are met by demonstrating high-quality in the areas of loan origination, underwriting, servicing and reporting.

The number of respondents is equal to the estimated number of new lenders requesting Agency approval to participate in the program annually. On a national approval, the estimate is 224 while on State approval, the estimate is 100. It is estimated the denial on new lender requests are 12 per year. Net annual approval of new lenders is estimated at 312. It is estimated of the 2,181 lenders currently participating in the program actively, mergers or sales of present lenders require an additional 20 updates to lender files requiring the execution of a newly agreed upon Lender Agreement. The total number of new lender agreements submitted on an annual basis is estimated to be 332.

The average time to prepare the form includes the lender’s review of program regulations and is estimated to be 4 hours per response for a total of 1,328 work hours.

**Form RD 1980-20, “Rural Housing Guarantee Report of Loss.”** To file a loss claim, the lender must submit Form RD 1980-20, “Rural Housing Report of Loss” with documentation supporting the proposed loss payment to the Agency. The lender and the Agency utilize this form to determine the amount of loss payable under the terms of the guarantee. It is utilized for

property that is sold within the marketing time frame as well as property that remains unsold, but the allowable marketing time frame has expired. The lender completes a portion of the form along with supporting documentation to support the claim. The Agency reviews the loss claim package and determines if the lender has fulfilled all program obligations, calculates the amount of loss payment amount, notifies the lender and issues payment.

The estimated number of responses is the number of loss claims to be paid. In FY 2009, 4,724 loss claims were paid and represents the number of losses anticipated annually. Of those 4,724 losses, 199 servicers submitted claims. The average time for a lender to complete the form, including providing the required supporting documentation is 1 hour per response for a total of 4,724 work hours.

**Form RD 1980-86, “Request for Reservation of Funds.”** The 1980-D allows the lender to request a reservation of funds from the Agency once they determine their loan applicant has sufficient income and credit worthiness for the loan requested. The lender submits the request to the agency approval official providing basic information on the borrower’s loan request. The reservation sets aside funds for up to 60 days and ensures funds will be available when a complete loan package is submitted. With the increase in funding levels and demand for the program, the reservation system will be retired by October 1, 2010. The form will be retired. During the interim, due to funding shortfalls based upon demand, reservation requests are not accepted from lenders.

The anticipated number of respondents is based on the number is zero. If received, the average time to prepare and submit the reservation of funds request is 30 minutes per response. Since the Agency is no longer accepting this form, no anticipated man hours are applicable.

**Form RD 1980-21, “Request for Single Family Housing Loan Guarantee.”** The lender must submit a complete loan application package before the reservation of funds expires. This form summarizes the details of the loan to be guaranteed and requires the lender to certify that all eligibility requirements have been met. The lender is responsible for working with the applicant to insure all necessary documentation is obtained to satisfy the requirements for loan eligibility. The information collected represents the same information for any mortgage loan product and is usual and customary; therefore it is not considered an additional burden to the lender. The applicant is required to read and execute the form to certify to the conditions of the program. In addition to repayment income, which is standard to the mortgage industry, the lender must calculate the qualifying income and compare it to the income limits to determine program eligibility.

The average time for an applicant to read, comprehend, and sign the form is 10 minutes. The average time for a lender to read, comprehend, complete, and sign the form is estimated to be 20 minutes.

The number of respondents is based on the number of active originating lenders participating in the program and is estimated to be 2,181. The annual number of responses is expected to equal the number of loans expected to be made during the year (133,045) plus approximately 1% or 1,573 applications that were withdrawn and 381 applications that were rejected by the Agency for a total number of 134,999 loan requests. The per response time is 30 minutes, which results in an estimated annual total of 66,150 work hours.

**Form RD 1980-18, “Conditional Commitment for Single Family Housing Loan Guarantee.”** The lender submits an abbreviated loan application file to the Agency for review. If the agency review indicates that the loan meets all program requirements, the Agency will agree to guarantee the loan, subject to any conditions noted on this form. At loan closing, the lender certifies to compliance of items noted on the reverse of Form RD 1980-18, “Conditional Commitment for Single Family Housing Loan Guarantee”, including any attachments to the form and submits it to the agency with the loan closing documents.

The number of respondents is based on the number of active originating lenders participating in the program and is 2,181. The total number of responses is based on the projected number of loans, which are 133,045 plus approximately 1% or 1,573 withdrawn applications that received a commitment and later withdrew their request (based upon FY 2009) for a total of 134,618 commitment requests. The estimated time for review of the conditions, completing the certification and submission to the Agency is 1 hour per loan for a total of 134,618 work hours.

**Form RD 1980-17, “Loan Note Guarantee.”** Once the guaranteed loan is closed, the lender submits documentation confirming the loan was properly closed and remits the loan guarantee fee. If the Agency determines the loan is underwritten and closed in accordance with agency requirements, the guarantee may be issued. This form provides the terms and conditions of the guarantee. One guarantee for each loan guaranteed is issued to the lender. The lender maintains the *Loan Note Guarantee* until the loan is paid in full or otherwise terminated.

The number of respondents is based on the number of active originating lenders participating in the program and is 2,181. The total number of responses is based on the projected number of loans that closed from obligations, based on FY 2009, which are 130,928. The average time to read and comprehend the form is 5 minutes since lenders are already familiar with the form. This results in a total of 10,910 work hours.

**Form RD 1980-12, “Master Interest Assistance and Shared Equity Agreement with Promissory Note.”** In 1991, the agency provided interest assistance to eligible borrowers to enhance their repayment ability. To qualify to receive assistance, the borrower must have executed Form RD 3555-12, “Master Interest Assistance and Shared Equity Agreement with Promissory Note.” The form provides the basis for future payment and recapture of interest assistance. A relatively small number of these loans remain, as interest assistance was piloted in 1991 and was not introduced with full roll out of the program in 1992.

The form is used only for loans funded with interest assistance. Since interest assistance has not been funded since the pilot year of the program, 1991, and is not expected to be funded in the near future, no responses are expected.

**Form RD 1980-13, “Annual Interest Assistance Agreement.”** This form is used to determine the amount of interest assistance the borrower is eligible to receive in the forthcoming year. The lender is responsible for conducting annual and interim reviews of household income to ensure that households continue to be eligible to receive interest assistance and that the amount of assistance provided is correct. The lender provides the form to the borrower, who completes Section II, signs the form attaches any required documentation and returns it to the lender. The lender verifies sources and amounts and determines adjusted income. The form is submitted to

the Agency for approval. The Agency reviews the lender's calculations and processes the update.

The estimated number of respondents is based on the number of existing loans currently receiving interest assistance. There are 20 loans outstanding currently receiving interest assistance and one response per year is expected for each loan for a total of 20 responses.

The average time to prepare the form is 10 minutes by the borrower and 30 minutes by the lender for a total of 3 work hours for the borrowers and a total of 10 work hours for the lenders for a total of 13 work hours.

### **REPORTING REQUIREMENTS - FORMS APPROVED UNDER OTHER OMB NUMBERS:**

**Form RD 400-1, "Equal Opportunity Agreement":** Used by the Agency to obtain required Equal Opportunity Agreements from contractors when construction work is subject to the provisions of RD Instruction 1901-E. The estimated number of respondents is equal to the number of guaranteed loans involving new construction to be built, which is 611, based upon FY 2009. Estimated time to read, comprehend, and complete the form is 10 minutes, for a total of 98 hours annually. Approved under OMB No. 0575-0018.

**Form RD 400-6, "Compliance Statement":** Used by the Agency to reveal whether the contractor is in default with respect to Compliance reports required under any previously covered contract or subject to the "Affirmative Action Program" and to provide for certification regarding the maintenance or use of non-segregated facilities. This form is used with guaranteed loans involving new construction to be built. The estimated number of respondents is equal to the number of guaranteed loans involving new construction, which is 611, based upon FY 2009. Estimated time to read, comprehend, and complete the form is 10 minutes, for a total of 98 hours annually. Approved under OMB No. 0575-0018.

**Form RD 1910-5, "Request for Verification of Employment":** RD Instruction 1980-D allows the lender to use Form RD 1910-5 as an optional method to confirm employment/income. Mortgage lenders utilize forms available in the industry and provided by Fannie Mae or Freddie Mac (both secondary market sources) or other optional methods of obtaining supporting documentation reference in the Uniform Residential Loan Application Credit Package portion of the burden. Since burden of this form has been captured in the credit package portion, burden reporting for this program for use of this form is obsolete. Approved under OMB No. 0575-0172.

**Form RD 1980-19, "Guaranteed Loan Closing Report":** Within 60 days of loan closing, the lender requests issuance of the loan guarantee utilizing this form, or equivalent automated means provided by the Agency. At the same time the lender submits documentation that the loan was properly closed and remits the guarantee fee. The number of respondents is equal to the number of active participating originating lenders, 2,181. The total number of times the form is used is equal to the number of closed loans, or 133,045, based upon FY 2009. The average time for the lender to read, comprehend, and complete the form is 1 hour, totaling 133,045 hours annually. Approved under OMB No. 0575-0137.

**3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g. permitting electronic submission of responses, and the basis for the decision for adopting this means of collection. Also describe any consideration of using information technology to reduce burden:**

Advancements in technology have allowed the Agency to accept electronic reporting by lenders for monthly defaults and quarterly portfolio status. In FY 2002, the Electronic Data Interchange (EDI) was developed with a provision for web reporting for those small lenders with less than 100 guaranteed loans in their portfolio. Lenders with portfolios of 100 or more loans send EDI X12 files for transaction set (TS) 203, Secondary Mortgage Market Investor Report, and TS 264, Mortgage Loan Default Status – both which are standard for industry reporting. This process replaced the previous paper reporting for monthly defaults and annually portfolio reports. Reports are now received monthly for defaults and quarterly for loan portfolio.

In FY 2003, the Agency developed, for use by employees, an Automated Loss Payment system to track property and disposition plans, and track and pay loss claim payments by lenders. In FY 2005, the ability of larger servicers to utilize the electronic system for loss claim payments was implemented, phasing in 14 nationwide approved servicers. With e-authentication credentials, servicers could access the Automated Loss Claim Payment system. Instead of forwarding a claim for input by the centralized branch, lenders could input information collected to generate a claim payment. The system has threshold edits requiring data verification by a centralized branch responsible for the loss claim process. The information input by the lender is uploaded to the centralized branch, which confirms the information input and renders a payment decision based upon the data input. As of FY 2009, 14 lenders have full access to the automated system. This step eliminated a 100% review of all claims input by the lender, except for specific threshold edit items and allowed a direct payment to the lender, as long as no threshold edits resulted from the electronic submittal. As technology is updated, stronger audit procedures are developed and implemented and training is provided, more lenders will be moved to this automated process.

Additional functionality to track and monitor future recovery was added in May, 2005. Those lenders who have security access to the loss claim payment piece also have access to the future recovery tracking piece.

The ability to input electronic loan closings was introduced late in FY 2005 to the Agency. The ability for lenders to input loan closings electronically will be implemented by a controlled rollout after completion of Phase II of a *pay.gov* development on/after March 23, 2010. This effort requires all users to meet e-authentication security credentials. Lenders may voluntarily agree to utilize this Internet web based transaction to submit a loan closing to the agency. The web transaction closely follows Form 1980-19, “Guaranteed Loan Closing Report.” This transaction will allow a lender to electronically submit information regarding closed guaranteed loans directly to the SFHGLP office responsible for validating information and establishing the case on the guaranteed data base as a closed loan meeting guaranteed loan program requirements. Additionally, lenders will submit the guarantee fees to the Agency through an automated clearinghouse (ACH) method developed by the U.S. Treasury called *pay.gov*. Respondents will have an option of utilizing this electronic option for providing information regarding loan closing or submitting a paper package to the SFHGLP office.

In an effort to explore methods to decrease the amount of paper required to process a loan while increasing efficiency and decreasing operating costs and staffing requirements, the Agency pursued an automated underwriting decision system for submitting and processing Rural Development guaranteed loans. The Internet web based system is intended to make it easier and faster for customers to process and submit guaranteed loans through electronic submittal to the Agency. The system streamlines and automates the application process, automates credit decision-making, and automates the program eligibility determination including the determination of eligible rural lending areas using Geospatial Information Systems (GIS) mapping data. Once fully developed, the automated system will bring the program's loan origination process to home mortgage industry standards. It will improve performance tracking of the portfolio and enhance overall market acceptance of the program. A pilot release of 14 lenders was implemented in 2006. Since pilot, over 1200 approved lenders nationwide utilize the automated underwriting system accounting. Lenders will have the option of utilizing this web based streamlined system or continuing to submit a paper package to the SFHGLP office. As of FY 2009 over 60% of the loan volume from lenders was through utilization of the electronic system.

The Agency continues to strive towards the electronic process with the elimination of any unnecessary paper burden. As the Agency further develops the automated underwriting system allowing access by brokers and integration of the system with large partner's origination systems, a greater percentage of loans will be processed electronically. As the electronic loan closing is launched to all approved lenders, a greater percentage of fee and closings will be automated. Additionally, the Agency is in the planning stages of an imaging update, which when developed, could allow the attachment of any credit documents, thereby eliminating any necessity to provide paper documents. With full implementation of these processes, the delivery of the SFHGLP could be fully paperless.

**4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in Item 2 above:**

There are no standard Government forms that the Agency can utilize in gathering information beyond those the Agency has already adopted. Due to the different requirements of other guaranteed loan programs and statutory requirements, there are no similar forms that collect the data needed on a standard form that can be utilized by all programs.

The information is collected on a case-by-case basis. There is no similar information available to the Agency that could be used or modified for these purposes.

**5. If the collection of information impacts small businesses or other small entities (item 5 of OMB Form 83-1), describe any methods used to minimize burden:**

The collection of this information does not involve small businesses or other small entities.

**6. Describe the consequences to Federal program or policy activities if the collection is not conducted or conducted less frequently, as well as any technical or legal obstacles to reducing burden:**

The Agency could not effectively monitor lenders and assess the program if information were collected less frequently or was not collected at all. Effective loan portfolio management begins with the oversight of the risk in individual loans. Prudent risk selection is vital to maintaining favorable loan quality. The information collected is required by OMB Circular A-129.

**7. Explain any special circumstances that would cause an information collection to be conducted in a manner:**

*a. Requiring respondents to report information to the Agency more than quarterly:*

Electronic default reporting which provides for a monthly report by the lender of delinquent SFHGLP loans is the only information required to be reported more frequently than on a quarterly basis. Due to the large SFHGLP portfolio, reporting of delinquent SFHGLP loans on a monthly basis is essential to efficiently and effectively monitor the health of the loan portfolio. Obtaining a monthly report provides the Agency with a complete picture of the credit risk profile allowing more analysis and control of the risk to the portfolio. This reporting requirement is consistent with the requirements of OMB Circular A-129.

*b. Requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it:*

There are no specific information collection requirements that require less than 30 days response. However, in many cases, it may be beneficial for a borrower or a lender to respond with information in an expedient manner, as the Agency cannot provide the borrower or lender with increased program benefits until documentation is received to support the request.

*c. Requiring respondents to submit more than an original and two copies of any document::*

The Agency does not require any information to be submitted in more than an original and two copies in the SFHGLP program.

*d. Requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records for more than three years:*

Each lender is required to maintain a loan file on each guaranteed borrower. This is typical for any mortgage loan product and is completed in a lenders normal course of business. Compliance items relevant to the program eligibility of property and/or applicant are required to be maintained in the lender's case until such time the guarantee is terminated for future review and/or audit. This requirement is consistent with standard mortgage industry practices and represents no additional burden of recordkeeping placed upon the lender or public.

*e. In connection with a statistical survey, that is not designed to produce valid and reliable results that can be generalized to the universe of study:*

There are no such requirements.



*f. Requiring the use of a statistical data classification that has not been reviewed and approved by OMB:*

No such requirement exists.

*g. That includes a pledge of confidentiality that is not supported by authority established in statute or regulation, that is not supported by disclosure and data security policies that are consistent with the pledge, or which unnecessarily impedes sharing of data with other agencies for compatible confidential use:*

There is no requirement for a pledge of confidentiality and no assurance of confidentiality provided to the respondents by the Agency.

*h. Requiring respondents to submit proprietary trade secret, or other confidential information unless the agency can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law:*

The collection of information does not involve requirements to submit proprietary, trade secrets, or other confidential information.

**8. If applicable, provide a copy and identify the date and page number of publication in the Federal Register of the agency's notice, required by 5 CFR 1320.8 (d), soliciting comments on the information collection prior to submission to OMB. Summarize public comments received in response to that notice and describe actions taken by the agency in response to these comments. Specifically address comments received on cost and hour burden.**

The Agency published a notice in the Federal Register on March 18, 2010, Vol. 75, No. 52, page 13074. No comments were received.

The Agency consulted with representatives of the mortgage lending industry regarding the availability of data, frequency of collection, the clarity of instructions, recordkeeping, disclosure, or reporting format, and data elements to be reported. The following were consulted:

Mr. John Beskid Vice President - Affordable Housing Bank of American Home Loans 818.874.8153 john.beskid@bankofamerica.com	Ms. Marla Wiebolt Operations Manager Servicing Integration Wells Fargo Bank N.A. 651.605.6560 marla.wiebolt@wellsfargo.com	Mr. Brent Cooper Rural Development Production Manager SunTrust Mortgage 954.639.4882 brent.cooper@suntrust.com
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These individuals and organizations were selected for consultation based on their extensive knowledge and active involvement in the program. They represent a cross-section of the mortgage industry. Participants have a working knowledge of 7 CFR 1980-D which aided their consultation.

**9. Explain any decision to provide any payment or gift to respondents, other than re-enumeration of contractors or grantees:**

There is no payment or gift to respondents.

**10. Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or Agency policy:**

There has been no assurance of confidentiality provided to the respondents by the Agency.

**11. Provide additional justification for any question of a sensitive nature, such as sexual behavior or attitudes, religious beliefs, and other matters that are commonly considered private. This justification should include the reasons why the agency considers the questions necessary, the specific uses to be made of the information, the explanation to be given to persons from who the information is requested, and any steps to be taken to obtain their consent:**

The information collected by the Agency is not of a sensitive nature.

**12. Provide estimates of the hour burden of the collection of information. Indicate the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated:**

- A) Indicate the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated. If this request for approval covers more than one form, provide separate hour burden estimates for each form and aggregate the hour burdens in Item 13 of OMB 83-I.**

Estimated response time was derived from previous history. For each collection item, the previous FY activity was assessed. While FY 2009 was a historical year in terms of loan funds and loan volume delivered, it represented the potential of program delivery. A 400 percent increase in volume from FY 2005 was accomplished in FY 2009. Additionally volume and demand was considered for the present FY 2010. Based upon the pace and projections that have occurred thus far in FY 2010, FY could exceed FY 2009 provided the program can be funded based upon demand. A theoretical accounting for the respondent's time spent complying with the collection request was estimated, and projected against the wage class value noted below.

The wage class value was based on the following:

**Lenders:** Loan processors (persons below the management level) are the primary persons completing the forms to obtain a guarantee from the Agency. Depending on the composition of the lender's organization, underwriters may also collect some of the information. Processors are paid an estimated average of \$25,000 to 30,000 annually. \$30,000 was utilized in the statistical analysis. Underwriters are paid an estimated \$60,000 average annually. Processors account for an estimated 90 percent occurrence for collection, while Underwriters are estimated to collect data 10 percent of the occurrences. Combined, the estimated average weighted annual salary of the primary employee(s) collecting data is \$33,000. Upper management provides oversight of the program and monitors performance. Management accounts for an estimated 10 percent of the lender's total time. Estimated average pay for management varies based on the type and size of the lender and level of management involved

with the program; incentives paid for performance, etc. and are estimated to be \$115,000 average per year. Combined, the estimated weighted-average annual salary of a lender's employee is \$44,500 per year or \$21.39 per hour.

**Customers (borrowers):** It is estimated, based on the mean income of loans guaranteed during FY 2009, that the mean income of guaranteed customers is approximately \$46,810 per year or \$22.50 per hour.

Information regarding salaries of Lenders was obtained from participating lenders and by researching the Department of Labor.

**B) Provide estimates of annualized cost to respondents for the hour burdens for collections of information, identifying and using appropriate wage rate categories.**

See attached spreadsheet for complete annualized cost burden of the collection.

**13. Provide an estimate of the total annual cost burden to respondents or record keepers resulting from the collection of information, (do not include the cost of any hour burden shown in items 12 and 14). The cost estimates should be split into two components: (a) a total capital and start-up cost component annualized over its expected useful life; and (b) a total operation and maintenance and purchase of services component:**

There is no capital, startup, operation, maintenance or required purchase of services costs to the lender or customer.

**14. Provide estimates of annualized cost to the Federal Government. Provide a description of the method used to estimate cost and any other expense that would not have been incurred without this collection of information:**

We estimate the annual cost to the Federal Government to be \$19,362,183.40. A FY 2005 staffing survey of States indicated the number of employees directly involved in the administration of this regulation (413) multiplied by the national costs factor of \$66,974 (obtained from [www.opm.gov](http://www.opm.gov)) multiplied by the percentage of time (70 percent) the employees are involved.

The cost factor includes salaries, benefits, travel, communication, supplies, etc. and is estimated by using an assumption that the average pay grade in the GRH program is estimated to be a GS-11, Step 6 of the General Schedule with an average locality pay adjustment of 14.16 percent. Some States are centralized and the Specialists working in the GRH program are GS-12's while in other States the program is de-centralized and the Loan Specialists are GS-11's. Also, there are numerous GS-5 to GS-8 technical support personnel who assist in the GRH program.

**15. Explain the reasons for any program changes or adjustments reported in items 13 or 14 of the OMB Form 83-1:**

The adjustment increase of 625,113 burden hours is a result of several factors. The majority of the increase accounts for the 404,997 burden hours for the URLA application information that was omitted from the spreadsheet on the previous submission. There was a change in the

average loan amount, demand by the public, plus additional lenders participating in the program, due to a change in the program funding level and a keener interest by industry partners.

**16. For collection of information whose results will be published, outline plans for tabulation and publication:**

Information will not be published for statistical purposes.

**17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate:**

It is not cost effective for the Agency to display the expiration date on the forms due to the large number of field offices and lenders utilizing the forms and the significant difference in the volume of forms used by the offices and lenders.

**18. Explain each exception to the certification statement identified in item 19 “Certification for Paperwork Reduction Act.”**

There are no exceptions requested.

**19. How is this information collection related to the Service Center Initiative (SCI)? Will the information collection be part of the one stop-shopping concept?**

Some lenders participate in more than one of the Agency’s programs. Through the Guaranteed Loan System (GLS), some basic lender data can be shared between Agencies. However, the SFHGLP is unique in nature as compared to other Agency guaranteed programs. Therefore sharing of information is limited.