

## Supporting Statement for Paperwork Reduction Act Submissions

### FHA Lender Approval, Annual Renewal, Periodic Updates and Required Reports By FHA Approved Lenders OMB Control Number 2502-0005

(Forms HUD-92001-A, HUD-92001-B and HUD-92001-C)

#### A. Justification

1. This information collection clearance package seeks to a revision of OMB clearance approval of 2502-0005 that expires 5/31/2010. The Federal Housing Administration (FHA) of the Department of Housing and Urban Development approves entities to participate as Title I and/or Title II lenders. Specific information must be obtained and reviewed to determine if an entity meets the criteria to obtain the requested approval. In addition, this submission covers subsequent information required by FHA in order for entities to renew and maintain their approval, make periodic updates to their approval, submit required reports to FHA and submit requests to voluntarily terminate their FHA approval.

Title II of the National Housing Act, as amended, 12 U.S.C. 1703, 1709, and 1715b and 42 U.S.C. 3535(d), authorizes the Secretary of the Department of Housing and Urban Development to prescribe terms and conditions with respect to mortgage insurance under the above act. Criteria for approval to become a Title I and/or Title II lender mortgagee are specified in 24 CFR 202. Once approved, FHA lenders must provide additional information to maintain their approval as specified in 24 CFR 202 and supplemental guidance in Title I Lender Approval Handbook 4700.02 and the Title II Mortgagee Approval Handbook 1060.1. In addition, Title I letters and Mortgagee Letters have been issued to clarify various issues including the information required to be submitted on business changes and electronic submission of some information.

An emergency revision of 2502-0005 was approved 11/19/09. This revision reflects changes to the lender approval regulations (24CFR202). The changes were published as a proposed rule on November 30, 2009, (see FR-5356-P-01 Federal Housing Administration: Continuation of FHA Reform; Strengthening Risk Management through Responsible FHA-Approved Lenders at:

<http://www.regulations.gov/search/Regs/home.html#documentDetail?R=0900006480a60304>) that includes the elimination of FHA approving lenders as a FHA loan correspondents. This will result in a reduction in the number of lenders applying for FHA lender approval. The Department is planning to publish the final regulation changes within a few months so this information collection reflects the elimination of loan correspondent approval by FHA. The previously approved form 92001-LC (for loan correspondent applicants) and the form 92001-C (for lenders to convert their approval type to or from being a loan correspondent) have been deleted from this collection due to the pending regulation change. Since approximately 10,000 of currently approved 14,000 FHA lender approvals are loan correspondents, this change will have a significant reduction in the burden hours for this collection.

FHA has also implemented the use of the Department of Treasury's pay.gov system for the payment of application fees in lieu of the previous method of payment by check. Please note the pay.gov system still lists the online payment of the conversion fee but it will be removed once the proposed rule is published in final. According the forms 92001-E and 92001-F (cover sheets for the payment by check) have been deleted from this collection.

Finally, a data field has been added to the 92001-A and 9200-B to collect the National Mortgage Licensing System (NMLS) identification number of the applicant which all lenders must obtain by the end of 2010 per the Secure and Fair Enforcement Mortgage Licensing Act of 2008 (SAFE Act), enacted into law on July 30, 2008, as part of the Housing and Economic Recovery Act of 2008. This will ensure that FHA can verify any applicant is in compliance with the SAFE act before approving them as a new FHA lender.

2. a. **Application for FHA Lender Approval: Form HUD-92001-A.** This form and its attachments (see instructions on form) are used for applicants seeking approval as a FHA lender.(supervised lender, nonsupervised lender, government lender and investing lender).
- b. **Online Application for Lender Approval:** Development is underway to replace the paper HUD-92001-A and its attachments with an electronic submission. Draft Screen shots of this system are attached to the submission.
- c. **Non-online Branch Registration:** Form HUD-92001-B has two uses. Paper submissions are made by FHA lenders to add a Branch to its operation when the lender can't add the branch electronically via of their FHA Connection Account. This includes nonsupervised loan correspondents who don't have on file with FHA documentation they have the required net worth to add a branch. The second use of the paper version is when any FHA lender seeks approval for a direct lending branch.
- d. **Online Branch Registration:** The information on Form HUD 92001-B is submitted electronically via FHA Connections by FHA lenders to register branches except those described in 2c above.
- e. **Non-online reporting of Title I Loan Noncompliances:** Form HUD 92001-C (formally numbered as HUD 92001-D) Reporting Noncompliances for FHA Insured Title I Loans. This form is used by Title I lenders to report noncompliance information identified by the lenders themselves pursuant to Quality Control Plan reviews. Title I Lenders are required by Title 1 Letter 447, Reporting Noncompliances for FHA Insured Title I Loans, to promptly report to HUD the discovery of any material misstatements of fact, borrower misuse of loan proceeds, dealer noncompliance or other significant violations in the Title I Program.
- f. **Online Reporting of Title II Loan Noncompliances:** Electronic submission via of the FHA Connection account of each Title II lender to report noncompliance information identified by the lenders themselves pursuant to Quality Control Plan reviews. This is commonly referred to as "self reporting." In order to reduce duplication of information already on file with FHA, the automated system automatically populates loan information on file with FHA for each loan number the lender enters into the system. The lender only needs to comment on this automatic data if is in error. The lender then fills in the remaining boxes with specific information about the non-compliance identified in their Quality Control Review.
- g. **Online Payment of Lender Approval Application Fee:** Electronic payment of Application Fee for Title I or Title II Lender Approval or Conversion using pay.gov was implemented March 1, 2010.
- h.. **Online Payment of Branch Fee:** Lenders who can add their own branches using their FHA Connection Account also pay the branch fee as part of that process. Lenders can't add their own branches submit the form 92001-B to FHA for approval and made electronic payment of Branch registration fee using pay.gov effective March 1, 2010.
- i. **Online Annual Certification Reports:** Electronic submission of annual Certification Report via of each lender's FHA Connection account was implemented September 1, 2009. . The burden hours for this collection has be reduced due to the planned elimination of FHA approving loan correspondents as discussed in item 1 above.
- j. **Online Annual Audited Financial Statements:** Electronic Submission of Annual Financial Statements using the Lender Assessment SubSystem via FHA Connection is done by: all FHA approved lenders, except government lenders. The audits are prepared by CPA in compliance with HUD IG Consolidated Audit Guide for Audits of HUD Programs (HB 2000.04) and the GAO Auditing Standards (The Yellow Book). The requirement for electronic submission of the audit is pursuant to 24 CFR 5.801. The burden hours for this collection has be reduced due to the planned elimination of FHA approving loan correspondents as discussed in item 1 above.

If the consolidating financial schedule is not audited and the lender is approved as a FHA supervised lender, the lender may attach to its online submission a guarantee from its parent entity with regard to the ongoing net worth and liquidity compliance of the lender.

- k. **Online Payment of Annual Renewal Fee:** Electronic payment of annual renewal fee of each lender's FHA approval using via of their FHA Connection account.
- l. **Online Termination of a Branch:** The information collected electronically to allow all Title I and Title II lenders, mortgagees, and loan correspondents to **terminate a branch** is needed to ensure the Department knows the effective date of the termination and who took the action. The information collected is the branch's FHA ID number and termination date. Since each employee of a lender or mortgage must have an individual user ID for the FHA Connection, the Department knows who made the termination action.
- m. **Online Business Changes of a Lender:** Title I lenders and Title II mortgagees can make some business changes online via of their FHA Connection account. These include changes and updates to the address, phone number, Fax number, email address and dba (doing business as) name of their home office or any registered branches. If an update is not accepted in the online system, the lender must submit the request to FHA for manual review and updating...
- n. **Non-online Business Changes of a Lender:** Lenders are required to report certain business changes to FHA. These change include: (1) any changes to its owners and officers; (2) any restructuring, mergers or acquisitions; (3) change in name; (4) change in fiscal year end date; (5) loss of fidelity bond and/or errors and omissions insurance; (6) termination or change in supervisory agency; (7) net worth deficiency, liquid assets deficiency and operating loss; (8) bankruptcy or liquidation; (9) requests to voluntarily withdraw its FHA approval; and (10) any allowable online business change that was rejected; and (11) other business changes effecting its ability to be a FHA approved lender. These changes are reported by letter and the actual documents that must be submitted will vary. Details instructions on what must be submitted with each request and deadlines for submissions are in the Title I Lender Approval Handbook 4700.2, the Title II Mortgagee Approval Handbook 4060.1 and subsequent Mortgagee Letters and Title I letters. For example, if the company has been re-structured, amendments to the articles of incorporation or organization must be provided. In the case of mergers and acquisitions, copies of the documents reflecting the change are required.

In addition, lenders are require to report (1) if individual employees of the lender are subject to any sanction or any other administrative action, including if there is a revocation of a State-issued mortgage loan originator license issued pursuant to the S.A.F.E. Act and (2) if the lender or any officer, partner, director, principal, manager, supervisor, loan processor, loan underwriter, or loan originator is no longer eligible to participate pursuant to the expanded list of ineligible participants in Section 203 of the "Helping Families Save Their Homes Act of 2009" (Public Law 111-22)

- o. **Non-online Credit Watch Termination Reinstatement Requests:** A Title II lender who lost part of the geographic area of its approval to originate Title II loans via HUD's Credit Watch Termination Initiative may request reinstatement of the lost area. Details instructions on what must be submitted are in Mortgagee Letter 00-17.
- 3. 19,400 (89%) of the annual 21,820 responses is currently done online. Development is currently underway to make an additional 360 annual responses be online (the application for approval) which will increase electronic submissions to 91%.
  - 4. The information is not available from other sources.

5. The burden associated with the approval process is the minimum required to achieve program objectives. Consideration for small business is not a factor. The same applies to the additional information required after approval to participate as a FHA lender or loan correspondent
6. The information collected is required to achieve program objectives. It is used to determine whether an applicant is qualified for participation in the program for which it is applying. The application approval process is the first line of risk evaluation and prevention by the Department for its insured lending programs. Without collecting this information for the Department to review prior to making a decision regarding approval, the programs would be subject to widespread abuse. The information collected after approval is critical to monitor each lender and mortgagee's activities.
7. The information collection frequency is the minimum consistent with program objectives. The frequency cannot be changed because it applies when a lender requests initial approval, additional branches, and changes in personnel, addresses, business structure, and annual renewal of their approval.
8. In accordance with 5 CFR 1320.8(d), the agency's notice soliciting public comments was announced in the *Federal Register* on March 15, 2010, Vol. 75, No. 49, Pages **12251-52**. **No** comments were received.
9. There have been no payments or gifts to respondents.
10. Names and Social Security Numbers are requested in order for the Department to obtain positive identification of the applicant's officers, directors, stockholders and employees who have authority to obligate the applicant. The information is used to determine the eligibility of the individuals to participate in the Department's mortgage insurance programs. The Department is authorized to request this information by Executive Order 9397 and it will not be disclosed outside the Department without prior consent except as required or permitted by law.
11. There are no questions of a sensitive nature.
12. The following table shows the estimated burden for each collection effort. Most of the information requested will already have been collected in order to comply with State requirements to be licensed to operate as loan correspondents (commonly known as mortgage brokers), non-supervised mortgagees and lenders (commonly known as mortgage bankers), and supervised depository institutions. The estimated burden is to fill out specific forms or to duplicate documents that need to be attached.

Information Collection Burden							
Item No.	Information Collection	No. of Respondents	Total Annual Responses	Hours Per Response	Total Annual Hours	Cost per Hour	Total Annual Cost
A	Non-online submission of HUD-92001-A Application for FHA Lender Approval	360	360	2.00	720	\$47	\$33,840
B	Online submission of HUD-92001-A Application for FHA Lender Approval (Currently under development)			.50		\$47	
C	Non-online Submission of HUD-92100-B Application for Registration of New Branch (including attachments)		240	.50	120	\$47	\$11,750
D	Online Registration of New Branches via FHA Connection		500	.10	50	\$47	\$4,850
E	Non-online Submission of HUD-92001-C Reporting of Title I Loan Non-Compliance		100	1.00	100	\$47	\$4,700
F	Online Submission of Reporting of Title II Loan Non-Compliance		4,800	.15	720	\$47	\$38,840
G	Online Application Fee Payment for		360	.05	18	\$47	\$846

Information Collection Burden							
Item No.	Information Collection	No. of Respondents	Total Annual Responses	Hours Per Response	Total Annual Hours	Cost per Hour	Total Annual Cost
	Title I or Title II Lender Approval or Conversion						
H	Online Branch Registration Fee for Title I or Title II Branches		740	.05	37	\$47	\$1,739
I	Online Annual Certification Report for all Title I and Title II approved lenders.	4,000	4,000	.10	400	\$47	\$18,800
J	Online Submission of Annual Audited Financial Statements using the Lender Assessment SubSystem via FHA Connection by Title I and Title II Nonsupervised Lenders, Supervised Lenders and Nonsupervised Loan Correspondents		3,900	3.00	11,700	\$47	\$549,900
K	Online payment of annual renewal fee by all FHA Lenders except Government Lenders		3,900	.05	195	\$47	\$9,165
L	Online Termination of Existing Branch by all lenders		500	.05	25	\$47	\$1,175
M.	Online Business Changes of a Lender		1,200	.25	300	\$47	\$14,100
N	Non- Online Business Changes of a Lender		1,200	.50	600	\$47	\$28,200
O	Non-online Credit Watch Termination Reinstatement Requests		20	8.00	160	\$47	\$7,520
<b>Totals</b>		<b>4,360</b>	<b>21,820</b>		<b>45,015</b>	<b>\$47</b>	<b>\$711,815</b>

The estimated cost for the burden hours is computed at \$47 per hour. Most of the information submissions are prepared by staff and are subsequently reviewed by management prior to submission.

13. There are no additional costs to the respondents.
14. Estimate of total cost to the Federal government is estimated to be \$705,000 computed at \$47 per hour (GS13) for approximately 15,000 hours of review and processing.
15. This is a revision of a currently approved collection. This revision reflects changes to the lender approval regulations (24CFR202). The changes include the elimination of FHA approving lenders as FHA loan correspondents. This will result in a reduction in the number of lenders applying for FHA lender approval.
16. Only summary information will be forwarded to other Departmental offices for statistical purposes and possible publication.
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 the OMB 83-I.

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

This information collection does not employ statistical methods.