

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 8/31/2013. 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, HUD Handbooks 4700.2 & 4060.1 and various Title I letters and Mortgagee Letters. Once approved, FHA lenders must provide additional information to maintain their approval.

Additional Collections Added in This Revision

1. Corporate Guarantee: Bank applicants for FHA lender approval are allowed to submit a corporate guarantee from their parent entity along with the parent's consolidated audited financial reports in lieu of audited financial reports on the applicant. The guarantee will provide that the parent entity of the applicant will guarantee that its subsidiary will meet the minimum net worth and liquidity requirements for FHA lender approval at all times.

This same option is available for any bank that is a FHA approved lender when they renew their FHA lender approval each year online via of the Lender Assessment Sub System (LASS).

2. Regulatory Reports: Banks, Savings and Loans and Credit Unions wishing to apply for FHA lender approval who are not required to submit audited financial statements to their respective regulatory agency (Federal Deposit Insurance Corporation, Office of Thrift Supervision, or National Credit Union Administration) are allowed to submit a copy of their unaudited regulatory report (e.g., consolidated or quarterly Call Report or Report of Condition and Income, Office of Thrift Supervision Report, consolidated or quarterly Thrift Financial Report, Form 10-K, NCUA Supervisory Committee Audit, etc.) in lieu of audited financial statements.

This same option is available for any depository institution that is a FHA approved lender when they renew their FHA lender approval each year online via of the Lender Assessment Sub System (LASS).

3. Loan Fees for Multifamily Lenders: FHA approved lenders participating in FHA's Multifamily programs will be required to report loan fees earned that **exceed five percent** (5%) of the insured loan amount on each FHA-insured loan over \$2,000,000 endorsed during the lender's fiscal year period covered in its annual audited financial statements submitted to renew their FHA lender approval each year. This report will be submitted online via of the Lender Assessment Sub System (LASS).

4. **Unable to Certify Report:** A FHA approved lender who is unable to certify compliance with all the requirements on its annual renewal certification report is required to submit an explanation of the reasons why they can't certify. This report is submitted online via of the lender's FHA Connection account.
5. **Declarations of Trusts:** FHA approved Title II lenders participating in the creation and operation of a Declarations of Trust (DOT) for the non-Ginnie Mae Securitization of FHA insured loans must submit the DOT documents to FHA for approval. The approval criteria and approval requirement are in HUD regulations 24 CFR 203.433 and .434. FHA has received an average of three requests per year over the past five years.

Revision of Number of Responses and Burden Hours

There has been a slight decline in the number of FHA lenders and the burden hour estimates have been revised to reflect more accurate estimates.

2. a. **Application for FHA Lender Approval: Form HUD-92001-A.** This form and its attachments are used for applicants seeking approval as a FHA lender (supervised lender, nonsupervised lender, government lender and investing lender). The required attachments are copies of various business documents and vary depending on the type of lender approval being requested. The various business documents include: (1) State license or registration, (2) DBA approvals, (3) credit report on applicant, (4) credit reports on owners and officers, (4) financial reports on applicants (audited financial reports, regulatory financial reports and/or corporate guarantee), (5) LLC documents, (6) Partnership documents, (7) evidence of funding program, (8) quality control plan, (9) fidelity bond, (10) errors & omissions policy (11) resumes and (12) other documents the applicant wishes to include to supplement their application.
- 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. Implementation is scheduled by the end of 2011.
- 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. 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 it 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 is made directly in the Department of Treasury's pay.gov system. This online payment will be integrated into the online application for lender approval (item 2.b above) when it is implemented.
- h. **Online Payment of Branch Fee:** Lenders who add a branch using their FHA Connection Account also pay the branch fee as part of that process. Lenders who submit a branch form 92001-B to FHA for approval pay the branch fee directly in the Department of Treasury's pay.gov system.
- i. **Online Annual Certification Report/Unable to Certify Report:** Each lender submits its annual Certification Report via of its FHA Connection account. If they can't certify compliance with all of with all the requirements on its annual renewal certification report they must submit an explanation of the reasons why they can't certify in an unable to certify report via of its FHA Connection account.
- j. **Online Annual Financial Statements and Reports:** Each lender must submit its required financial statements and reports via of the Lender Assessment SubSystem (LASS) to renew its FHA lender approval.

Most lenders are required to submit audited financial statements with supplemental reports. These audits and reports are prepared by a 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).

Banks are allowed to submit a corporate guarantee from their parent entity along with the parent's consolidated audited financial statements in lieu of audited financial reports on the applicant. The guarantee will provide that the parent entity of the applicant will guarantee that its subsidiary will meet the minimum net worth and liquidity requirements for FHA lender approval at all times.

Banks, Savings and Loans and Credit Unions who are not required to submit audited financial statements to their respective regulatory agency (Federal Deposit Insurance Corporation, Office of Thrift Supervision, or National Credit Union Administration) are allowed to submit a copy of their unaudited regulatory report (e.g., consolidated or quarterly Call Report or Report of Condition and Income, Office of Thrift Supervision Report, consolidated or quarterly Thrift Financial Report, Form 10-K, NCUA Supervisory Committee Audit, etc.) in lieu of audited financial statements.

Most lenders must also submit compliance reports on their internal controls and compliance with FHA's lender approval requirements. These reports are prepared by third parties and submitted via of the LASS system.

- 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:** Lenders are required to terminate any of its registered branches that cease operations via of its FHA Connection account.
- m. **Online Business Changes of a Lender:** Lenders can make some business changes online via of their FHA Connection account. These include changes and updates to addresses, phone numbers, Fax numbers, email addresses, NMLS ID and dba (doing business as) name of their home office or any registered branches. They must also update the manager for each of their branch offices. 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) changes in its owners and officers, (2) 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, (10) any allowable online business change that was rejected, (11) 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, (12) 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)and (13) 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.

- 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.
- p. **Declarations of Trusts:** Declarations of Trusts: FHA approved Title II lenders participating in the creation and operation of a Declarations of Trust (DOT) for the non-Ginnie Mae Securitization of FHA insured loans must submit the DOT documents to FHA for approval. The approval criteria and approval requirement are in HUD regulations 24 CFR 203.433 and .434. FHA has received an average of three requests per year over the past five years.
3. 18,800 (92%) of the annual 20,510 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 94%.
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 June 10, 201, Vol. 76, No. 112, page 34091. 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 | \$0 |
| C | Non-online Submission of HUD-92100-B Application for Registration of New Branch (including attachments) | | 120 | .50 | 60 | \$47 | \$2,820 |
| D | Online Registration of New Branches via FHA Connection | | 500 | .25 | 125 | \$47 | \$5,875 |
| E | Non-online Submission of HUD-92001-C Reporting of Title I Loan Non-Compliance | | 10 | 1.00 | 10 | \$47 | \$470 |
| F | Online Submission of Reporting of Title II Loan Non-Compliance | | 4,800 | .25 | 1,200 | \$47 | \$56,400 |
| G | Online Application Fee Payment for Title I or Title II Lender Approval | | 360 | .25 | 90 | \$47 | \$4,230 |
| H | Online Branch Registration Fee for Title I or Title II Branches | | 740 | .25 | 185 | \$47 | \$8,695 |
| I | Online Annual Certification Report/Unable to Certify Report | 3,800 | 3,800 | .25 | 950 | \$47 | \$44,650 |
| J | Online Annual Financial Statements and Reports | | 3,300 | 3.00 | 9,900 | \$47 | \$465,300 |
| K | Online Payment of Annual Renewal Fee | | 3,600 | .25 | 900 | \$47 | \$42,300 |
| L | Online Termination of a Branch | | 500 | .25 | 125 | \$47 | \$5,875 |
| M. | Online Business Changes of a Lender | | 1,200 | .25 | 300 | \$47 | \$14,100 |
| N | Non- Online Business Changes of a Lender | | 1,200 | 1.00 | 1,200 | \$47 | \$56,400 |
| O | Non-online Credit Watch Termination Reinstatement Requests | | 20 | 8.00 | 160 | \$47 | \$7,520 |
| P | Non-online Declaration of Trust | | 3 | 5.00 | 15 | \$47 | \$705 |
| Totals | | 4,160 | 20,513 | | 15,940 | \$47 | 749,180 |

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) made in 2010 and various Mortgagee Letters issued since the last revision.
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.

B. Collections of Information Employing Statistical Methods

This information collection does not employ statistical methods.