

# Supporting Statement for Paperwork Reduction Act Submissions

## Builder's Certification Of Plans, Specifications, & Site OMB Control Number 2502-0496 (Form HUD-92541)

### PART A. Justification

1. Executive Order 11988 (Flood Plain Management) and HUD environmental regulations at 24 CFR 51, 24 CFR 51, and 24 CFR 55 require builders of newly constructed properties to assure that the property is not affected by flood hazards, and newly constructed multifamily housing is not affected by (1) noise; (2) runway clear zones; (3) explosive/flammable materials storage hazards; (4) toxic waste hazards; and (5) other foreseeable hazards that may affect the site (i.e., ground water level, surface drainage, sinkholes, excessive slopes, expansive/collapsible/erosional soils and inadequate fill materials).
2. The form has undergone a slight revision for this submission. The certification allows the builder to insert the name of the building code to which the property conforms and the builder does not have to certify that the plans and specifications of the property have been approved by HUD, reflecting current policy.

The builder or the builder's agent completes the site analysis and submits it to the lender using the pdf fillable form. The site analysis includes noting the proximity of the property to sites that might affect the value or marketability of the property. The builder also must indicate that the dwelling was constructed according to certain building codes and indicate which building code the builder adhered to in a different section. The information must be collected on each case submitted for mortgage insurance that involves new construction so HUD is assured that no site/location factors will adversely affect the dwelling or homeowner. The information will be shared with the appraiser in order to ensure the appraiser has adequate information regarding the site to perform a proper appraisal analysis. For condominiums, the form will be used to determine the eligibility of the project. HUD may review the information on the builder certification on a sampling of cases to assure that the lender has properly considered the siting/location factors during the underwriting of the loan. Borrower and their attorneys who have complaints against builders for not properly mitigating the problems of a site can also use the form.

3. The collection of the requested information is 95% automated through the use of the fillable form.

Builders submit the pdf fillable to the lenders. Under FHA-Single Family's current insurance endorsement policy, a Direct Endorsement (DE) lender may apply for FHA insurance based upon its internal underwriting of the loan. During the closing process, most lenders log on to a Web-based application, FHA Connection (FHAC), to establish and update a case, log the appraisal, and complete the Insurance Application. The data entered are subsequently transferred to the Computerized Homes Underwriting Management System (CHUMS), the system of record for the endorsement process.

Direct Endorsement Mortgage Lenders who elect to participate in Business-to-Government (B2G) electronically submit the data to HUD using the Electronic Case Binder. Large lenders with Loan Origination Systems (LOS) transmit data from their LOS or use third party software to send data to CHUMS via a telecommunications method known as B2G (Business to Government). CHUMS is subsequently updated with the same data elements that other lenders enter into FHAC.

After the builders and lenders review the collected information it is electronically preserved in the lender's loan file after Lender Endorsement or provided to HUD either electronically or in a paper file for HUD Endorsement.

4. There is no duplication of information. The information is not collected elsewhere by HUD for the specific property involved.
5. The information has some impact small businesses or other small entities. The certification is required of all builders seeking FHA mortgage insurance for newly constructed homes. According to the National Association of Homebuilders there are more than 35,000 single family homebuilders in the United States and more than 60% of these have gross receipts of less than \$1,000,000 a year. Although small businesses are impacted by this collection the impact is minimal and the information is critical for HUD to collect to insure that builders are in compliance with federal environmental regulations and federal, state and local building codes. The burden hours are not being reduced at this time because the methods used to provide HUD with the required information have not changed since the last collection period.
6. If this form was not used and the collection of the information was not conducted it could pose a health and/or safety risk to borrowers and increase the risk of borrower's default, adversely impacting the insurance fund.
7. The builder provides the information to the lender. The lender places the information in the insured loan case file. The lender must maintain the case file for the duration of the insured mortgage loan, which could be in excess of 30 years.
8. In accordance with 5 CFR 1320.8(d), the agency's notice soliciting public comments was announced in the *Federal Register* on December 27, 2011 (Vol. 76, No. 248, page 80959). One comment was received from four energy efficiency advocates. The comments supported the changes in the form and did not propose any changes not already included in the revision.

HUD consulted with three HUD staff from the HUD's Homeownership Centers on the Builder's Certification availability of data and frequency of collection.

- a. Dan Ellis Public Trust Officer of the Atlanta, GA Homeownership Center (678) 732-2678;
- b. Krish Raja Branch Chief of the Philadelphia, PA Homeownership Center (215) 861-7539; and
- c. Bill Schuler Branch Chief of the Santa Ana, CA Homeownership Center (714) 796-1200 ext 3449

All HUD staff concurred that the Builder's Certification forms are reviewed on post technical reviews in endorsed case binders for new properties.

9. There have not been any decisions to provide any payment or gifts to respondents.
10. The information is part of the underwriting package and is not confidential.
11. There are no questions of a sensitive nature involved in this collection.
12. Estimates of public burden and costs to respondents:

Information Collection	Number of Respondents	Frequency of Response	Responses Per Annum	Burden Hour Per Response	Annual Burden Hours	Hourly Cost	Annual Cost
<b>HUD-92541</b>							
Builder's submission	35,000	.86 avg.	30,000	.10	3,000	\$33.43	\$100,290

Lender's review	3,035	9.83 avg.	30,000	.05	1,500	\$23.05	\$34,575
<b>Totals</b>	<b>38,035</b>		<b>60,000</b>		<b>4,500</b>		<b>\$134,865</b>

The hourly rate is based on estimates of the average annual salaries of builder and lender staff.

13. There are no capital/start-up costs or ongoing operation/maintenance costs associated with this information collection.
14. The costs to the Federal government are minimal, the main cost is ensuring the document is in the loan file, but HUD only reviews the document in a random sampling of cases (2.4% of those received.)

Information Collection	Number of Respondents	Frequency of Response	Responses Per Annum	Burden Hour Per Response	Annual Burden Hours	Hourly Cost	Annual Cost
<b>HUD-92541</b>							
HUD check	n/a		30,000	.05	1,500	\$23.43	\$1,757
HUD review	n/a		720	.10	72	\$40.31	\$2,902
<b>Totals</b>	<b>n/a</b>		<b>30,720</b>		<b>1,572</b>		<b>\$4,659</b>

The hourly cost to check that the form is in the package is based on the cost of a GS-9 equivalent contractor and the cost of a review is based on a GS-12 HUD staff reviewer.

15. This is a revision of a currently approved collection. There are approximately 35,000 builders and 3,035 lenders involved in this information collection. The builder will take about 10 minutes to complete the Builder's Certification (form HUD-92541) based on information and data the builder gets from its engineers prior to the property being developed.

The lender should be able to review the builder's entries in about 5 minutes. Accordingly, HUD estimates that the entire information collection burden will be 15 minutes per case. Based upon an average of approximately 30,000 new construction cases per year, the total burden hours will be 4,500. While the information collected regarding floodplains may (at the option of the builder) be different, there are no expected changes in the burden hours. The decrease in the number burden hours results from fewer new construction loans being insured and expected to be insured during the collection period.

Although most lenders now submit the case file electronically after the builders and lenders reviews the collected information to HUD, when requested, other lenders are on test case bases and mail case file to the Homeownership Centers, the burden hours for the lenders remains the same.

16. The results from this collection will not be published.
17. HUD does not request approval not to display the expiration date.
18. The agency is able to certify compliance with all provisions under item 19 of OMB Form 83-I

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

This information collection does not employ statistical methods.