

Supporting Statement for Paperwork Reduction Act Submissions

Title I Property Improvement and Manufactured Home Loan Program OMB Control Number 2502-0328

PART A. Justification

1. Title I, Section 2 of the National Housing Act (12 U.S.C. 1703) authorizes the Secretary of Housing and Urban Development, through its Federal Housing Administration (FHA) to insure qualified financial institutions against losses as a result of borrower defaults on loans made under Title I. The regulations implementing the Title I program, including requirements for information collection and reporting, are found in 24 CFR Part 201. A complete list of regulations is shown at Attachment A, which can be found on pages 12-14 of this document.

The FHA Manufactured Housing Loan Modernization Act of 2008, Sections 2141 – 2150 of the Housing and Economic Recovery Act of 2008 (HERA), amended various provisions in Title I of the National Housing Act (NHA) relating to the Manufactured Home Loan program. HERA made the following key changes to the NHA: loan limit increases; annual indexing to allow for future increases; co-insurance on an individual basis; incontestability of insurance; upfront insurance premium; annual insurance premium; underwriting criteria revised; and three (3) year leasehold agreement required. Of all of these changes required by HERA, only one is recognized to have a burden cost to respondents: three-year lease agreement. The remaining changes related to collection information already accounted for. In compliance with the Act, specific guidance was issued to all Title I lending institutions, mortgagees, forms, companies, and other industry partners. Attachment A (on page 14) provides the references in HERA for the new lease requirements. Sections in the Code of Federal Regulations (CFR) are not listed because the CFR has not yet been updated with the new HERA provisions.

2. The respondents are borrowers, dealers (sellers, contractors, or supplier of goods or services), lenders, appraisers, and/or inspectors. The collection contains the information under which an approved financial institution may obtain insurance on loans made for the alteration, repair, or improvement of property; for the purchase of a manufactured home and/or the lot on which to place such a home; for the purchase and installation of fire safety equipment in existing health care facilities; and for the preservation of historic structures. The insurance granted by HUD shall be available only for loans involving property located within a State. The insurance can cover up to 10 percent of the amount of all Title I loans in the financial institution's portfolio, as reflected in the total amount of insurance coverage contained at any time in an insurance coverage reserve account established by HUD. As limited by the amount of insurance coverage in such a reserve amount, the insurance can cover up to 90 percent of the loss on any individual loan. Property improvement loans can range from \$7,500 for manufactured homes to \$60,000 for multifamily properties.

The Department uses data collected on Title I loans to ensure efficient risk management of its loan portfolio, monitoring individual loan and lender performance. On a monthly basis, the Department provides billing statements to Title I lenders. The lenders electronically transmit their reconciliation of that billing statement and authorize payment to HUD, which is then accomplished by an electronic debit of their bank account.

Some of the HUD requirements are considered standard business practices, and HUD ascribes no burden hours to their use. These requirements are listed at Attachment B.

Below is a discussion of the various information collections involved in the Title I Property Improvement and Manufactured Home Loan Programs.

Wholesale (Base) Price List. The manufacturer of manufactured homes publishes price lists and distributes them to all retail dealers in a given marketing area, quoting the actual wholesale (base) prices at

the factory for specific models or series of manufactured homes and itemized options offered for sale to such dealers during a specified period of time. The wholesale (base) prices may include the manufacturer's projected costs of providing volume incentives and special benefits related to sales to dealers during the period. All such wholesale (base) prices shall exclude any costs of trade association fees or charges, discounts, bonuses, refunds, rebates, prizes, loan discount points or other financing charges, or anything else of more than nominal value which will inure to the benefit of a dealer and/or home purchaser at any date. Each price list and amendment shall be retained by the manufacturer for a minimum period of six years from the date of publication so as to be available to HUD and other Federal agencies upon request.

Manufacturer's Invoice. A manufacturer of manufactured homes must provide an invoice with a manufactured home to a retail dealer. That invoice must separately detail the wholesale prices at the factory for specific models or series of manufactured homes, itemized options, actual itemized charges for freight, and any sales taxes to be paid by the dealer. The manufacturer must certify on the invoice, or on an attachment, that the prices are accurate and reflect actual dealer costs, and that the manufacturer has not made any payments, other than volume or other incentives, to the dealer or purchaser as an inducement to purchase.

Form HUD-92802, Application for Appraisal (Existing MH). This form is now obsolete and HUD is requesting that this form be deleted from the list forms listed in #8 on page 1 of this document. This form enabled lenders to “apply” to HUD to have appraisal done by HUD appraisers. HUD continues to require an appraisal for manufactured homes that are repossessed, but lenders are now permitted to obtain appraisals without HUD’s approval, and to choose their own appraisers. This form application is no longer needed.

Form HUD-56001, Credit Application for Property Improvement Loans, and Form HUD-56001-MH, Credit Application for Manufactured (Mobile) Home. Lenders are responsible for establishing the eligibility of the borrower and the use of loan proceeds. These forms are used to collect information necessary to establish the creditworthiness of property improvement loan applicants and to assist HUD in accounting for and monitoring the use of Title I funds. General information about sex, race, and ethnic background is requested (but not required) to determine the characteristics of Title I program beneficiaries. If loan proceeds will be disbursed to a dealer or contractor, that person selling the improvements must sign certifying compliance with regulations. If someone other than the borrower(s) prepares the form, that person must also sign.

Eligibility for Historic Preservation Loan. Where the proceeds are to be used for an historic preservation loan, the proposed improvements shall be reviewed and approved by the State Historic Preservation Officer (or other person authorized by the Secretary of the Interior to make such reviews) prior to making application for a loan.

Eligibility for Fire Safety Equipment Loan. Where the proceeds are to be used for a fire safety equipment loan, the proposed improvements shall be reviewed and approved by the State or local agency having primary jurisdiction over the fire safety requirements of health care facilities prior to making application for a loan.

Refinancing of Property Improvement Loans. Lenders must obtain HUD approval to release any co-makers or co-signers on the original note from liability on the refinance note.

Refinancing of Assumed Loans. Lenders must also obtain HUD approval to refinance an assumed loan if the original borrower and any intervening assumptors were not released from liability for repayment at the time the loan was assumed. Lenders must require the execution of an assumption agreement that is satisfactory to the lender and is signed by the assumptor and the original borrower or previous assumptor at the time of assumption. Prior to the execution of the assumption agreement, the lender shall provide the assumptor with a written notice, to be signed by the assumptor and retained in the loan file, that states that

the loan being assumed is insured by HUD, and describes the actions the Secretary may take to recover the debt if the assumptor defaults on the loan and an insurance claim is paid; and that constitutes the assumptor's agreement to pay penalties and administrative costs imposed by HUD.

Substitution or subordination of security. Lenders wishing to substitute or subordinate security where the security value will not be impaired or reduced must obtain prior HUD approval.

Release of liability or lien. The lender shall not release the borrower or any co-maker or co-signer from any liability under a note or from any lien securing a loan insured under this part without the prior approval of the Secretary.

Form HUD-55013, Dealer/Contractor Application. Dealers of manufactured homes apply to and are approved by Title I lenders using this form. In addition to the form, dealers furnish a current financial statement prepared by a qualified, independent third party.

Notification of Dealer Changes. Dealers must provide written notification to lenders of any material change in a dealer's trade name, place of business, ownership, etc.

Dealer Oversight by Lenders. Upon receipt of a dealer application, the lender obtains a commercial credit report on the dealer and consumer credit reports on the dealer's owners, principals, and officers. Lenders perform semi-annual inspections and maintain files to monitor performance.

Termination of a Dealer. Lenders may terminate a dealer's approval and must provide notification to HUD.

Form HUD-55014, Warranty for New Manufactured Home. Manufacturers of Manufactured Homes use this form to provide a one-year warranty against defects in materials and workmanship. Borrowers sign the form to acknowledge receipt of the warranty.

Notification of Warranty Problems. The lender must maintain information in the loan file as to whether the home manufacturer is substantially complying with its warranty obligations on other homes financed by the lender under any program. If the lender concludes that a manufacturer may not be honoring its warranties, the lender shall immediately notify the Secretary in writing, with documentation of the facts and circumstances.

Certification of Manufactured Home Park Standards. When the manufactured home is to be placed on a leased site in a manufactured home park, the lender shall obtain certifications from the appropriate State or local government officials that the park complies with minimum standards relating to vehicular access, water supply, sewage disposal, utility connections, and other aspects of park development. Where minimum State and local standards for park development are not established or enforced, the lender shall obtain a certification from a registered civil engineer that the park meets minimum standards for park development prescribed by the Secretary.

Notice of HUD's Role. For both property improvement loans and manufactured home loans, the lender shall provide the borrower with a written notice, to be signed by the borrower and retained in the loan file, that (i) states that the loan will be insured by the HUD and describes the actions the Secretary may take to recover the debt if the borrower defaults on the loan and an insurance claim is paid; and (ii) constitutes the borrower's agreement to pay penalties and administrative costs imposed by HUD as authorized by 31 U.S.C. 3717. In the case of a direct loan, the notice must also constitute an acknowledgement of the borrower's post-disbursement obligation to furnish a completion certificate and to permit an on-site inspection by the lender or its agent in accordance with Sections 201.40(o) and (c).

Form HUD-56004, New Loan Reporting Manifest. This form was used for reporting new loans for Title I insurance coverage. The paper form is no longer used as lenders now report all new loans via the FHA Connection. Loans are to be reported with 31 days of disbursement of loan proceeds or with a certification that loans reported more than 31 days after loan disbursement are not in default. Loans are not insured until they are reported. **HUD requests that this form be removed from program documents.**

Form HUD-27029, Refinancing Report. This form was used for reporting refinanced loans for Title I insurance coverage. The paper form is no longer used as lenders now report all refinances via the FHA Connection. Loans are to be reported with 31 days of disbursement of loan proceeds or with a certification that loans reported more than 31 days after loan disbursement are not in default. Loans are not insured until they are reported. **HUD requests that this form be removed from program documents.**

Form HUD-27030, Transfer of Note Report. This form is completed by both the selling and buying institutions, signed by both institutions, and submitted to HUD within 31 days after the date of transfer. The selling institution certifies that all notes to be transferred have previously been accepted for insurance by HUD and authorizes HUD to transfer, from its insurance coverage reserve account to the insurance coverage reserve account of the buying institution, the lesser of a 10 percent of the unpaid balance or 10 percent of the net selling price of each loan. If the insurance charges on the transferred loans have already been paid, any adjustment of such charges shall be between the selling and buying institutions. The buying institution is responsible for paying any unpaid insurance charges.

Discovery of Mis-statements of Fact. If, after a loan has been made, the lender discovers any material misstatement of fact or that the loan proceeds have been misused by the borrower, dealer, or any other party, it shall promptly report this to the Secretary. (Reference: 24 CFR 201.40(a))

Form HUD-56002, Completion Certificate for Property Improvements – Direct or Dealer Loans.

Borrowers sign this form certifying that loan proceeds were spent properly, property improvements have been completed, and they have received no inducements from the dealer to enter into the transaction.

Dealers or contractors sign the form certifying that the property improvements are eligible under Title I, the property improvements have been completed, the borrowers have received no inducements other than payment of discount points to enter into the transaction, and that any discount points will not be reimbursed by the borrowers. (Reference: 24 CFR 201.40(b))

Report of Uncooperative Borrower. If the borrower fails to submit a form HUD-56002 and will not cooperate in permitting an on-site inspection, the lender shall report this fact to the Secretary. (Reference: 201.40(c))

Form HUD-56002-MH, Placement Certificate for Manufactured Home – Direct or Dealer Loans.

Borrowers sign this form certifying that the loan meets all Title I requirements and that the home will not be moved until the loan is paid unless the lender agrees and the new site meets Title I regulations. Dealers sign this form certifying that the loan meets all Title I requirements, the manufactured home has been installed and erected as required, and any permanent foundation meets HUD requirements.

Inspection of Manufactured Home Placement. For any manufactured home purchase loan or combination loan involving the sale of a manufactured home by a dealer, the lender (or an agent of the lender that is not a manufactured home dealer) shall conduct a site-of-placement inspection within 60 days after the date of disbursement to verify that:

Administrative Reports and Examinations. The Secretary may call upon a lender for any reports deemed necessary in connection with regulations and may inspect the loan files, records, books, and accounts of the lender as they pertain to the loans reported for insurance.

Proceeding against the Loan Security – Property Improvement Loans. After acceleration of maturity on a secured property improvement loan, the lender may either make claim under its contract of insurance or proceed against the loan security under its Title I security instrument. In proceeding against the secured property, the lender shall comply with all applicable State and local laws, and shall take all actions necessary to preserve its rights, if any, to obtain a valid and enforceable deficiency judgment against the borrower. Proceeding against the security requires prior HUD approval.

Disposition of Manufactured Home Loan Property. The lender may accept voluntary surrender of the property without satisfaction of the borrower's obligation, but the lender must dispose of or sell the property for the best price possible prior to filing a claim. In the case of a combination loan, the manufactured home and lot shall be sold in a single transaction and the manufactured home may not be removed from the lot, unless HUD gives prior approval for a different procedure.

Form HUD-637, Title I Claim for Loss. This is a three-part form. Part I is the Transmittal, on which the lender indicates the documents that will be submitted to support the claim. Part II is the Application Voucher, on which the lender provides an accounting for the claim and certifies to its accuracy. Part III is the Claim Calculation Worksheet, that the lender uses to calculate some of the amounts on Part II. The claim must include all original notes, security instruments, assumption agreements, releases of liability for repayment of the loan, judgments obtained by the lender against the borrower, and any related documents and forms, unless otherwise required by law. This form is currently being revised to support program changes and make the form more easier to understand for our lender partners.

Form SF 3881, ACH Vendor/Miscellaneous Payment Enrollment Form. This form is required to be completed by the lender if a Title I claim has been approved. The form sets up Electronic Funds Transfer (EFT), which enables HUD to pay the lender for the claim using the electronic transfer.

Request to Exceed the Maximum Claim Period. Claims for property improvement loans must be filed not more than nine months after the date of default. Claims for manufactured home loans must be filed not more than three months from the sale of the property but may not be more than 18 months after the date of default. If a borrower is a person in military service, any period of military service after the date of default shall be excluded in computing the maximum time period for filing an insurance claim. HUD may extend the claim filing period if the lender shows clear evidence that the delay in claim filing was in the interest of the Secretary or was caused by litigation related to the loan; management control of the lender or the Title I loan portfolio having been assumed by a Federal or State agency; or the borrower had experienced a loss of income or other financial difficulties directly attributable to a major disaster declared by the President, and additional time was needed to provide forbearance on a property improvement loan.

Assignment of Lender's Rights to the United States. Upon the filing of the insurance claim, the lender shall assign to HUD its entire interest in the loan note, any judgment in lieu of the note, any security held, and any claim filed in probate, bankruptcy, or insolvency proceedings. If the assignment does not appear on the note or other instrument that is assigned, it must be executed on an allonge attached to such note or other instrument, using the format shown below or a format generally acceptable in the jurisdiction where the judgment or security was taken shall be used.

Site Lease Requirements. If a manufactured home will be set on a lot that is leased to the homeowner, lenders must ensure that the lease (1) does not expire before three (3) years after the origination date of the obligation; (2) is renewable upon the expiration of the original 3-year term by successive one (1) year terms; (3) requires the lessor to provide the lessee written notice of termination of the lease not less than 180 days prior to the expiration of the current lease term in the event the lessee is required to move due to the closing the manufactured home community, and further provides that failure to provide such notice to the borrower in a timely manner will cause the lease term, at its expiration, to automatically renew for an additional one (1) year term.

All right, title, and interest of the undersigned is hereby assigned (without warranty, except that the loan qualifies for insurance) to the United States of America (HUD).

(Financial Institution) _____

By: _____

Title: _____

Date: _____

Resubmitted and Supplemental Claims. The Secretary may deny a claim for insurance in whole or in part based upon a violation of Title I regulations, unless a waiver of compliance with the regulations is granted. Any insurance claim that is resubmitted with an appeal of a claim denial or a request for a waiver of the regulations must be filed within six months after the date of the claim denial. Any supplemental insurance claim shall be filed within six months after the date of payment on the initial claim.

3. The Department's overall goal is to automate the collection of loan data for its loan insurance programs. The department estimates that 60% of the required data is transmitted to HUD electronically.

In 2011, FHA made significant progress in streamlining the flow of information through a new batch upload process. This process enables lenders to upload data for multiple loans to FHA Connection. While this new feature does not impact paperwork, it reduces time burden for lenders to report required data. Lenders are no longer required to enter data in FHA systems for loans one at a time.

In another effort to reduce lender paperwork burden, the Department is working to revise one of the Title I forms known as HUD-637 Title I Claim for Loss. The new form will take advantage of program changes to make the form more user-friendly for lenders, and will likely reduce the amount of time lenders spend on completing it.

4. Information collected is unique to each Title I loan and therefore not duplicative.
5. Some dealers and contractors may be small businesses. The burden is the minimum required to conduct the program.
6. The subject information is necessary for applicants to receive the benefits of the program. In addition, it ensures efficient risk management of its loan portfolio, monitoring individual loan and lender performance, to safeguard the FHA fund.
7. Much of the information collected for the Title I program is one-time, "on occasion." However, the Department transmits monthly billing statements to Title I lenders. The lenders electronically transmit their reconciliation of that billing statement and authorize payment to HUD, which is then accomplished by an electronic debit of their bank account.
8. In accordance with 5 CFR 1320.8(d), the agency's notice soliciting public comments was announced in the *Federal Register* on April 18, 2012 (Vol. 77, No. xx75, page 23272). No comments were received. HUD regularly receives comments and input on its information collection requirements from lending institutions, dealers, home manufacturers, insurance companies, appraisers, and service companies. HUD assesses the comments and applies when possible.

External and internal consultations were conducted by the Department. Steve Miner from Service Finance, LLC stated that the small number of hours for review of most forms was not burdensome. Josh Israel from Admirals Bank only reviewed several Cost Effectiveness Calculation forms and stated that the burdens were

within the cost of doing business. According to Deanna DiMarino, Credit Policy Specialist in Washington, DC, the activity from manufactured home manufacturers have declined sharply because of the housing crisis that began in 2008.

9. There are no payments or gifts to respondents involved in this collection.
10. The Privacy Act of 1974 protects respondents meeting these reporting requirements.
11. Information about the age, sex, marital status, and minority group category of Title I borrowers enables the Department to determine which population segments are participating, to identify underserved communities, and to evaluate whether discriminatory practices may be occurring. These information requirements comply with the Equal Credit Opportunity and Fair Housing Acts. Responses are voluntary.
12. Estimate of public burden.

The total number of respondents is as follows:

Lenders approved to make insured Title I loans	534
Dealers/Contractors (CY 2012 = 730/MH + 2,194/PI)	2,950
Manufacturers of manufactured homes	222
Applicants for property improvement loans - of these, an estimated 5,850 will become borrowers	8,100
Applicants for manufactured home loans - of these, an estimated 750 will become borrowers	1,100
Total	12,906

Notes: In CY 2011, FHA insured:

Insurance In Force as of 12/31/2011			CY 2011
	Endorsements	Dollar Amount	Applications
Manufactured Housing	17,222	\$ 637,731,326	741
Home Improvement	22,961	\$ 356,538,726	5,828

Lenders report that they decline Title I loans when the applicants do not meet the additional requirements imposed by the lenders, on top of FHA requirements. For example, although FHA does not require a minimum FICO, but many lenders set a minimum standard before they will make the loan.

Estimated Number of Respondents, Responses, Burden Hours, and Respondent Costs Per Annum

	Information Collection	Number of Respondents	Frequency of Response	Responses per Annum	Burden Hours per Response	Annual Burden Hours	Hourly Cost	Annual Cost
1	Wholesale Base Price List	222	1	750	0.25	187.5	\$41	\$7,688
2	Manufacturer's Invoice	222	1	750	0.25	187.5	\$41	\$7,688
4	HUD-56001 Credit App. PI loan	534	1	5,850	0.5	2925	\$41	\$119,925
5	HUD-56001-MH Credit App. MH loan	534	1	750	0.5	375	\$41	\$15,375
6	Appraisal requirement	534	1	750	1	750	\$41	\$30,750
6	Eligibility— Historic Preservation Loan	50	1	50	0.5	25	\$41	\$1,025
7	Eligibility— Fire Safety Equipment Loan	25	1	25	0.5	12.5	\$41	\$513
8	Release obligors on refinance	534	<1	50	0.25	12.5	\$41	\$513
9	Refinance if debtors not released	534	<1	50	0.25	12.5	\$41	\$513
10	Assumption Agreement	534	<1	1,000	0.5	500	\$41	\$20,500
11	Notify assumptor of HUD requirements	534	<1	1,000	0.08	80	\$41	\$3,280
12	Approval to substitute/subordinate security	534	<1	100	0.5	50	\$41	\$2,050
13	Release any current obligors	534	<1	50	0.25	12.5	\$41	\$513
14	HUD-55013 Dealer/Contractor Approval	534	1	2,600	1	2600	\$41	\$106,600
15	Dealer notification to lender of changes	534	<1	100	0.5	50	\$41	\$2,050
16	Lender oversight of dealer	534	<1	4,000	2	8000	\$41	\$328,000
17	Notify HUD if dealer terminated	534	<1	50	0.5	25	\$41	\$1,025
18	HUD-55014 Warranty for new MH	534	1	750	0.05	37.5	\$41	\$1,538
19	Notification of warranty problems	534	<1	15	0.25	3.75	\$41	\$154
20	Certification of MH park standards	534	<1	750	0.5	375	\$41	\$15,375
21	Notice of HUD's role- PI Loan	534	1	5,850	0.05	292.5	\$41	\$11,993
22	Notice of HUD's role MH Loan	534	1	750	0.05	37.5	\$41	\$1,538

23	HUD-27030 Transfer of Note Report	50	<1	100	0.1	10	\$41	\$410
24	Report misstatements of fact	534	<1	1,000	0.25	250	\$41	\$10,250
25	HUD-56002 Completion Certificate	534	1	5,850	0.1	585	\$41	\$23,985
26	Report uncooperative borrower	534	<1	500	0.25	125	\$41	\$5,125
27	HUD-56002-MH Placement Certificate	534	1	750	0.1	75	\$41	\$3,075
28	Manufactured home placement inspection	534	<1	750	1	750	\$41	\$30,750
29	Admin reports and examinations	534	1	6,600	0.1	660	\$41	\$27,060
30	Approval to proceed against security	534	<1	1,000	0.5	500	\$41	\$20,500
31	Approval not to sell home/lot in 1 trans	534	<1	200	0.25	50	\$41	\$2,050
32	HUD-637 Title I Claim for Loss App	534	<1	3,000	1	3000	\$41	\$123,000
33	Approval for add'l time to file claim	534	<1	300	0.25	75	\$41	\$3,075
34	SF 3881, ACH Vendor/Misc. Payment	534	<1	300	0.05	15	\$41	\$615
35	Assignment of lender's rights to USA	534	<1	300	0.1	30	\$41	\$1,230
36	Site Lease Requirements	534	<1	750	0.25	187.5	\$41	\$7,688
TOTALS				47,440		22,864		\$937,414

Cost methodology: Hourly rate is based on an average hourly salary of \$41, for an experienced processor and underwriter combined.

13. There are no additional costs to the respondents.

14. The annualized cost to the Federal government is estimated at 20% of the total burden hours or 4,574 hours. The Federal burden includes data analyses and compliance reviews related to Title I loan and lender performance and claim eligibility. The annualized cost to the Federal government also assumes a \$41 per hour estimate, and is calculated at \$187,482. As of 3/1/2012, the hourly pay for GS-12 Step 5 in the DC-MD-VA-WV-PA localities is \$40.66.

15. This is a revision and extension of a currently approved collection. The annual reporting and recordkeeping hour burden has decrease by 8,974. This reasons for the decrease are primarily 1) Elimination of two Title I forms, and 2) The sharply reduced number of lender and participants in the Manufactured Home program, and equally decreased level of activity in the program.

16. The results from this collection will not be published.

17. OMB is not seeking to avoid displaying the expiration date.

18. There will be no exceptions to the certification statement identified in Item 19 of the OMB 83-I, "Certification for Paperwork Reduction Act Submissions."

PART B. Collections of Information Employing Statistical Method

This information collection does not employ statistical methods.