Supporting Statement for Paperwork Reduction Act Submissions

Request for Termination of Multifamily Mortgage Insurance
OMB Control Number 2502-0416
(HUD-9807)

A. Justification

1. Generally, a contract of mortgage insurance for a multifamily housing project may be terminated either by prepayment in full of the insured project mortgage or by acceptance of a request for voluntary termination made jointly by the mortgagor and mortgagee. Regulations at 24 C.F.R. 207.253 and 207.253a prescribe procedures for termination of mortgage insurance. Certain mortgage notes insured under Title II of the Housing and Community Development Act of 1987 and Title VI of the Cranston-Gonzalez National Affordable Housing Act of 1990, Section 250(a) of the National Housing Act, however, place restrictions on prepayment in full of the mortgage. This submission deals with mortgages insured under various sections of the National Housing Act, codified at 12 U.S.C. 1715 et seq.

2. Information is collected from mortgagees who want to terminate the contract for mortgage insurance with the Department of Housing and Urban Development (HUD). HUD uses this information to determine if the mortgage has been paid in full or if a mortgagor or mortgagee mutually agrees to terminate the insurance.

   Mortgages with No Prepayment Restrictions
   Mortgagees may request insurance termination for a multi-family mortgage if the mortgage is paid in full or voluntary termination is requested. If a mortgage note contains no restriction, the mortgagee submits a completed HUD-9807 and required attachments to HUD. HUD uses this information to terminate the mortgage insurance and determine whether a refund is due the mortgagor or funds are due HUD.

   Mortgages with Prepayment Restrictions
   Mortgages that have prepayment restrictions require prior approval from HUD before the HUD-9807 is completed. The mortgagee sends HUD a narrative request signed by the mortgagor. The form together with HUD's letter authorizing the prepayment/voluntary termination is then submitted.

   > Mortgages for Low-Income Housing and Section 250(a) must notify tenants, HUD, and local government of their intent to prepay the mortgage. Additionally, Section 250(a) requires the owner to execute and record a Rental Use Agreement.

   > Mortgages insured under Section 207/223(f) must submit a letter stating the reasons for the request and execute a Rental Use Agreement if the mortgage is within the 5-year lock-out period from final endorsement.

   > Mortgages for Projects Financed with Bond Refunding Agreements – agreement and Issuer's written consent – This is the only method whereby HUD can learn that the mortgage has been paid in full or that a mortgagor or mortgagee mutually agree to terminate the insurance.

3. This information collection is not collected electronically. The small volume of responses does not justify the development of an automated information collection system. The subject form is available via the Internet. The volume of requests for termination is larger due to property owners taking advantage of the market's declining interest rates and desire to recapitalize older projects. It is not cost effective for the Department to develop a system capable of automated collection for less than 10 percent of the multifamily portfolio.

4. There is no duplication. The entire collection of information reported on this form is needed to process a termination. The information is not available through any other source.

5. The collection of information does not involve small business or other small entities.

6. It would be impossible to maintain the insurance-in-force records without notification from the mortgagee.

7. This collection complies with all of the guidelines stated in the OMB 83-I, except the requirement to submit the form within 30 days from the date of the prepayment. Section 24 207.253(a) states that "Notice of the prepayment in full of the mortgage or loan shall be given to the Commissioner, on a form prescribed by the Commissioner, within 30 days from the date of the prepayment." This is required so that no additional premiums will be due HUD.

8. Information collected is conducted in a manner consistent with the guidelines of 5 CFR 1320.8 (d). The Notice announcing this collection of information appeared in the *Federal Register* on March 28, 2012 (Vol. 77, No. 60, page 18850). No comments were received.

   The Department also consulted with several mortgagees (i.e., Wells Fargo, Berkadia Commercial Mortgage, and Greystone Servicing Corporation) in reference to the submission of the HUD Form 9807 on all prepayments/terminations. The mortgagees have provided comments with suggestions for improving instructions for the form. The Department has taken these recommendations under review but has not chosen to update the form at this time.

9. There are no payments or gifts to respondents.

10. No assurance of confidentiality, statute, regulation, or agency policy is provided.

11. There are no questions of a sensitive nature.

12. Annual Burden Estimate:

Information Collection	Number of Respondents	Frequency of Response	Total Annual Responses	Burden Hours per Response	Total Annual Burden Hrs	Hourly Cost	Total Annual Cost
Requests to Prepay with 30 days' notice (includes mortgages for nursing homes/medical facilities)							
HUD-9807/mortgagor's Narrative request	400	1	1167	.12	140	$25	$3501
Subtotal	**400**		**1167**		**140**		**$3501**
Mortgages Restructured through Office of Affordable Housing Preservation							
Mortgagor's narrative request	36	1	36	.25	9	$25	$225
Subtotal	**36**		**36**		**9**		**$225**
Mortgages for Low-Income Housing (subject to Section 219)							
Prepayment notification to tenants, HUD, and local government	144	1	144	.25	36	$25	$900
Subtotal	**144**		**144**		**36**		**$900**
Mortgages Subject to Section 250(a) of the National Housing Act							
Notice to tenants / local government / review of tenant comments	107	1	107	.25	26.75	$25	$669
Use Agreement	107	1	107	.25	25	$25	$669
Subtotal	**107**		**214**		**51.75**		**$1,338**
Mortgages Insured under the Section 207/223(f) Insurance Program							
Letter outlining reasons for request	275	1	275	.25	68.75	$25	$1718
Rental Use Agreement	100	1	100	.25	25	$25	$625
Evidence of conversion to condos or co-op**	0	0	0	.25	0	0	0
Subtotal	**375**		**375**		**93.75**		**$2343**
Mortgages for Projects with Bond Refunding Agreements							
Refunding Agreement	50	1	50	.25	12.50	$25	$312.50
Mortgagor's agreement to continue Treasury savings	50	1	50	.25	12.50	$25	$312.50
Issuer's written consent	50	1	50	.25	12.50	$25	$312.50
Subtotal	**50**		**150**		**37.50**		**$937.50**
Total	**400**		**2086**		**368**		**$9244.50**

Hourly cost is based on an estimate of owner and mortgagee staff annual salary of $50,000.
  **Respondents/Responses currently are zero

13. There are no additional costs to respondents.

14. Annual Cost to the Federal Government:

Information Collection	Number of Responses	Hours per Response	Total Annual Hours	Hourly Cost	Total Annual Cost
HUD-9807 and all other documents	2086	1.00	2086	$43	$89,698

Estimated hourly cost is based on the annual salary of a GS-1101-13 Housing Project Manager for reviewing the information.

15. This is an extension of a currently approved collection. There has been an increase in the number of requests to prepay a loan and terminate the multifamily mortgage insurance. This is due to the decrease in interest

rates in the previous few years whereby owners have taken advantage and either prepaid or refinanced their existing FHA-insured loans to recapitalize their projects and preserve them as affordable housing. Therefore, adjustments were necessary as the number of responses increased from 1,300 to 2,086 since the last submission. Increased burden hours denote a more thorough explanation of the information provided.

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

17. HUD is not requesting approval to avoid displaying the expiration date on the form HUD-9807.

18. No exceptions to the certification statement identified in Item #19 on form OMB 83-I, "Certification for Paperwork Reduction Act Submissions."

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

This information collection does not employ statistical methods.