

Supporting Statement for Paperwork Reduction Act Submissions

**Title: Technical Processing Requirements for Multifamily Project Mortgage Insurance
OMB Control Number 2502-New**

A. Justification

1. The eligibility requirements set forth in 24 CFR 200, subpart A, apply to multifamily project mortgages insured under Sections 207, 213, 220, 221, 223, 231, 241 of the National Housing Act (Public Law 479, 48, 1246, 12 U.S.C. 1701 et. seq.), applicable portions of which are attached for reference, authorizes the Secretary of the Department of Housing and Urban Development (HUD) to insure mortgages made by private lending institutions to finance the construction, rehabilitation, acquisition, improvements or repairs of multifamily rental housing. The Secretary is authorized to determine eligibility of a proposed project with respect to compliance with FHA statutory and regulatory requirements with regard to the mortgagor's ability to carry and pay the proposed mortgage debt.

2. During each stage of an application for mortgage insurance, HUD is required to undertake a series of technical steps. The technical process is to assure the financial, physical and environmental soundness of the project, as well as the potential insurance risk. Sponsors, mortgagors and contractors must undergo a thorough examination to determine their solvency, reliability, past experience, and dependability to develop, build, and operate the type of project they propose. There are four simultaneous elements to technical processing which applications go through during each phase of Traditional Application Processing (TAP) or Multifamily Accelerated Processing (MAP). During the underwriting processing, HUD is required to review various forms and data regarding the operating expenses, taxes, occupancy, rent-up and other information relevant in the determination of project feasibility. The valuation analysis of the technical processing is performed for the purpose of evaluating the property as security for a long-term insured mortgage. When conducting the valuation analysis, HUD develops conclusions with respect to the market need, location, taxes, earning capacity, and other features having a bearing on the economic soundness of the project. HUD's objective is to have a properly designed project in the right location, capable of the highest loan-to value ratio allowed by law. HUD must ensure that the project mortgage meets the needs of the rental market at rents which pay all expenses of operation, debt service, and return on equity where permitted. During the architectural analysis, HUD is required to determine the acceptability of the physical improvements; to provide architectural conclusions necessary to minimize the mortgage risk; and to improve the quality of housing. The mortgage credit analysis involves an assessment of the mortgagor's financial capability and credit worthiness to complete and operate the project. HUD is required to determine the degree of risk that a mortgagor is undertaking to complete the project satisfactorily and provide competent management of the project; and whether the income will provide for all operating expenses, amortization payments, and permitted return on investment. During the mortgage credit analysis, HUD is required to perform a thorough credit investigation of the project sponsor and the general contractor. HUD conducts an investigation based on current information of the sponsor's, mortgagor's and general contractor's bank references, commercial credit reports for businesses, financial statements, and other necessary financial support information. HUD determines the maximum insurable mortgage prior to final endorsement based upon the actual cost of the completed project and the amount of reduction or increase of the original mortgage amount. The following forms are used during each phase of technical processing for multifamily mortgage insurance:

- a. **Form HUD-2283- Financial Requirements for Closing:** Form HUD-2283 is prepared by the underwriter to provide details of the financial requirements during the issuance of a firm commitment for insured advances.
- b. **Form FHA-2455 – Request for Endorsement of Credit Instruction:** Form FHA-2455 is submitted by the mortgagee, mortgagor, and general contractor for insurance of completion to certify that all funds required by the firm commitment are accounted for.
- c. **Form FHA-1710 – Residual Receipts Note:** Form FHA-1710 is used as the promissory note for non-profit mortgagors as evidence that a debt of the mortgagor entity incurred as a result of development of an insured multifamily project and requires HUD approval prior to their issuance. The promissory note is used, among other debts, to evidence secondary loans from government and non-governmental sources, discounts, fees paid by third parties on behalf of the mortgagor entity certify to the terms and the provisions of the secondary mortgage.
- d. **Form HUD-92433 – Mortgagor’s Certificate:** In Form HUD-92433, the mortgagor agrees to be bound by the applicable regulations and contract instruments. The mortgagor also acknowledges the contents of the mortgagee’s certificate and agrees to be bound by it.
- e. **Form HUD-92450 – Completion Assurance Agreement:** Form HUD-92450 is used to protect HUD’s interest and to meet State/local requirements to protect material suppliers and mechanics and to assume contractor and sub-contractor payments. Form HUD-92450 is secured by a cash deposit or letter of credit for the appropriate percentage of the HUD estimate of construction and rehabilitation costs. The contractor must assure HUD that the project will be completed by filing a completion assurance agreement with case or an irrevocable letter of credit which establishes a completion assurance fund.
- f. **Form HUD-92443 – Construction Contract Incentive Payment:** Form HUD-92443 is used to calculate an incentive payment to the contractor for completing the construction prior to the completion date specified in the construction contract and to document any soft cost savings realized.
- g. **Form FHA-2459 – Personal Undertaking:** Form FHA-2459 is used to document the assurance of completion. Form FHA-2459 serves as the personal indemnity agreement signed individually by controlling principals and the general contractor and their spouses when the estimation cost of construction or rehabilitation is \$500,000 or less.
- h. **Form HUD-3305 – Agreement and Certification:** In Form HUD-3305, the mortgagor and the mortgagee agree to submit a cost certification upon completion of construction and rehabilitation costs and to disclose any identity of interest among project participants in insured advances transactions.
- i. **Form HUD-3306 – Agreement and Certification (Insurance Upon Completion):** In Form HUD-3306, the mortgagor and the mortgagee agrees to submit a cost certification upon completion of construction and to disclose any identity of interest among project participants in insured upon completion transactions.

- j. **Form HUD-92403.1 – Mortgagor’s & Architect Certificate of Payment:** Form HUD-92403.1 is used by the mortgagor to certify the amount paid to the architect.
- k. **Form FHA-2415 – Request for Permission to Commence Construction Prior to Initial Endorsement for Mortgage Insurance:** Form HUD-92415 affirms that all construction prior to the recording of the insured mortgage is at the risk of the mortgagor and that HUD is released of the responsibility for any liens or title objections resulting from the early start. Arrangements for permanent project financing must have been completed before an early start can be approved.
- l. **Form HUD-2456 – Escrow Deposit Agreement:** Form HUD-2456 is an agreement between the mortgagor and mortgagee that documents the receipt of escrows held to ensure the completion of the project taking into consideration any possible rise in costs.
- m. **Form HUD-92466 – Regulatory Agreement Multifamily Housing Projects:** Form HUD-92466 sets forth HUD/FHA’s regulations concerning rental schedule management, project reserves, etc. Form HUD-92466 serves as an agreement between the mortgagor and mortgagee establishing the mortgagee’s obligation in project operations and HUD’s rights. The regulatory agreement is recorded against the project and restricts the use of the project to ensure compliance with HUD’s regulations.

3. HUD has re-evaluated this collection and determined that it is not appropriate to collect this information electronically. HUD must be able to authenticate the source and accuracy of the information submitted with original signatures. Loans for multifamily projects are frequently in the hundreds of millions of dollars, and the level of risk for financial loss is very high. Based on the above re-evaluation, we have determined that this information collection is high risk and has low usage; therefore, it not be considered for automation. The Department will assess potential risks for all transactions using electronic signatures and identify measures to minimize their impact. The nature of each transaction will determine whether electronic signatures should be or legally can be offered as an alternative.

- 4. This information is not collected elsewhere. A review of Multifamily Housing information collections confirms that no other information collection provides this particular information.
- 5. This collection of information will not have a significant impact on small business or other small entities. Multifamily housing project owners/sponsors are rarely small businesses.
- 6. If the information were not collected, the HUD would have no record of completion to provide to the satisfaction of all parties of the contract and responsible local government officials.
- 7. There are no special circumstances involved in the collection of this information.
- 8. In accordance with 5 CFR 1320.8(d), the agency’s notice soliciting public comments was announced in the Federal Register on Wednesday, February 10, 2010, Vol. 75, No. 27, page 6683 comments were received.

The following mortgage lenders were solicited:

- (1) AmeriSphere Multifamily Finance, LLC
1900 Grant Street, Suite 750
Denver, CO 80203-4357

(303) 831-6004
jbeck@amerisphere.net

- (2) D. Ansely Co, Inc.
 70 NE Loop 410
 Suite 880
 San Antonio, TX 78216
 (210) 366-3344
- (3) M&T Realty Capital Corporation
 25 S. Charles Street, 17th Floor
 Baltimore, MD 21201
 1-800-737-2344

- 9. No payments or gifts of any kind are provided to respondents.
- 10. The current information collection does not describe any assurance of confidentiality. This information collection does not ask any information about individuals other than name, address, telephone number, and association with the proposed project. The Privacy Act Statement covers exhibits, which do ask for personal data.
- 11. The forms do not include questions of a sensitive nature.
- 12. Estimated burden hours and costs to the respondents:

Information Collection	Number of Respondents	Frequency of Response	Responses Per Annum	Burden Hours Per Response	Annual Burden Hours	Hourly Cost	Total Annual Cost
HUD-2283	900	1	900	2	1800	\$50	\$90,000
FHA-2455	900	1	900	1	900	\$50	\$45,000
FHA-1710	900	1	900	1	900	\$50	\$45,000
HUD-92433	900	1	900	.5	450	\$50	\$22,500
HUD-92450	900	1	900	1	900	\$50	\$45,000
HUD-92443	900	1	900	3	2700	\$50	\$135,000
FHA-2459	900	1	900	1	900	\$50	\$45,000
HUD-3305	100	1	100	1	100	\$50	\$5,000
HUD-3306	100	1	100	1	100	\$50	\$5,000
HUD-92043	900	1	900	.5	450	\$50	\$22,500
FHA-2415	50	1	50	1	50	\$50	\$2,500
HUD-2456	900	1	900	1	900	\$50	\$45,000
HUD-92466	900	1	900	1	900	\$50	\$45,000
Totals	9,250		9,250		11,050		\$552,500

The hourly rate is an estimate based on an average annual salary of \$104,000 for developers and mortgagees.

The estimated number of respondents was obtained, excluding Section 202 applications, from the Development Application Processing System (DAP). For fiscal year 2007, the Department received 1045 mortgage insurance applications, which resulted in the issuance of 900 firm commitments.

- 13. There are no additional costs to respondents.

14. Annualized burden and cost to the Federal government:

Information Collection	Number of Respondents	Frequency of Response	Responses Per Annum	Burden Hours Per Response	Annual Burden Hours	Hourly Cost	Total Annual Cost
HUD-2283	900	1	900	1	900	\$40	\$36,000
FHA-2455	900	1	900	1	900	\$40	\$36,000
FHA-1710	900	1	900	1	900	\$40	\$36,000
HUD-92433	900	1	900	.5	450	\$40	\$18,000
HUD-92450	900	1	900	.5	450	\$40	\$18,000
HUD-92443	900	1	900	.5	450	\$40	\$18,000
FHA-2459	900	1	900	.5	450	\$40	\$18,000
HUD-3305	100	1	100	1	100	\$40	\$4,000
HUD-3306	100	1	100	1	100	\$40	\$4,000
HUD-92043	900	1	900	1	900	\$40	\$36,000
FHA-2415	50	1	50	.5	25	\$40	\$1,000
HUD-2456	900	1	900	.5	450	\$40	\$18,000
HUD-92466	900	1	900	.5	450	\$40	\$18,000
Totals	9,250		9,250		6,525		\$261,000

Hourly cost is based on a GS 12/5 Federal salary of \$79,068.

15. This is an existing collection in use without an OMB control number. There are no program changes or adjustments in items 13 or 14 of OMB 83-I.
16. Collection of this information will not be published. Each form will be maintained with the HUD Program Office in individual case files.
17. HUD is not seeking approval to avoid displaying the OMB expiration date.
18. There are no exceptions to the Certification Statement identified in item 19 of Form OMB 83-I.

B. Collections of Information Employing Statistical Methods

This collection does not involve statistical methods.