

# Supporting Statement for Paperwork Reduction Act Submissions

## FHA-Insured Mortgage Loan Servicing for Performing Loans

### Including:

## Collection and Payment of Mortgage Insurance Premiums, Escrow Administration, Providing Loan Information and Customer Services, Assessment of Post Endorsement Fees and Charges and Servicing Section 235 Loans

2502-0583

### A. Justification

1. The National Housing Act (12 U.S.C. 1703) authorizes the Secretary of Housing and Urban Development to insure financial institutions against losses as a result of mortgagor defaults on single-family mortgages.
2. This information request for OMB review seeks to combine the requirements of an existing OMB collection under this comprehensive collection for mortgagees that service FHA-insured mortgage loans and the mortgagors who are involved with collection and payment of mortgage insurance premiums, payment processing, escrow account administration, providing loan information and customer service, assessing post endorsement fees and charges and servicing Section 235 loans.

The OMB collection affected is 2502-0235 “Mortgagees Annual Notification to Mortgagors.” The following activities and requirements for this PRA are set forth in Title 24 of the Code of Federal Regulations (CFR) in numerous locations of the CFR, specifically 24 [§ 203.22, § 203.23, § 203.259 through § 203.269, § 203.280 [MIP], § 203.508[Annual Escrow Notice, Customer Service], § 203.550[Escrow Accounts], § 235.1001[235 Cross Reference].

### Mortgage Insurance Premiums (MIP)

- **Premium Types** - All FHA-insured mortgages require a mortgage insurance premium as a condition of insurance endorsement. Premiums may be paid “Up-Front” as a lump sum payment, “Periodic” premiums paid monthly as a portion of the mortgagor’s mortgage payment, “One Time” premium paid at closing which covers the entire amount for insuring the mortgage, or Up-Front combined with Periodic Premiums.
  - **One-Time MIP:** For mortgages for which a one-time MIP is charged in accordance with (24 CFR § 203.259a), the mortgagee shall, within fifteen days of closing and as a condition to the endorsement of the mortgage for insurance, pay HUD for the account of the mortgagor, in a manner prescribed by HUD, a premium representing the total obligation for the insuring of the mortgage.
  - **Up-Front MIP:** The up-front MIP requires the payment of a single premium of up to 2.25 percent of the original insured principal balance of the mortgage, plus annual payments of .50 percent of the remaining insured principal balance for stated periods of time that vary depending on the original principal obligation of the mortgage. The annual portion of the premium is paid monthly by the borrower and an escrow must be established for remittance of the premium payment to HUD once a year.
  - **Periodic MIP:** (24 CFR § 203.260 through § 203.269) Mortgages not included in those subject to the “Up-Front” MIP are subject to “periodic” MIP for the life of the mortgage. The years required for risk-based periodic premiums vary depending on the date the mortgage closed and the amount of the mortgagor’s down payment. These premiums are paid monthly and escrows must be established for the payment of these premiums.
- **Notification of Periodic MIP Due** - For mortgages subject to periodic MIP, HUD provides mortgagee with a monthly listing on which to base future escrow requirements. This listing includes mortgages shown in HUD's records as serviced by the mortgagee with premium anniversary dates 13 months

hence, and shows the total annual MIP for each mortgage due on that anniversary date. This is not a bill. It is provided to give mortgagee information about future requirements so that mortgagee escrow requirements and future premium remittances will be accurate.

If a mortgage does not appear on a report received 60 days or more after the acquisition of servicing, the mortgagee must change the information in FHA Connection. If a new loan does not appear on the report 60 days after endorsement, the mortgagee must submit Mortgage Record Change (MRC), terminations, and assumptions to HUD via Electronic Data Interchange (EDI) or FHA Connection.

When HUD receives this information, it will add the mortgage(s) to the next scheduled monthly listing. If the mortgage does not appear on a monthly listing, the mortgagee is still responsible for paying the MIP, late charges, or interest on late premiums due. The mortgagee must pay the MIP based on a best estimate.

- **Payment of Upfront and Periodic Premiums** – Upfront and periodic mortgage insurance premiums are submitted through PAY.GOV, a secure government-wide collection portal managed by the Financial Management Service bureau of the U.S. Department of the Treasury.

Periodic premium payments can be submitted online using the FHA Connection through CPU to CPU batch file transmissions. The mortgagee remits on the first day of every month, one-twelfth of the annual premium, regardless of whether it was received from the mortgagor

- **Effect of Non-Payment** - An automated billing system for the *Collection of Late Charges and Interest Due on Periodic Payments* generates a bill for all outstanding late charges and interest for delinquent or late payments on the 15<sup>th</sup> of each month.
- **Refund of Up Front or One Time Premium Payments** - Mortgagors paying off or refinancing FHA loans endorsed prior to January 1, 2001, within seven years from the date of origination are entitled to a partial refund of the up-front MIP paid at closing. The refund schedule is shortened to a five-year period for loans closed on or after January 1, 2001
- **Termination of FHA Annual Mortgage Insurance Premiums** - The requirement to remit MIP will automatically cancel when the unpaid principal balance reaches 78% of the initial sales price or appraised value based on the initial amortization schedule. FHA will determine when the mortgage reaches this level and cease billing the mortgagee. Cancellation of the annual mortgage insurance premiums will normally be based on the scheduled amortization of the loan. However, in cases where the loan payments have been accelerated or modified, cancellation can be based on the actual amortization of the loan as provided to HUD by the servicing mortgagee. Termination of the requirement to remit MIP does not impact FHA insurance coverage.

Effective for all loans closed on or after January 1, 2001, FHA's annual mortgage insurance premiums will be automatically canceled under the following conditions:

- For mortgages with terms more than 15 years, the annual mortgage insurance premiums will be canceled when the loan to value ratio reaches 78 percent, provided the mortgagor has paid the annual mortgage insurance premiums for at least five years.
- For mortgages with terms 15 years and less and with loan to value ratios 90 percent and greater, the annual mortgage insurance premiums will be canceled when the loan to value ratio reaches 78 percent, irrespective of the length of time the mortgagor has paid the annual mortgage premiums.
- Mortgages with terms 15 years and less and with loan to value ratios of 89.99 percent and less will not be charged annual mortgage insurance premiums. Although the annual mortgage insurance

premiums will be canceled as described, the contract of insurance will remain in force for the loan's full term. This mortgage insurance premium cancellation provision only applies to loans in the Mutual Mortgage Insurance (MMI) fund.

- **Voluntary Cancellation of Mortgage Insurance** - FHA Mortgage Insurance benefits may be voluntarily terminated at any time if the mortgagor and mortgagee agree to the termination. Mortgagees may require a refund by sending an email to HUD's Single Family Insurance Operations Division (SFIOD). Up to 10 cases may be grouped containing the following information:
  - Name and ID of mortgagee.
  - FHA Case Number(s).
  - Refund amount for each case.
  - Reason for the refund request
  - Date payment was remitted
  - Periodic refund
  - Attention and address to which a refund check is to be sent.

### **Escrow Account Administration**

- **Escrow Accounts** - At origination, FHA Mortgagees must establish escrow accounts and require that mortgagors make monthly payments to ensure that funds will be available to pay taxes, flood insurance premiums, special assessments and periodic mortgage insurance premiums, as applicable before they become delinquent (24 CFR § 203.550). Other property related obligations such as hazard insurance may, at the option of the mortgagee and in accordance with the provisions of the security instruments, also be escrowed and paid by mortgagees on behalf of a mortgagor. Escrow accounts are a standard practice within the mortgage industry on all FHA, VA and conventional loans, therefore HUD ascribes no burden hours to escrow account administration.
- **Custodial Accounts** - HUD regulations and policies provide that all mortgagees must segregate all escrow funds received from mortgagors with HUD-insured mortgages, including those funds escrowed at closing under an assurance of Completion Agreement. A special custodial account must be established with a financial institution whose accounts are insured by the Federal Deposit Insurance Corporation or the National Credit Union Administration.
  - **Account Requirements:** This special custodial account must clearly identify the type of funds being held in that account. Unless these funds are deposited in the "Trust Clearing Account" discussed below, they must be immediately transferred into the above referenced account and the mortgagor's records must be posted accordingly.
  - **Trust Clearing Account:** For the purpose of expediting the deposit of daily collections, a "Trust Clearing Account" may be established for the deposit of collections received on all types of mortgages.
- **Commingling of Funds** - Mortgagees may commingle escrow funds for HUD-insured mortgage in a single bank account which also contains escrow funds for mortgages that are not HUD-insured.
- **Use of Funds** - Funds in the escrow account may be treated as one entity. Even though funds are collected for a specific purpose, such as taxes, they are not restricted to that use and may be used for other mortgage obligations paid from the escrow account. However, escrow funds may only be used for escrow obligations. Charges such as late fees, attorney fees incurred in foreclosure actions, inspection fees or mortgage delinquencies may never be collected by deducting the amount from the mortgagor's escrow

account. The restrictions on use of funds are standard practice within the mortgage industry on all FHA, VA and conventional loans, therefore HUD ascribes no burden hours.

- Interest Bearing Accounts** - HUD neither prohibit nor require that escrow accounts earn interest. However, when escrow funds are invested, the net income derived from this investment must be passed on to the mortgagor in the form of interest. The investment and payment must be in compliance with state and/or; regulatory agency requirements governing the handling and/or payment of interest earned on a mortgagor’s escrow account. The mortgagor is entitled to receive the net earnings from the investment of the mortgagor's funds after deducting the actual cost of administering the interest bearing account and expenses charged the mortgagor for maintaining the interest-bearing escrow account may not exceed the gross interest earned from investing the funds in that account. Payment of interest on escrow accounts is a standard practice within the mortgage industry on all FHA, VA and conventional loans, therefore HUD ascribes no burden hours.
- Timely Payments and Advances** - The mortgagee is responsible to make disbursements as bills become payable even if it requires advancing corporate funds where escrow deposits are inadequate to meet these obligations (24 CFR § 203.550). When making disbursements for bills and taxes, mortgagees must send payments directly to the billing agency or the taxing authority. Mortgagees must establish controls to ensure that bills payable from the escrow account or the billing information needed to pay them is obtained on a timely basis. If a bill has not been received within a reasonable time before the payment due date, the mortgagee shall contact the billing agency and request that the bill be provided promptly. The mortgagor may be contacted to determine if the bill was sent to him/her rather than to the mortgagee. However, it is not he mortgagor’s responsibility to contact the billing agency or to provide the mortgagee with a bill unless it has been sent to him/her in error. Timely payment of escrow obligations and the requirement to advance funds when necessary are standard practices within the mortgage industry on all FHA, VA and conventional loans, therefore HUD ascribes no burden hours.
- Escrow Items** - The mortgagee is responsible for collecting a monthly amount that will enable payment of all escrow obligations in accordance with the security instruments. These items are included in the chart below.

| <b>Funds Collected by the Mortgagee</b>  |                        |
|--|------------------------|
| <b>Escrow Items</b>  | <b>Obligation</b>      |
| <b>Real Property Taxes</b>   | Required               |
| <b>Hazard Insurance</b><br>(24 CFR 203.23(5))                                      | Optional but Customary |
| <b>Annual Mortgage Insurance Premiums</b><br>(24 CFR 203.22, 203.260, and 203.280) | Required               |
| <b>Life or Disability Coverage</b>   | Optional               |
| <b>Special Assessments</b>   | Required               |
| <b>Flood Insurance Premiums</b>  | Required               |
| <b>Homeowners’ Association Dues</b>  | Optional               |

- Real Estate Taxes** - An escrow account for payment of real estate taxes must be established for FHA insured loans at the time of loan origination(24 CFR § 203.550(a)). When the exact amount of the bill is unknown, the mortgagee should contact the taxing authority that has jurisdiction over the property to obtain an estimate of the tax bill. For new construction, the amount escrowed monthly should be based on assessed

value of improved land (i.e., value of both the house and the land). For existing properties, the actual taxes paid in the previous year can serve as a basis for the estimate of the future requirements.

Mortgagees are responsible for contacting the billing agency or taxing authority to obtain billing information and for making the payments timely. If funds in the escrow account are insufficient, mortgagees must advance their own funds to assure that taxes are paid timely and to avoid penalties and/or assessment of interest. Penalties for late tax bill payments shall not be charged to the mortgagor unless it can be shown that the late payment was the result of the mortgagor's error or omission. When it is to the mortgagor's benefit and if sufficient funds are available in the escrow account, tax bills should be paid early to take advantage of discounts.

HUD has no objection to the mortgagee contracting with tax service organizations to manage the payment of taxes. No cost of contracting for this service may be passed onto the mortgagor.

Escrow of real estate taxes is standard practice within the mortgage industry on all FHA, VA and conventional loans, therefore HUD ascribes no burden hours.

- **Hazard Insurance** is not required by HUD, although the standard mortgage instrument used by FHA insured lenders does permit the mortgagee to require it. If the mortgagee requires the mortgagor to purchase hazard insurance, the mortgagee must escrow for the payment of renewal premiums. The mortgagee remits the renewal premium when it is due, usually annually.

Mortgagors must be permitted to choose their own hazard insurance company. The mortgagee may not insist on more coverage than is necessary to protect its investment, however, if the mortgagor chooses to insure the property for more than the minimum amount required by the mortgagee, he/she must be permitted to do so.

- **Long-Term Policies** may be purchased by the mortgagor with a term of more than one year, providing the carrier and amount are otherwise acceptable to the mortgagee. The mortgagee may not reject the policy solely because of its term.
- **Homeowner's Policies** may include coverage's not directly related to the property, which cover personal liability, personal property, etc. If the mortgagor wishes this added coverage and the mortgagee finds it acceptable, the full renewal premium may be collected. If the combined coverage is included in on a premium payment, the HUD expects mortgagees to escrow and disburse that amount.
- **Forced Placed Insurance** – When required hazard insurance coverage is terminated by a carrier for reasons other than the mortgagee's failure to make timely premium payments, forced placed insurance coverage may be obtained by the mortgagee at a reasonable rate. A "reasonable rate" is defined for these purposes as the lesser of two following rates. Coverage available under a Federally-approved Fair Access to Insurance Requirements (FAIR) plan, also know as the FAIR Plan rate. A rate not more than 25% in excess of the rate set or advised by the principal state licensed rating organization for essential property insurance in the voluntary market. Hazard insurance administration is standard practice within the mortgage industry on all FHA, VA and conventional loan's, therefore HUD ascribes no burden hours.
- **Flood Insurance** - As a condition of insuring the mortgage in special flood hazard area the mortgagor must obtain flood insurance. The flood insurance must be continued in force for the life of the mortgage or so long as such coverage remains available, unless the area in which the property is located is no longer considered a flood hazard area. Mortgagees should contact the local HUD field office in connection with the applicability of this requirement in a given area. HUD requires that flood insurance be maintained on any property falling within special flood hazard areas on flood hazard boundary maps and flood insurance rate maps. Flood insurance is standard practice within the mortgage industry on all FHA, VA and conventional loan's, therefore HUD ascribes no burden hours.

- **Special Property Assessments and Ground Rents** - must be escrowed if they constitute a superior lien against the property. Escrow of special property assessments and ground rents, is standard practice within the mortgage industry on all FHA, VA and conventional loans, therefore HUD ascribes no burden hours.
- **Analysis of Escrow Accounts – (24 CFR § 203.550(b))**, no later than the end of the second year of the life of the mortgage, the mortgagee must begin regular analysis (at least annually) of the escrow account to assure adjustments to provide for adequate but not excessive collections to make anticipated disbursements during succeeding years. The mortgagor shall be given at least 10 days notice of adjustments in monthly payments and an adequate explanation of any change.
  - o **Time of Analysis**-The mortgagee may analyze escrow accounts at any time, but should select a time that has the least probability of creating large surpluses or shortages. The most likely time would be after payment of the largest single bill from the account.
  - o **Estimating Future Bills**- The mortgagee's estimate of escrow requirements must be a reasonable estimate of what the actual disbursements from the escrow account will be in the ensuing 12-month period. If the estimate is based on the previous year's actual disbursement, it will be considered excessive if it exceeds 10 percent over the previous year's actual disbursements. The mortgagee may still require an escrow account up to 1/6<sup>th</sup> in excess of the current estimated total annual requirement. If state or local law caps annual increases by a specific percentage, the estimate for those jurisdictions shall not exceed the prior year's actual disbursement plus this percentage. An example of an estimate is included in chart on the following page.

**Example:**

| <b>Maximum Appropriate Estimate Using Previous Year Actual</b>   |                   |
|--|-------------------|
| <b>Estimated Charge</b>  | <b>Amount</b>     |
| Previous Year Actual Escrow Disbursement   | \$1,000.00        |
| Estimate Using Maximum of 10 Percent over the Previous Year's Disbursement (\$1,000 + \$100) =           | \$1,100.00        |
| Plus Maximum Cushion of 1/6 of the Current Annual Estimate—<br>Current Annual Estimate (\$1,100 x 1/6) = | \$ 183.33         |
| <b>Total</b>   | <b>\$1,283.33</b> |

- **Surpluses and Shortages in Escrow Accounts (24 CFR § 203.550(b))** - The mortgagee must attempt to collect monthly an amount from the mortgagor that is sufficient to pay the bills as they become due. When the balance in the escrow account exceeds the amount required to pay all escrow obligations, a surplus exists. A shortage exists either when there are insufficient funds in the escrow account to pay currently due obligations or when the amount being collected is expected to create a shortage at some time in the future. Any surplus or shortage must be refunded to or collected from the mortgagor as provided for in the security instrument. Refunds and collections can be in the form of a lump sum, monthly payments, or a combination of the two.
  - o **Surplus Refunds** - If there is a surplus, the mortgagee must refund the surplus to the mortgagor in a lump sum or advise the mortgagor in writing of the amount and alternative methods for adjusting the surplus.

| <b>Methods Used for Adjusting a Surplus</b>                    |   |
|--|---|
| <b>Methods</b>   | <b>Description</b>  |
| <b>1. Cash Refund in a Lump Sum to the Mortgagor</b>           | Required unless the mortgagor elects, in writing to accept another option.  |
| <b>2. Application to Regular Monthly Payments or Principal</b> | At the written direction of the mortgagor the surplus may be applied to the regular monthly mortgage payments due until the surplus is exhausted, or may be applied to the prepayment of principal.   |
| <b>3. Application to Reduce Future Mortgage Payments</b>       | At the direction of the mortgagor the amount of the surplus may be spread over a period of time to reduce future mortgage payments as they become due. The most common period over which the surplus is spread is the twelve months, but any period is acceptable. HUD does not object to mortgagee-issued coupon books that reflect reduced payments of the surplus. |
| <b>4. Combination of Methods 1 &amp; 3</b>                     | With the mortgagor's permission, a portion of the surplus may be refunded in a lump sum and the remaining amount apportioned over a future period.  |

- o **Shortage Adjustments** – Escrow shortages must be corrected by one of the means described in the chart below. The mortgagee may not begin foreclosure when the only default of the mortgagor is a failure to pay a substantial escrow shortage in a lump sum (24 CFR § 203.550(d)).

| <b>Methods for Adjusting Shortages</b>        |  |
|---|--|
| <b>Methods</b>                                | <b>The Mortgagee May:</b>  |
| <b>1. Lump Sum</b>                            | Request a lump sum payment from the mortgagor to pay the shortage. After making the request, the mortgagee must be prepared to offer a second option if the mortgagor is unable to make the regular mortgage payment and extra lump sum shortage amount. |
| <b>2. Addition to Future Monthly Payments</b> | Permit the mortgagor to pay the shortage in monthly installments over a period of time. The first application of any payment above the regular monthly mortgage payment received from the mortgagor is to repay the mortgagee's advance.                 |
| <b>3. Combination of Methods 1 &amp; 2</b>    | Require a partial lump sum payment with the balance due in monthly installments.   |

## **Providing Loan Information and Customer Services**

In accordance with (24 CFR § 203.508), mortgagees must establish written procedures and controls to assure prompt and accurate response to customer inquiries and must make loan information available to customers at least annually. Mortgagors must be informed of means by which they can obtain answers to loan inquires.

- **Toll Free Contact** - Mortgagees must maintain a toll free telephone number for customer use and must make a provision for language translation for customer's who do not speak English.
- **Annual Statement of Account** – By January 30 of each year, the mortgagee must furnish the mortgagor with a statement of their mortgage account. At a minimum the statement must itemize interest paid by the borrower and taxes and other obligations paid from the escrow account during the preceding calendar year. However, the common industry practice is to provide a detailed statement that includes the remaining loan balance, current interest rate and other mortgage information.
- **HUD Information Requests** – Mortgagees must respond to HUD requests for information concerning the origination or servicing of individual accounts.
- **Notice of Transfer or Sale** – Both transferring and acquiring mortgagees must provide written notice to mortgagors of any assignment, sale or transfer of servicing of the mortgage in accordance with the requirements of the Real Estate Settlement Procedures Act. Transferring mortgagees must submit and notify HUD of any assignment, sale or transfer of servicing of the mortgage through the FHA Connection or Electronic Data Interchange (EDI).
- **Other Customer Services** – Mortgagees must be able to respond to customer requests, complete servicing actions and provide copies of original or replacement documents or reports as requested by mortgagors. These services are found in the subsequent section under “Post Endorsement Fees and Charges”.

Providing account information and other customer services is standard practice within the mortgage industry on all FHA, VA and conventional loans, therefore HUD ascribes no burden hours.

### **Post Endorsement Fees and Charges**

Mortgage servicing fees earned in conjunction with the servicing of a Federal Housing Administration (FHA) insured single-family mortgage are intended to compensate mortgagees for routine servicing requirements. Mortgagors may not be charged an additional fee for standard or routine actions performed by the mortgagee. Special services are actions performed by the mortgagee at the mortgagor's request or on the mortgagor's behalf that exceed routine servicing requirements, and for which a reasonable fee may be charged. Subject to certain exceptions, HUD does not stipulate the exact fee or charge a mortgagee may collect from a mortgagor for providing special services.

- **Written Policy** - mortgagees must have a clearly written policy governing post endorsement fees and charges that ensures compliance with applicable state laws and regulations and is consistent with the governing mortgage documents. This written policy must address the following points but is not limited to:
  - The special services for which fees or charges will be assessed;
  - The specific amount of each fee or the factor applied to determine the fee;
  - The basis used for determining that each fee is reasonable and customary for similar services in the geographic area where the mortgaged property is located;
  - The frequency and process that will be followed to update the fee schedule;
  - Procedures for ensuring compliance with the post endorsement policy;
  - Procedures for making the fee schedule available to the public without charge.



- **Special Service Fees** – Mortgagees may be charged a fee for the following services:
  - Processing fee for a twice returned non-sufficient funds check returned as uncollectible.
  - Non-sufficient funds over the phone credit card payments.
  - Non-sufficient funds direct account debit payments.
  - Duplicated coupon books replaced at the request of the mortgagor.
  - Amortization schedules.
  - Hazard insurance policies other than at the expiration of the existing policy.
  - More than one copy of: Year-end Statements, Mortgage Notes or Deeds of Trust, Settlement Statements and Gift Letters.
  - Multi-year payment histories.
  - Multiple payoff statements within a short period of time.
  - Mortgage verification to a prospective outside creditor initiated by the mortgagor.
  - Full or partial release of security as provided by the security instrument.
  - Property preservation inspections.
  
- **Prohibited Fees** – Mortgagees may not charge a fee for the following services:
  - Account set up
  - Annual escrow analysis and disclosure
  - Coupon books and or payment statements (except replacement coupon books)
  - Tax service fees: A one time tax service fee may be charged at origination but if not collected at origination a tax service fee may not be subsequently charged.
  - Delinquent loan servicing including but not limited to:
    - Facilitating routine borrower collections,
    - Costs associated with letters, mailings, phone calls, face to face meetings, or other means of establishing borrower contact during delinquency
    - Arranging repayment or forbearance plans
    - Demand or breach notices required in advance of a formal acceleration notice that matures the mortgage loan principal balance and begins the foreclosure process.
  - Administration actions related to reinstatement of a delinquent mortgage
  - Resolution of mortgagor disputes
  - Payment history for current year and one prior year
  - Payoff statements unless multiple statements are requested within a short period of time.
  - Amortization schedule following any recasting of the mortgage debt in which the amortization of the loan changed
  - Recording fees in states where recording fees are the responsibility of the mortgagee
  - In-house legal services: No charge may be made for any legal service provided by an attorney, paralegal or other individual who is a salaried member of the mortgagee, its subsidiary or any company with an identity of interest with the mortgagee.
  - HUD may limit the fees a mortgagor charges to process a simple assumption or loan modification.

## Section 235 Loans

Loans originated under Section 235 of the National Housing Act include a subsidy paid by HUD on behalf of the borrower. Some of these loans include a recapture provision that requires the mortgagor to repay some or the entire subsidy at the time the loan is paid off, either through full amortization, refinance or sale of the property.

The Form HUD-93100 is used for origination or assumption of a Section 235 loan, presently there. Presently this program has been discontinued and the Form HUD-93100 may only be used for assumption purposes. Under Section 235, the Secretary is authorized to make periodic assistance payments to mortgagees on behalf of homeowners. Mortgagees collect information from mortgagors to determine their eligibility to participate in the program and compute the amount of subsidy the mortgagors are eligible to receive. Mortgagees then use this information to bill HUD for assistance payments. Information collected to establish eligibility includes occupancy, employment, family composition, and income, as well as information on the mortgage and required payments. Borrowers must re-certify eligibility annually.

The Form HUD-93101 is sent by lenders to individual borrowers to determine and adjust the amount of subsidy a mortgagor is eligible to receive. It is used for securing re-certifications. The forms serve as vehicles for obtaining the information necessary to determine family income and composition, and to compute assistance under HUD guidelines. The Section 235 program is diminishing each year with approximately 2,500 235 mortgages still receiving subsidy. Congress last provided authority for 30-year mortgages to receive subsidy in 1983. The HUD-93101-A form is no longer submitted to HUD by lenders for statistical analysis of increase and decrease in subsidy and general program information. Mortgagees maintain copies of both forms HUD-93101 and 93101-A for audit purposes.

Both HUD and the mortgagee use these forms. The form HUD-300 must be submitted with the form HUD-93102. Lenders submit the HUD-300 form, which provides detailed loan level information, and the HUD-93102 form, uses the detailed information for the purpose of monthly billing to HUD. Each mortgage receiving assistance is listed by FHA-case number on the HUD-300 and justifies the funds requested on the HUD-93102. The information collection is an application for funds on loans in the lenders' portfolios. The amount of funds is determined by a formula applied to each loan by the lender. Therefore, there is no occasion that the information would not be available. Periodic on site monitoring reviews are performed with some lenders having these loans. These loans are a part of that review and any problems with the collection of this information may be discussed at that time.

Form HUD-93114 documents the conditions for termination, suspension, or reinstatement of the assistance payment contract for Section 235 mortgages. The mortgage servicer prepares and submits the form to HUD within 10 days after a triggering event occurs so that HUD can assure that it pays the correct amount of assistance. The form must be prepared for each Section 235 mortgage terminated, suspended, or reinstated. A signature of the preparer is required. 24 CFR 235.365 requires servicers to maintain these forms and make them available for on-site audits by HUD or by the Government Accountability Office (GAO).

HUD requires mortgagees to notify the mortgagor of changes in assistance payments no less than 10 days before the due date of the first payment affected by the change. If there is an increase in the mortgagor's share of the payment and the required 10-day advance notice cannot be given to the mortgagor, the mortgagee arranges a realistic schedule acceptable to both parties for collecting any additional amounts that may become due before the 10-day advance notice period can be given.

Written Notice to Mortgagor: The notice to the mortgagor should include, but not necessarily be limited to, the following information:

- o the total monthly mortgage payment, excluding items not required by the mortgage (such as premiums for life and/or disability insurance);
- o HUD's share of the mortgage payment and whether it was computed under "Formula One" or "Formula Two";
- o the mortgagor's share of that payment;
- o any additional amounts that must be paid by the mortgagor in connection with the mortgage payment that was excluded in Item 1. above (such as premiums for life and/or disability insurance);

- o the monthly gross income used to calculate the assistance payment for the purpose of providing a benchmark to help the mortgagor know when to report increases of \$50 or more per month;
  - o the due date of the first payment due from the mortgagor that reflects the increase.
- **Annual Statement of Assistance** - The requirements of section 24 CFR § 235.1001 state, in part, that, in conjunction with the annual statement account provided to all borrowers, mortgagees must provide to the mortgagor an ...accounting of the total amount of assistance payments paid by HUD and applied to the mortgagor's account during the preceding year.”
  - **Recapture Calculation** – When the NSC office is advised by a mortgagee, attorney, title company or other settlement party, of a pending or accomplished event which triggers recapture, the NSC Office or its contractor may request the following items in order to compute the recapture amount due to satisfy the HUD lien:
    - o Copy of the recorded second mortgage (or deed of trust) with addendum and executed note, if the contractor or NSC do not have the original documents in their files;
    - o Copy of the executed sales contract and HUD-1 settlement statement (signed by the settlement attorney) when the original mortgagor purchased the property;
    - o Copy of the executed sales contract and HUD-1 settlement statement (signed by the settlement attorney) of any assumptor who purchased the property prior to the last mortgagor;
    - o Copy of the executed sales contract and HUD-1 settlement statement (signed by the settlement attorney) when the last mortgagor (i.e., the last one receiving assistance) sold the property;
    - o Copies of paid receipts and/or bills marked paid in full for any improvements made to a property by the original mortgagor and/or any assumptor;
    - o Letter from the mortgagee, signed by an officer of the company, stating the total amount of assistance paid on behalf of the original mortgagor and all assumptors, if any.
    - o Appraisal report on the property and a statement of the cost of the appraisal, if needed; and
    - o Statement of the costs of refinancing the first mortgage, when needed.
3. Mortgagees, consist of major industry mortgage loan lenders and servicers in addition to medium and smaller size mortgagees. However, the one thing they have in common is an automated mortgage loan servicing that has the capability of servicing various types of loans and investors. HUD information is routinely gathered and reported to HUD, generally on a monthly basis through HUD's electronic systems. HUD has not mandated any hardcopy or electronic format for collecting and maintaining the records. The information is to be kept with similar mortgagee documentation and submitted to HUD only if requested as a part of a review. Mortgagees have the option to maintain mortgage loan documents in electronic or imaged format as long as hard copies can be printed and provided to HUD within 24 hours of the request, depending upon the documentation requested.
  4. There is no duplication of information. Mortgagors routinely document mortgage loan servicing efforts as a part of their own loan servicing and internal quality control procedures. HUD will accept the various formats already in use by mortgagees as long as the information is complete.
  5. The collection of this information will not have a significant impact on a substantial number of small businesses.
  6. This PRA does not add to mortgagee reporting or record keeping burdens, as this information is already routinely maintained for other purposes. The information is required to ascertain whether the mortgagee has performed adequate and prudent mortgage loan servicing.

7. The special circumstances requiring the mortgagee to perform a monthly evaluation and report to HUD, while the mortgage loans are in default is required so that appropriate servicing actions can be conducted in a timely manner.
8. In accordance with 5 CFR 1320.8(d), this information collection soliciting public comments was announced in the *Federal Register* on March 14, 2012 (Volume 77, Number 50, Page 15116). ... comments were received.

The ability to provide the information required by this process and the use of the information, is discussed with the mortgage loan industry on a continuing basis at yearly functions, meetings and personal contact by various HUD staff and managers.

9. The collection of this information does not provide for payments or gifts to respondents (mortgagees).
10. The Privacy Act of 1974 protects respondents who meet the information reporting requirements. There are not other pledges of confidentiality.

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

12. Estimated Burden and Cost to Respondents:

| Information Collection                       | Number of Respondents | Frequency of Response (average) | Responses Per Annum | Burden Hour Per Response           | Annual Burden Hours | Hourly Cost Per Response | Annual Cost  |
|--|-----------------------|---------------------------------|---------------------|------------------------------------|---------------------|--------------------------|--------------|
| <b>FHA Mortgage Insurance Premiums (MIP)</b> |                       |                                 |                     |                                    |                     |                          |              |
| MIP Collections                              |                       |                                 |                     |                                    |                     |                          |              |
| Upfront, New Orig.                           | 324                   | 4,469                           | 1,448,003           | .25                                | 362,000             | \$15.00                  | \$5,430,000  |
| Periodic, Annual                             |                       | 9,259                           | 3,000,000           | .02                                | 60,000              | \$15.00                  | \$900,000    |
| MIP Notifications                            | 324                   | 9,259                           | 3,000,000           | .25                                | 750,000             | \$15.00                  | \$11,250,000 |
| MIP Disbursements                            | 324                   | 9,259                           | 3,000,000           | .02                                | 60,000              | \$15.00                  | \$900,000    |
| MIP Refunds                                  | 324                   | 309                             | 100,000             | .50                                | 50,000              | \$15.00                  | \$750,000    |
| MIP Terminations and Cancellations           | 324                   | 2,334                           | 756,187             | .25                                | 189,047             | \$15.00                  | \$2,835,700  |
| <b>FHA Escrow Administration</b>             |                       |                                 |                     |                                    |                     |                          |              |
| Escrow Account Setup                         | 324                   | 22,767                          | 7,376,641           | None, this is an industry standard |                     |                          |              |
| Escrow Account Interest                      | 324                   | 5,920                           | 1,917,927           | None, this is an industry standard |                     |                          |              |
| <b>Escrow Account Disbursements</b>          |                       |                                 |                     |                                    |                     |                          |              |
| Real Estate Taxes                            | 324                   | 22,767                          | 7,376,641           | None, this is an industry standard |                     |                          |              |
| Hazard Insurance                             | 324                   | 22,767                          | 7,376,641           | None, this is an industry standard |                     |                          |              |
| Special Assessments                          | 324                   | 2,277                           | 737,664             | None, this is an industry standard |                     |                          |              |
| <b>Escrow Account Maintenance</b>            |                       |                                 |                     |                                    |                     |                          |              |

| Information Collection                | Number of Respondents | Frequency of Response (average) | Responses Per Annum | Burden Hour Per Response           | Annual Burden Hours | Hourly Cost Per Response | Annual Cost  |
|---------------------------------------|-----------------------|---------------------------------|---------------------|------------------------------------|---------------------|--------------------------|--------------|
| Escrow Shortage or Surplus            | 324                   | 22,767                          | 7,376,641           | None, this is an industry standard |                     |                          |              |
| Providing Escrow Analysis Information | 324                   | 22,767                          | 7,376,641           | None, this is an industry standard |                     |                          |              |
| Loan Information/ Customer Service    |                       |                                 |                     |                                    |                     |                          |              |
| Toll Free Information Requests        | 324                   | 7,716                           | 2,500,000           | None, this is an industry standard |                     |                          |              |
| Annual Statement of Account           | 324                   | 22,767                          | 7,376,641           | None, this is an industry standard |                     |                          |              |
| Servicing Transfers                   | 324                   | 9,259                           | 3,000,000           | .25                                | 750,000             | \$15.00                  | \$11,250,000 |
| Customer Service Requests             | 324                   | 9,259                           | 3,000,000           | .25                                | 750,000             | \$15.00                  | \$11,250,000 |
| Post Endorsement Fees/Charges         |                       |                                 |                     |                                    |                     |                          |              |
| Written Policy                        | 324                   | 1                               | 324                 | 40                                 | 12,960              | \$15.00                  | \$194,400    |
| Special Service Fees                  | 324                   | 12,346                          | 4,000,000           | .02                                | 80,000              | \$15.00                  | \$1,200,000  |
| Prohibited Fees                       | 324                   | 12,346                          | 4,000,000           | None, this is an industry standard |                     |                          |              |

| Information Collection   | Number of Respondents | Frequency of Response (average) | Responses Per Annum | Burden Hour Per Response | Annual Burden Hours | Hourly Cost Per Response | Annual Cost         |
|--|-----------------------|---------------------------------|---------------------|--------------------------|---------------------|--------------------------|---------------------|
| <b>Section 235 Loans</b>   |                       |                                 |                     |                          |                     |                          |                     |
| Application for Homeownership Assistance (HUD 93100)   | 5                     | 1                               | 5                   | 1.00                     | 5                   | \$15.00                  | \$75                |
| Recertification of Family Income and Composition (HUD 93101)                                       | 1,291                 | Once per loan                   | 1,291               | 1.00                     | 1,291               | \$15.00                  | \$19,365            |
| Recertification of Family Income Statistical Report (HUD 93101-A)                                  | 1,291                 | Once per loan                   | 1,291               | .10                      | 129                 | \$15.00                  | \$1,935             |
| Mortgagees Certification and Application for Assistance of Interest Reduction Payments (HUD 93102) | 56                    | 12                              | 672                 | .50                      | 336                 | \$15.00                  | \$5,040             |
| Monthly Summary of Assistance Payments (HUD 300)   | 56                    | 12                              | 672                 | .25                      | 168                 | \$15.00                  | \$2,520             |
| Notice of Termination, Suspension or Reinstatement (HUD 93114)                                     | 403                   | 1                               | 403                 | .50                      | 202                 | \$15.00                  | \$3,030             |
| Notice to Mortgagor  | 1,291                 | 1                               | 1,291               | .10                      | 129                 | \$15.00                  | \$1,935             |
| Annual Statement of Account (235 Loans)  | 1,291                 | 1                               | 1,291               | .10                      | 129                 | \$15.00                  | \$1,935             |
| Recapture (235 Loans)  | 100                   | 1                               | 100                 | .50                      | 50                  | \$15.00                  | \$750               |
|  |                       |                                 |                     |                          |                     |                          |                     |
| <b>Totals</b>  | <b>11,940</b>         |                                 | <b>74,726,967</b>   |                          | <b>2,644,446</b>    |                          | <b>\$45,996,685</b> |

The hourly cost is based on estimated mortgagee staff salary of \$31,200 annually.

13. There are no additional costs to the respondents.

14. Estimated Burden and Annual Cost to the Federal Government:

| Information Collection        | Responses Per Annum | Burden Hour Per Response | Annual Burden Hours | Hourly Cost Per Response | Annual Cost      |
|-------------------------------|---------------------|--------------------------|---------------------|--------------------------|------------------|
| <b>FHA Mortgage Insurance</b> |                     |                          |                     |                          |                  |
| Canceling Mortgage Insurance  | 756,187             | .01                      | 7,562               | \$25.00                  | \$189,050        |
| <b>Total</b>                  | <b>756,187</b>      |                          | <b>7,562</b>        |                          | <b>\$189,050</b> |

15. This is revision of a currently approved collection. The increased burden is due to the combined functions and information collection of currently approved collections. Also, it is based on the activity involving mortgage loan servicing of current, delinquent, defaulted, and foreclosed mortgage loans. Due to conditions in the banking industry, particularly acquisitions and mergers, the number of respondents servicing these

mortgages has significantly decreased. As properties are sold or refinanced, and the mortgages retired, the number of mortgages on which the respondents report has also decreased but there has been an increase in loan activity which accounts for the significant increase in the number of responses.

16. There are no plans to publish this information collection for statistical use.
17. HUD is not seeking approval to avoid displaying the 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 collection of information does not employ statistical methods.