

Supporting Statement for Paperwork Reduction Act Submissions

Mortgage Insurance Termination; Application for Premium Refund or Distributive Share 2502-0414 HUD-27050-A and HUD-27050-B

A. Justification

1. Insurance of mortgages is authorized under 12 U.S.C 1709. Payment of insurance claims is authorized under 12 U.S.C. 1710. The information collection for the Mortgage Insurance Termination is used by Federal Housing Administration (FHA) approved mortgagees to comply with HUD requirements for reporting the termination of FHA mortgage insurance on single family dwellings (24 CFR 203.318). The form HUD-27050-A is now obsolete. However, the information collection is still in effect and is collected electronically through Electronic Data Interchange and via FHA Connection. The Application for Premium Refund or Distributive Share Payment is used by former FHA mortgagors to apply for homeowner refunds of the unearned portion of the mortgage insurance premium or a distributive share payment (24 CFR 203.423, 24 CFR 203.283, and 24 CFR 203.284). This is a system generated form that is mailed to eligible homeowners. There are no copies of blank forms available to the public.
2. The information collection for Mortgage Insurance Termination is used by servicing mortgagees to comply with HUD requirements for reporting the termination of FHA mortgage insurance. This information collection is used whenever FHA mortgage insurance is terminated and no claim for insurance benefits will be filed. Under the streamline III program, the information can be used to directly pay eligible homeowners. This condition occurs when the data passes the criteria of certain system edits. As a result, the system generates a disbursement to the eligible homeowner for a refund consisting of the unused portion of the paid premium. The information collected is used to update HUD's Single Family Insurance System. The billing of mortgage insurance premiums is discontinued as a result of this transaction. Without this information the premium collection/monitoring function would be severely impeded and program data would be unreliable. Under streamline III, when the data is processed but does not pass the series of edits, the system generates a form HUD-27050-B to the homeowner to be completed and returned to HUD for further processing for a premium refund or distributive share. In general, a premium refund is the difference between the amount of prepaid premium and the amount of the premium that has been earned by HUD up to the time the mortgage is terminated. A distributive share payment is a dividend of the Mutual Mortgage Insurance Fund operated by HUD/FHA and may be payable when the FHA insurance is terminated depending on the age of the mortgage and other eligibility conditions.

There has been an increase in FHA loan activity in recent years, because of the economy. This has resulted in an increase in the responses for terminations but a decrease in the estimated numbers of responses for refunds. The decrease is due to the law changes by Congress governing FHA loans. As a result HUD now earns more of the upfront premium in the early years of the loan. Previously, the decrease in interest rates caused larger numbers of homeowners to refinance their existing loans to reduce their monthly mortgage payments. However, now homeowners must refinance from FHA to FHA within two years to receive a refi-credit to apply to their new loan or pay off their existing loan within two years to get a refund.

3. In previous fiscal years, lenders submitted Mortgage Insurance Termination information to HUD using the form HUD-27050-A. This form is no longer in use; however, the information collection is still in effect. Today, as the result of technological advances, this information is now submitted electronically to HUD from lenders via Electronic Data Interchange (EDI) and via the Internet through FHA Connection in order to take advantage of new technology and reduce the reporting burden for the submission of termination information. Homeowners are still required to use the source document form HUD 27050-B.

4. No other duplicate data exists. The data is not available from other sources.
5. Small businesses or other small entities are not respondents.
6. Current guidelines for servicing procedures give the mortgagee 15 days from the date of termination of FHA mortgage insurance; and if there has been no claim for insurance benefits, to provide the required data. Any further delay in providing the data at the time of termination would further erode the reliability and effectiveness of the program functions, which depend on timely reporting of the termination of the mortgage insurance contract. Less frequent responses would delay HUD's ability to refund to the mortgagor all the unearned mortgage insurance premiums or pay the mortgagor a distributive share.
7. Mortgagees are required to provide the specified information within 15 days of the date of termination of the FHA mortgage insurance.
8. The agency notice soliciting comments on the information collection for OMB #2502-0414 was published in the Federal Register on April 22, 2010 (Vol.75, No. 77, page 21021). No comments were received.
9. No gift or payment is provided to respondents.
10. Homeowner information collected on the form HUD-27050-B is covered by the Freedom of Information Act.
11. No questions of a sensitive nature are involved.
12. Estimate of Public Burden.

Information Collection	Number of Respondents	Frequency of Response	Total Annual Responses	Hours Per Response	Total Annual Hours	Hourly Cost	Total Annual Cost
Mortgage Insurance Termination	6,000	Varies	675,000	.08	54,000	\$20.00	1,080,000
HUD-27050-B	20,000	1	20,000	.25	5,000	\$35.00	175,000
Totals	26,000		695,000		59,000		1,255,000

Hourly cost is based on an estimated average annual salary of \$40,000 for lender personnel and an estimated average annual salary of \$72,800 for mortgagors.

13. There are no additional costs to the respondents.
14. Costs to the Federal Government:

Information Collection	Total Annual Responses	Hours Per Response	Total Annual Hours	Hourly Cost	Total Annual Cost
Mortgage Insurance Termination	675,000	0.03	20,250	\$36.26	734,265
HUD-27050-B	20,000	0.08	1,600	\$36.26	58,016
Totals	695,000		21,850		\$792,281

Hourly cost is based on an estimated average annual salary of \$75,671 for GS-12 employees.

15. This is an extension of a currently approved package. There has been an increase in FHA loan activity in recent years, because of the economy. This has resulted in an increase in the responses for terminations but a decrease in the estimated numbers of responses for refunds. The decrease is due to the law changes by Congress governing FHA loans. As a result HUD now earns more of the upfront premium in the early years on the loan.
16. The results of the information collection will not be published.
17. We are not seeking approval to avoid displaying the expiration date for the OMB approval.

18. There are no exceptions to the certification statement identified in item 19 of the OMB 83-I.

B. Collections of Information Employing Statistical Methods

The collection of information does not employ statistical methods.