Supporting Statement for Paperwork Reduction Act Submissions

Revision to HUD/FHA Insured Mortgage "HOPE for Homeowners" to add the new FHA Refinance of Borrowers in Negative Equity Positions

Model HOPE for Homeowners Consumer Disclosure and Certification Form (HUD-92915-H4H), Model Understanding Key Provisions of Appreciation Sharing, Model Appreciation Sharing Worksheet and Certification (HUD-92917-H4H), Shared Equity Note and Mortgage, Shared Appreciation Note and Mortgage , FHA Refinance of Borrowers in Negative Equity Positions Borrower Certification (HUD-92918-).

A. JUSTIFICATION

1. Why this information is necessary:

The HOPE for Homeowners Act of 2008, located in Title IV of Division A of the Housing and Economic Recovery Act of 2008 (HERA) (Public Law 110-289, 122 Stat. 2654, approved July 30, 2008), amended Title II of the National Housing Act to add a new section 257. New section 257 (12 U.S.C. 1701z-22) established within the Federal Housing Administration (FHA), HOPE for Homeowners, a temporary FHA program that offers homeowners and existing mortgage loan holders (or servicers acting on their behalf) insurance on the refinancing of loans for distressed mortgagors. Regulations published in 24 CFR 4001.01 through 24 CFR 4001.408 detail the requirements pertinent to HUD's single family mortgage insurance programs, i.e., the eligibility requirements and underwriting procedures, which are determined by the documents included in this clearance package.

"Under the Program, new mortgages are offered by FHA-approved mortgagees to mortgagors who are at risk of losing their homes to foreclosure. The new FHA-insured mortgages refinance the borrower's existing mortgage at a significant write-down. Eligible borrowers must be unable to afford their existing mortgage payments, must occupy the residence that is the security for the refinanced mortgage as their primary residence, and may not have any present ownership interest in another residence. Investors and investor properties are not eligible for the FHA-insured refinanced mortgages. Under the Program, participating mortgagors share their new equity and future appreciation with FHA. Additionally, participation in this Program is voluntary. No mortgagees, servicers, or investors are compelled to participate.

Section 257 of the NHA prohibits the new mortgage loan insured by FHA from exceeding 132 percent of the dollar amount limitation in effect for 2007 under section 305(a)(2) of the Federal Home Loan Mortgage Corporation Act (12 U.S.C.. 1454(a)(2)) for a property of applicable size. In addition, section 257 also provides that the term of the FHA-insured refinanced mortgage shall have a maturity of not less than 30 years, and must bear a single rate of interest that is fixed for the entire term of the mortgage. Section 257 directs that a mortgagor participating in the Program may not grant a new junior lien on the mortgaged property during the first 5 years of the term of the mortgage insured under the Program, except as the Board may determine is necessary to ensure the maintenance of property standards, and subject to the requirements that any new outstanding liens (1) do not reduce the value of FHA's equity in the mortgagor's home; and (2) when combined with the mortgagor's existing mortgage indebtedness, do not exceed 95 percent of the home's appraised value at the time of the new junior lien."

The passage of the Helping Families Save Their Homes Act of 2009 (Division A of Public Law 111-22, 123 Stat.1632, approved May 20, 2009) included changes to HOPE for Homeowners resulting in a restructured program. Therefore FHA amended its Paperwork Reduction Act Submission to reflect the information collection requirements of the revised program.

The HOPE for Homeowners Consumer Disclosure and Certification Form (HUD-92915-H4H (10/2009)) and HOPE for Homeowners Subordinate Lien Upfront Payment Worksheet (HUD-92917-H4H (10/2009)), make it possible to determine eligibility and, consequently, the insurance fund for the single-family mortgage insurance programs is not placed in jeopardy. The HOPE for Homeowners Consumer Disclosure and Certification Form is used by prospective mortgagees to disclose special restrictions of the Program and to obtain the mortgagor's certification that he/she has not: intentionally defaulted on their existing mortgage or any other substantial debt in the last 5 years, been convicted of fraud in the past 10 years and did not knowingly or willfully furnish material false information for the purpose of obtaining their existing mortgage. HOPE for Homeowners Subordinate Liens Upfront Payment Worksheet is used by the mortgagees to calculate the dollar amount that each subordinate lien holder could receive in the form of an upfront payment, if any, and obtain the lien holder's signature acknowledging it has read and accepts the terms of the worksheet and is prepared to execute a full release of its lien in exchange for an upfront payment. The Exit Premium Note and Mortgage protect HUD's interests in the equity and appreciation in the property and the attached model documents are provided as a reference for mortgagees. The FHA HOPE for Homeowners Attachment to FHA Loan Underwriting and Transmittal Summary (HUD-92900-H4H) is not a required form nor does it collect any additional data not already addressed in this submission. This form summarizes the H4H specific data on one page so it can be easily referenced.

Initially, it was estimated that HOPE for Homeowners would help 400,000 over the life of the program. This has not proven to be the case, and the actual numbers are significantly lower. As of October 7, 2010, 130 H4H cases have been endorsed; however we could see the rate of endorsements increase in the program's final year. FHA has revised the burden estimates taking both the reduced participation and potential final year increase in consideration.

As a part of the Administration's commitment to continuously improve housing relief efforts, FHA is making temporary enhancements to its existing refinance program. Similar to the HOPE for Homeowners program these enhancements will allow consumers in a negative equity position to refinance into an FHA loan. Existing lien holders will be required to write off at least 10 percent of the unpaid principal balance of their loan and accept the short payoff as payment in full. FHA require lenders to input the write off amount into FHA connection which will make it possible for FHA to determine eligibility for insurance and, consequently, the insurance fund for the single-family mortgage insurance is not placed in jeopardy. Additionally, the Department of the Treasury will participate in this program by covering a share of claims payments on defaulted loans through the Making Home Affordable Program and the use of Emergency Economic Stabilization Act funds. Due to this participation, the requirements of The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, Section 1481(d), which provides: "No person shall be eligible for assistance from Mthe Making Home Affordable Program, authorized under the Emergency Economic Stabilization Act of 2008 (12 USC 5201 *et seq.*) or any other mortgage assistance program authorized or funded by that Act, if such person, in connection with a mortgage or real estate transaction, had been convicted, within the lat (10) years, of any of the following: (a) felony larceny, theft, fraud or forgery; (b) money laundering; or (c) tax evasion." apply. These enhancements are effective with case numbers issued on or after September 7, 2010, and which are closed on or before December 31, 2012. Like H4H, participation is voluntary; no mortgagees, servicers or investors are required to participate.

2. How this information is used:

Lenders obtain information from borrowers in the normal course of business. HUD does not ascribe burden hours to information provided by the borrowers. Lenders report information to FHA for the purpose of obtaining mortgage insurance. Since the last submission there has been a decrease in respondents due to removal of trial modification requirement. The specific items of this information collection are as follows:

a. The underwriter must determine that the borrower's total monthly mortgage payment on the new HOPE for Homeowners (H4H) loan *is less than* the borrower's aggregate total monthly mortgage payment on his or her existing (non-H4H) mortgage(s), including any subordinate mortgage liens, based on a fully-indexed, fully-amortizing PITI payment. Additionally, the lender must determine the borrower's payment to income ratio on their existing mortgage loan(s) is greater than 31% as of the date of the H4H loan application. These calculations are specific to the H4H program and HUD ascribes burden hours.

b. The underwriter must determine that the payment-to-income and debt-to-income ratios are at, or below, 31 percent and 43 percent, respectively on loans with a loan to value above 90.01 percent; and at or below 38 percent and 50 percent, respectively for loans with a maximum loan to value of 90 percent.

c. The file must contain evidence the mortgage being refinanced was originated on/before January 1, 2008. It is industry practice in refinance transactions to obtain information on the existing loan, thus HUD ascribes no burden hours.

d. The lender must provide the 'HOPE for Homeowners Consumer Disclosure and Certification', (HUD 92915-H4H (10/2009)) signed and dated by the borrower at the time of initial application and when final documents are executed.

e. The lender will calculate the dollar amount that each subordinate mortgage lien holder could receive from HUD's share of future appreciation on the Subordinate Lien Upfront Payment Worksheet. Also, the originating lender will provide the subordinate lien holders with the Subordinate Lien Upfront Payment Worksheet, and obtain acknowledgement that they have read and accept the terms of the Subordinate Lien Upfront Payment Worksheet and is prepared to execute a full release of its lien in exchange for the upfront payment.

f. Lenders already input several pieces of information into FHA Connection both at the time of case number assignment and endorsement. There are additional data fields for H4H loans. As an optional tool for the lender, we have summarized the additional data on the HUD -92900-H4H, an attachment to the underwriting transmittal.

g. The lender will prepare and cause the borrower to execute the Exit Premium Note and Mortgage (EPM) for the H4H transaction.

h. The lender will record the EPM with other loan documents, register the H4H security instrument in the Mortgage Electronic Registration System (MERS) as a MERS Original Mortgage, and deliver the original EPM note and recorded mortgage to HUD's servicing contractor.

i. Evidence the first payment on the new H4H mortgage was made by the borrower and not by any interested party to the transaction, from the loan proceeds or escrowed at closing.

j. In the event the lender receives a warning that the borrower has been convicted of fraud at the time of case number assignment, and believes it in error, the lender must document to the Homeownership Center that the borrower has not been convicted of fraud.

k. For Refinances of Borrowers in Negative Equity Positions (FHA Short Refinance), existing lien holders must write off at least 10% of the unpaid principal balance. FHA will collect the write off amount in FHA Connection as it does for H4H loans currently. Unlike H4H loans, the write off amount on negative equity refinance loans is not is not covered elsewhere in the collection, therefore we have included it on a separate line below, and adjusted the burden hours and costs accordingly.

l. Like H4H, borrowers obtaining FHA Short Refinance loans must certify they have not been convicted of certain crimes in connection with a mortgage or real estate transaction. We have added the FHA Refinance of Borrowers in Negative Equity Positions Borrower Certification (HUD-92918) to the HOPE for Homeowners Consumer Disclosure and Certification (HUD-92915-H4H) to calculate the burden.

3. The H4H program and documentation burden sunsets on September 30, 2011; and the negative equity refinance enhancements expire December 31, 2012. Each application request has its own unique characteristics of property, mortgage amount, and borrower; therefore, the use of computers can only be applied to the storage and retrieval of reference information and not to the burden-reduction aspect. However, data entry on these forms is increasingly generated by proprietary loan origination systems (LOS), if purchased or licensed by the lender, with much of that information provided electronically to HUD. Mortgage lenders may avail themselves of electronic options for data transmissions. In 2005, HUD began accepting case binders electronically. Approximately 7% of all case binders are now submitted in this manner.

4. No duplication exists due to the fact that each application is unique to the eligibility requirements explained in item 2. No similar information exists.

5. The information collected does not have a significant economic impact on a substantial number of small entities.

6. The reporting burden is loan-specific and, thus, cannot be conducted less frequently than on every single loan submitted to FHA for insurance endorsement.

7. Lenders are required to keep records for the duration of the mortgage loan, which could be as long as 30 years. However, the average length of an FHA-insured mortgage is approximately 7.5 years.

8. In accordance with the requirements of 5 CFR 1320.8(d), the Notice soliciting comments on this collection of information was published in the Federal Register on December 9, 2010 (Volume 75, page 76749). No comments were received.

9. There are no gifts or other type payments made to respondents.

10. The Privacy Act Statement provided in form HUD-92900-H4H Section III, “Notice to Borrowers” furnishes the authority for the collection of the information requested and the assurance of confidentiality as established by law. Information regarding the borrower's financial status and income data are only used to determine eligibility.

11. This information collection does not contain any questions of a sensitive nature.

12. Estimate of public burden.

(Please see chart on following page)

Information Collection	Number of Respondents	Frequency of Response	Responses Per Annum	Burden Hour Per Response	Annual Burden Hours	Hourly Cost Per Response	Annual Cost
HOPE for Homeowners Consumer Disclosure and Certification 92915-H4H	11,000	1 per loan	5,000	.5	2,500	$36.26	$90,650.00
FHA Refinance of Borrowers in Negative Equity Positions Borrower Certification 92918-H4H	11,000	1 per loan	428,571	.2	85,714	$36.26	$3,107,996.90
EPM	11,000	1 per loan	5,000	.25	1,250	$36.26	$45,325.00
Subordinate Lien Upfront Payment Worksheet 92917-H4H	11,000	1 per loan	5,000	2.0	10,000	$36.26	$362,600.00
Eligibility Debt to Income ration as of H4H application date	11,000	1 per loan	5,000	.50	2,500	$36.26	$90,650.00
Qualifying Debt to Income Ratio	11,000	1 per loan	5,000	.25	1,250	$36.26	$45,325.00
92900-H4H*							
Write off Amount	11,000	1 per loan	428,571	.1	42,857	$36.26	$1,553,994.82
Evidence Fraud warning is a false positive	11,000	1 per qualifying loan	100	.25	25	$36.26	$906.50
Totals	11,000		882,242	Varies	146,096	$36.26	$5,297,448

*This form is provided as a reference only. The mortgagee may choose whether or not to complete it.

Respondents are the FHA approved Mortgagees, whose number totals approximately 11,000.

For the estimates of the cost burden to the public resulting from the collection of information, HUD interviewed lenders from small, medium, and large mortgage companies. Additionally, for the burden hour estimates, HUD uses the longest estimated time to account for manual process where needed.

<u>HOPE for Homeowners</u>:

HUD spoke with Judith Smith of Judith O. Smith Mortgage Group, Lauri Siebenthall of PrimeLending, Tonia Gustafson of Wells Fargo, Brenda Walker of the Kentucky Housing Corporation, and David Wescott of the Florida Housing Finance Corporation.

The one hour estimate for the HOPE for Homeowners certification was derived from information provided by Ms. Gustafson. She noted that the process will require multiple manual processes, including finding, tracking and identifying the original loan.

Ms. Gustafson, Ms. Siebenthall, and Ms. Smith each indicated that the appreciation sharing worksheet would require lenders to explain the H4H loan to subordinate lien holders, who tend to be smaller lenders. It also may necessitate extra discussion time to identify the person within the organization with the proper authority to extinguish the lien.

Ms. Siebenthall indicated that once the additional form requirements were incorporated into their current automated process, the processing of H4H loans would not create a substantial number of additional burden hours for staff.

Additionally, HUD used the Congressional Budget Office estimate that the H4H program will serve 400,000 homeowners over the 3 year period. We used one-third of that total for the annual frequency of response.

<u>Refinance of borrowers in negative equity positions:</u>
HUD spoke with Theodore Foster of Wells Fargo, Susanne Garbacz of JP Morgan Chase, Shawn Krause of Quicken Loans and John DiIorio of 1st Alliance Lending.

Both Mr. Foster and Ms. Garbacz indicated that their companies were likely to rely on their loan origination systems (LOS) to provide the write off amount electronically to HUD, but estimated it would take approximately five minutes to manually calculate and enter the information.

Similarly, Ms. Krause indicated her company would provide the information electronically via its LOS system, but estimated the manual process to take two to three minutes.

Mr. DiIorio indicated his company was likely to provide the information via the manual process of calculating the amount and entering it into FHA Connection. He estimated the process would take five to six minutes.

Additionally, HUD used the OMB approved estimate that these refinances will serve 1,000,000 homeowners in the 2 year and 4 month life of the program. The annualized frequency of response is 428,571 (1,000,000/28 months)* 12 months.

The H4H Consumer Disclosure and Certification has two parts, the disclosure of the unique features of the program and the borrower certification regarding conviction of certain financial. The FHA Refinance of Borrowers in Negative Equity Positions contains only the certification, and therefore is estimated to take about one-third as much time to complete as the H4H disclosure and certification.

13. There are no additional costs to respondents.

14. The annualized cost estimates for the Federal Government are based on a $36.26 per hour costs that is based

on a GS-12 staff review.

The cost to the Federal Government relates the review of direct endorsement and lender insurance cases.

(Please see chart on following page.)

Information Collection	Number of Respondents	Frequency of Response	Responses Per Annum	Burden Hour Per Response	Annual Burden Hours	Hourly Cost Per Response	Annual Cost
H4H Case Binder Review	1	25% of loans submitted for insurance	72,657	1.0	72,657	36.26	$2,634,543.00
Neg. Equity Refinance Case Binder Review*	1	75% of loans submitted for insurance	321,428	.75	241,071	36.26	$8,741,234

*Negative equity refinance loans are much closer in nature to FHA's standard program. Therefore we estimate the time necessary to review case binders to be shorter than that for H4H loans.

15. This is a revision to a currently approved collection. Initially, it was estimated that HOPE for Homeowners would help 400,000 over the life of the program. This has not proven to be the case, and the actual numbers are significantly lower. As of October 7, 2010, 130 H4H cases have been endorsed; however we could see the rate of endorsements increase in the program's final year. FHA has revised the burden estimates taking both the reduced participation and potential final year increase in consideration.

16. This information collection does not include results that will be published.

17. We are not seeking approval to avoid displaying the expiration date of 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.