

# Supporting Statement for Paperwork Reduction Act Submissions

## Compliance Inspection Report - HUD-92051 Mortgagee's Assurance of Completion - HUD-92300 (2502-0189)

### A. Justification

1. This request for OMB review seeks to revise the current approval of information collection 2502-0189. Section 2(a) of the National Housing Act (P.L. 479, 48 Stat. 1246, 12 U.S.C., 1701 et seq.) authorizes the Secretary of the Department of Housing and Urban Development to insure qualified financial institutions against losses involved in mortgage insurance. This information collection is needed to ensure newly built homes financed with FHA mortgage insurance are constructed in accordance with acceptable building standards and that deficiencies found in newly constructed and existing dwellings are corrected.
2. With regard to existing construction cases, the property appraiser requires the repair of physical defects to assure that the property is livable, durable, and safe for habitation. These repair requirements are made conditions of the conditional commitment and must be cleared by a final inspection before mortgage insurance endorsement. Form HUD-92051 is used in this inspection process. Section 203(b)(7) of the National Housing Act authorizes the Secretary to use his/her discretion with respect to handling repairs. Form HUD-92501 is also used for the inspection of proposed construction cases. HUD requires three inspections to assure compliance with the conditions of the conditional commitment. A clear final inspection must be obtained on all proposed construction cases in jurisdictions where the local building authority issues final inspections. HUD will accept local government inspections in jurisdictions that issue building permits prior to inspections and Certificates of Occupancy (or equivalents) in lieu of the three inspections performed by fee inspectors. It is estimated that approximately 80 percent of the proposed cases are now insured under the local government provision.

Form HUD-92051 (Compliance Inspection Report) is the document on which the property inspector or appraiser prepares his/her findings. The form provides categories for the inspector or appraiser to report the status of repair requirements on existing or proposed construction cases. This report becomes a part of the case file and a copy is provided to the lender. Section IV form HUD-92051 indicates three categories of designations that HUD will assign as a result of the inspection. Category B, Compliance Incomplete Items, specifies that a "Mortgagee's Assurance of Completion" may be submitted. The Form HUD-92300 when completed by the mortgagee assures the Commissioner that the items set forth in the inspection report will be completed by the required date.

3. HUD employs a number of alternative procedures, such as mortgage certifications, to expedite various aspects of the mortgage insurance processing activities. However, field inspections must be made of all serious defects. There exists no other feasible method to protect the Department from risk. The failure to inspect repair work on existing and proposed construction would create considerable problems for the Department (by increasing risk) and for the home buying public (by affecting the quality of housing). To the extent the collection can be automated it has been by providing the form in a fillable pdf format. Most appraisers and inspectors and lenders who complete the form have software provided by private companies that automates the form and transfers it electronically to the lender. Automated software accounts for at least 80% of the form submittals are electronic.

The information requested from the inspector or appraiser is the only means of obtaining a written report that consistently provides the HUD reviewer with the necessary facts and evidence of compliance with HUD requirements. Automation of the collection isn't feasible because of the actual need to visit the property to determine any deficiencies. Also, multiple copies of the forms must be distributed; and an original must be maintained for the term of the mortgage.

4. Because of uniqueness of each case, information gathered or applicable to another property or properties cannot be used. No duplication was found to exist.
5. A number of fee inspectors and appraisers operate as small businesses. However, due to the very limited amount of time involved in the information collection, the impact on small business is deemed minimal.
6. In the past, HUD staff performed all inspections and obtained the assurance of completion necessary for insurance endorsement. More recently, fee inspectors and appraisers selected by lenders perform these services. There are approximately 1,200 fee inspectors and 55,000 appraisers participating in FHA's programs. No financial relationship exists between these individuals and HUD. The mortgagees make payments for services rendered. Inspections are performed only once for each HUD insured mortgage. If this collection was conducted any less frequent than it currently is it would cause a deficiency in the process that HUD utilizes for property inspection and buyer assurance.
7. No special circumstances are noted that would cause an information collection to be conducted in an unusual manner that would require respondents to prepare and submit a written response in less than 30 days after receipt of the information obtained on the forms. Both forms are directly related to the processing of mortgages for homes that require FHA mortgage insurance. Therefore, both fee inspectors and mortgage lenders are very likely to complete the forms within 30 days to minimize any delay in processing.
8. The agency notice soliciting comments on the information collection was published in the Federal Register on September 30, 2010, (Volume 75, Number 189, Page 60475). There were no comments. The agency spoke with three of the four Home Ownership Center to ascertain how often certain sections or selections on the form were used. As a result of the responses, the agency has modified the form to streamline the potential responses to those that are used most frequently and eliminating the responses that are never used. The streamlining of the form does not change the burden hours in either direction. The program office queried the data warehouse to determine the number of loans that would be required to submit this form and counted 5,668 properties with repair escrows in the past 12 months.
9. No financial relationships exist between the private inspectors serving on fee panels who prepare the HUD-90251s and HUD. The mortgagees make payments for services rendered.
10. No assurance of confidentiality is provided to respondents.
11. This information collection does not contain any questions of a sensitive nature or other matters that are commonly deemed private.

## 12. Tabulation of Reporting Burden

Information Collection	Number of Respondents	Frequency of Response	Total Annual Responses	Hours per Response	Total Annual Hours	Cost Per Hour	Total Annual Cost
HUD-92051	5,668	1	5,668	.25	1,417	\$100.00	\$141,700
HUD-92300	5,668	1	5,668	.10	567	\$100.00	\$56,700
<b>TOTALS</b>	<b>11,336</b>		<b>11,336</b>		<b>1,984</b>		<b>\$198,400</b>

\* Inspectors charge between \$75.00 and \$125.00 per inspection. It is estimated that an inspection takes approximately one hour in most urban areas, including travel time to and from the site. It takes approximately 15 minutes to complete the HUD 92051. The total annual cost to respondents includes salaries, overhead, staff support, record keeping, etc.

13. There are no additional costs to respondents. Total capital and start-up costs are presumed to be zero.

14. The cost to the Federal Government is based on a \$40 per hour estimate, which includes overhead, staff preparation time, review time, etc. The estimate is based on the work being performed by a GS-12 valuation staff person. This cost involves the time it takes to review the submitted forms HUD-92051 and HUD-92300, and complete the approvals. It is estimated that this burden is 10 percent of the estimated burden for the respondents or 198 hours. Therefore, cost to the Federal Government is estimated to be \$7,920 (198 x \$40).
15. This is a request for a revision of a currently approved information collection. The significant decrease in burden is a result of the adjustment in the number of the respondents. HUD now accepts local government inspections in jurisdictions that issue building permits prior to inspections and Certificates of Occupancy (or equivalents) in lieu of the three inspections performed by fee inspectors. A clear final inspection must be obtained on all proposed construction cases in jurisdictions where the local building authority issues final inspections. It is estimated that approximately 80 percent of the proposed cases are now insured under the local government provision.
16. There are no plans to publish the results of the information collected.
17. HUD is not seeking approval to avoid displaying the expiration date of the OMB approval.
18. There are no exceptions of the certification statement identified in item 19 of the OMB 83-I.

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

Not applicable. The collection of information does not employ statistical methods.