2013 SUPPORTING STATEMENT
Single Family Housing Guaranteed Loan Program
OMB Control No. 0575-0179

NOTE: When Final Rule becomes effective, 7 CFR 1980, subpart D will become obsolete and OMB No. 0575-0078 will be discontinued.

A. Justification

1. Explain the circumstances that make the collection of information necessary:

The Housing and Community Facilities Program (HCFP), hereinafter referred to as the "Agency," is a credit agency for the Rural Housing Service of the U.S. Department of Agriculture. The Agency offers supervised credit programs to build modest housing and essential community facilities in rural areas. This regulation prescribes the policy necessary to process Rural Housing loan guarantees to low- and moderate- income applicants.

Section 517 (d) of Title V of the Housing Act of 1949, as amended, provides the authority for the Secretary of Agriculture to issue loan guarantees for the acquisition of new or existing dwellings and related facilities to provide decent, safe, and sanitary living conditions and other structures in rural areas.

The Act also authorizes the Secretary to pay the holder of a guaranteed loan the difference between the rate of interest paid by the borrower and the market rate of interest.

The purpose of the Single Family Housing Guaranteed Loan Program (SFHGLP) is to assist low and moderate-income individuals and families in acquiring or constructing a single-family residence in a rural area with loans made by private lenders. Eligibility for this program includes very low, low, and moderate-income families or persons whose income does not exceed 115 percent of the median income for the area, as determined by the Secretary.

The SFHGLP was authorized under the Cranston-Gonzalez National Affordable Housing Act and the Agency issued a final rule implementing the SFHGLP on April 17, 1991 under 7 CFR Part 1980-D. To implement the program, it began as a pilot program in 20 States on May 17, 1991. In 1992, the SFHGLP was offered on a nationwide basis. During the implementation process, the Agency explored methods of improving the program to structure it for use in the mortgage lending community.

On May 22, 1995, the Agency published a final rule amending 7 CFR Part 1980-D incorporating changes to encourage greater a participation by lenders and the secondary market for mortgage loans.

Over the years, the volume of the SFHGLP increased substantially. Recognizing the necessity to reduce regulations, improve customer service and achieve a greater efficiency, flexibility and effectiveness in delivering and managing the SFHGLP, the Agency published a proposed rule as 7 CFR Part 3555, "Guaranteed Rural Housing Loan Program," in the Federal Register on December 15, 1999 (64 FR 70123). When implemented, this rule will retire 7 CFR Part 1980-D and replace it with 7 CFR Part 3555.

In response to comments to the proposed rule, the Agency has made changes deemed appropriate to eliminate any unnecessary barriers to homeownership, provide greater flexibility to underwrite creditworthy borrowers and clarify underwriting requirements. A technical handbook based on the revised regulation will provide the details in delivering and managing the program upon publication of the final rule.

By re-engineering and streamlining the present guaranteed regulation the incorporated policy and procedural changes will enable the Agency to better perform our mission of expanding affordable housing throughout America by providing more flexibility to mortgagees by reducing procedural requirements, enhance, condense and streamline the paper process, improve customer service, reach more homebuyers by removing barriers, and allow the Agency to achieve greater efficiency, flexibility and effectiveness in managing the guaranteed program. The intended outcome is to provide a better program to serve low- and moderate-income borrowers, and reduce public burden.

Because the Agency extends credit through loan guarantees, it is necessary to collect information from both a potential homebuyer and lender. All information collected is vital for the Agency to determine if borrowers qualify for all assistance for which they are eligible. Information requested of lenders is required to ensure lenders are eligible to participate in the SFHGLP. Lender requirements are in compliance with OMB Circular A-129.

In general, the program is most appropriately used to offset the risk of making high loan-to-value ratio loans in rural areas. It is not intended to offset risks that stem from poor credit history or poor property condition. Lenders must provide the Agency with clear and accurate information so Agency staff can promptly determine if the loan qualifies for a loan guarantee.

Information from a homebuyer includes financial documents such as confirmation of household income, assets and liabilities, a credit record, evidence the homebuyer has adequate repayment ability for the loan amount requested and if the condition and location of the property meet program guidelines. All information is necessary to confirm the homebuyer qualifies for all assistance for which they are eligible.

The success of the SFHGLP relies on lenders to make sound underwriting decisions. Because the Agency does not underwrite the loans it guarantees, lenders that apply for guarantees must originate, underwrite, service and hold loans responsibly. To ensure these standards are met, the Agency must approve a lender before it participates in the SFHGLP. Acceptable documentation demonstrating the lender's ability to originate, underwrite, service and report loans in accordance with Agency program guidelines is collected. Information collected must support that a participating lender has a high standard of demonstrated ability to originate and service sound loans and operates in a prudent and businesslike manner.

Lenders are responsible for servicing guaranteed loans and protecting their security interests. The Agency expects lenders to perform those servicing actions that a reasonable and prudent lender would perform in servicing its portfolio of non-guaranteed loans. Reports from lenders must be submitted on a monthly basis to report defaults and a quarterly basis to report the status of the SFHGLP portfolio. Reports are submitted electronically to the Agency. The Agency uses monthly reports to monitor loans in default and lender performance. Quarterly reports provide loan-level detail for all SFHGLP loans in a lender's portfolio. Effective loan portfolio management begins with oversight of the risk in individual loans. The Agency's reporting requirements confirm if the lender continues to comply with program guidelines of high quality origination, underwriting and servicing.

2. <u>Indicate how, by whom, and for what purpose the information is to be used. Except for a new collection, indicate the actual use the Agency has made of the information received from the current collection:</u>

To participate in the program lenders must submit to standards which ensure the loan objectives of the SFHGLP are met which are to grant loan guarantees to qualified lenders who approve mortgage loans on a sound and collectible basis to eligible individuals and families, while serving the legitimate credit needs of the communities in rural areas. The lender submits qualifications to the Agency and enters into an agreement that outlines both the lender and Agency's commitments and responsibilities under the guaranteed program. Confirmation of those qualifications is necessary to insure the lender possesses a high standard of demonstrated ability to originate service, hold and report loans in accordance with Agency guidelines.

The lender works independently with applicant's to insure the applicant meets all eligibility criteria for the guaranteed program. Exclusively, the approved lender reviews the application, processes the loan and performs all loan underwriting. Approved lenders may utilize agents to assist with the origination process, but the approved lender remains responsible for obtaining a commitment and loan note guarantee.

Once a loan applicant's mortgage request is underwritten, a complete loan package is forwarded to the Agency requesting a commitment of loan guarantee funds. For every loan request delivered to the Agency, the lender must establish that the applicant meets the income eligibility criteria of the SFHGLP, has the ability to repay the debt for the requested mortgage loan; is willing to repay the debt based upon credit history; the property is sufficient security for the mortgage and the property is in an eligible rural area. Although the lender must underwrite the applicant and property information to ensure that the loan meets all program criteria, the Agency must review the lender's documentation to ensure that loans to be guaranteed meet SFHGLP requirements. Provided the Agency review indicates the loan meets all program requirements, the Agency will agree to guarantee the loan, subject to any conditions provided for in the Agency's written commitment to the lender.

Although the Agency issues loan guarantees, lenders that have been approved to participate in the program are held to due diligence with responsibility for originating, underwriting, servicing and liquidating SFHGLP loans. This information is utilized for lender and portfolio monitoring ensuring the integrity of the loan program is maintained.

A key part of the guaranteed program is offering a loss payment to lenders who fulfill their responsibilities under the program and incur losses as a result of a failed loan. To ensure lenders have upheld the loan portfolio objectives of the SFHGLP, lenders must submit a marketing summary and report of loss accompanied by supportive evidence documenting their efforts to secure, preserve, manage and dispose of acquired property to collect on any loss incurred. Supportive documentation ensures approved lenders acted timely and prudently when responding to defaulted loans and confirms properties while in the custody of the lender are effectively and prudently managed and maintained. The collection of this information ensures the objectives and mission of the SFHGLP is upheld.

The guaranteed program has grown from a $100 million program in Fiscal Year (FY) 1991 at birth to over $16.76 billion in FY 2010. Budget authority in FY 2010 transformed into 133,053 new rural homebuyers nationwide. This represents a substantial increase in assisted homebuyers in program. The absence of other competing programs in the mortgage industry has created an awareness and acceptability of the SFHGLP with lender partners. Based upon projection volumes in the future, the SFHGLP could continue to deliver the volume experienced in past fiscal years.

The specific collection of information is set forth in the final rule of 7 CFR Part 3555 and expanded upon in accompanying technical handbooks. Only burden over and beyond that which a prudent lender would customarily require in providing non-Agency loans to the public, is included. Any burden created by other Government regulations or laws are not included in this package and are considered in the scope of the lender’s normal business procedures. The specific information collection burden to be cleared with this regulation is described below:

REPORTING REQUIREMENTS – NO FORMS:

Uniform Residential Appraisal Report (URAR). A URAR is one of the most common forms of valuation utilized in the mortgage industry allowing for standard reporting and analysis of single family dwellings. The most current incarnation of the URAR is the Fannie Mae form 1004, updated in March 2005. It considers a full appraisal with all three approaches to value – cost approach, sales comparison approach and income approach. It requires an interior and exterior inspection of the subject property supported by a street map of the subject property and comparables, an exterior building sketch and clear, descriptive photographs of the subject property and comparable sales used in the analysis. Each loan guarantee must be supported by an appraisal. The appraisal provides the basis for determining the value of the loan security. The calculation of the loan guarantee is based on the appraised value of the property that is security for the mortgage. Use of the URAR is utilized mortgage industry wide. Additionally, the report includes a “Market Conditions Addendum” utilized industry wide to collect the information regarding the neighborhood and surrounding market. Lenders are held accountable for the integrity, accuracy and thoroughness of the appraisals. The success of the guaranteed program and the Agency’s ability to minimize any potential loss is based upon the integrity, accuracy and thorough analysis of the appraisal report obtained from lenders. The additional burden is to make and provide a copy of the completed appraisal, with addendum, to the Agency. The lender also has the option to submit this report electronically.

The lenders participating in the program will respond and provide the URAR. The Agency has 3,581 actively approved lenders. The form is prepared once, per guarantee request and is submitted by the 3,581 lenders participating in the program. The estimated number of annual respondents is based upon the loan requests by the lenders, which is 134,727. This estimate is based on the projected number of loans to be made per year of 133,053 based upon historical information from FY 2010) plus approximately 1% or 1,291 applications that are received, but withdrawn and 383 applications that are received, but rejected by the Agency.

The additional burden of 10 minutes per response for a total of 21,556 hours is to copy the report, or electronically forward it to a state.

Lenders participating in program, submitting URAR	3,581
Estimated Number of Respondents	**3,581**
Projected number of new loans	133,053
Projected number of applications withdrawn	1,291
Projected number of applications rejected	383
Total Annual Responses	**134,727**
Man-hours per response	0.16
Estimated Total Man-hours	**21,556**

Inspections. Inspections of new and existing dwellings will be performed by a party the lender determines to be qualified. Dwelling requirements, for the most part, are standard in the industry and do not place an additional burden on the lender except in some cases, additional inspections may be required on newly constructed homes when imposed by state law or building municipalities. Lenders are required to certify that the dwelling meets the Agency's thermal standards for new construction and that inspection, in accordance with RD Instruction, have been performed.

New Construction Inspections. New dwellings financed under the guaranteed program must be designed and constructed in accordance with certified plans and specifications and must meet the thermal standards specified by the Agency. To ensure acceptable construction quality, the lender's permanent case file must contain evidence that the plans and specifications comply with all applicable development standards of new construction, contain evidence of construction inspections and provide at least a one year warranty plan or 10 year insured builder warranty plan, both acceptable to Rural Development. While the Agency will not require the lender to submit documentation maintained in the lender's file regarding new construction, the Agency has the option to request this information in appropriate situations such as when:

- The Agency is performing a processing review for a new lender.
- The Agency is performing a period review of the Lender's compliance with program regulations.
- The agency believes that the lender is not fulfilling the obligations of the Lender Agreement and/or program regulations.
- The agency is reviewing a loss claim.

The estimated burden per response is 30 minutes. Most lenders will require copies of inspection reports performed by the local building municipality to document inspection of the new dwelling. The estimated burden represents the assembling of the information collected.

The estimated number of respondents is based upon the combined efforts of the lenders originating a loan which is 3,581 approved lenders. Annual responses is based the anticipated number of applicants requesting a loan which is estimated to be 133,053. The Agency estimates that approximately 14.93 percent of the loans, based upon FY 2010, will be for new construction (19,870 loans) and will require inspections at 3 critical stages of construction or 59,610 new construction inspections annually.

Lenders originating new construction	3,581
Estimated Number of Respondents	**3,581**
Projected number of new construction loans	19,870
Inspections performed per loan	3
Total Annual Responses	**59,610**
Man-hours per response	0.50
Estimated Total Man-hours	**29,805**

Existing Dwelling Inspections. Existing dwellings must be inspected to determine that the dwelling meets the current requirements of Housing Urban and Development (HUD) Handbook 4150.2 and HUD Handbook 4905.1. The lender has the option to choose either an appraisal performed by a Federal Housing Administration (FHA) roster appraiser, who by designation can confirm the property meets minimum standards; or to obtain an appraisal performed by a licensed and certified appraiser not on the FHA roster and a home inspection. Regardless of whether the appraisal is completed by an appraiser on the FHA roster or by a licensed or certified appraiser not on the FHA roster, the lender must obtain documentation indicating the existing dwelling requirements have been met:

- Water quality analysis, if served by an individual water supply.
- Septic system evaluation, if served by an individual septic system. An FHA roster appraiser may perform such an evaluation.
- Any repairs necessary for the dwelling to be structurally sound, functionally adequate and in good repair.
- Pest inspection, if required by the lender, appraiser, inspector, or State law.

The estimated burden per response is 30 minutes. Respondents are based upon actively participating approved lenders who obtain and confirm existing home inspections are performed. The Agency estimates that approximately 83.47 percent of the loans will be to purchases existing construction (111,060 loans), based upon FY 2010, and will require one inspection, which typically coincides with the inspection process in preparing an appraisal report. Based upon historical data in FY 2010, the Agency funded 2,119 refinance requests (1.59 percent of all loans) and estimates an equal amount in the future.

Lenders must confirm the existing property for refinance continues to meet HUD Handbooks 4150.2 and HUD Handbook 4905.1. The combined inspections for existing properties (purchase and refinance) are estimated at 113,179, which represents the responses annually.

Lenders submitting existing home inspections	3,581
Estimated Number of Respondents	**3,581**
Projected number of existing dwelling purchase loans	111,060
Projected number of existing dwelling refinance loans	2,119
Inspections performed per loan	1
Total Annual Responses	**113,179**
Man-hours per response	0.50
Estimated Total Man-hours	**56,590**

Estimated burden for performing inspections of both new and existing dwellings are estimated at 86,395 work hours.

Standard Credit Documentation. Each request for Loan Note Guarantee must be supported by a mortgage loan application and sufficient information for the underwriter to reach an informed decision about whether to approve the mortgage loan request. Standard credit documentation should include a copy of the sales contract (applicable to purchase transactions only) and any other information needed to verify, clarify or substantiate information in the applicant's mortgage loan application. Lenders utilize industry recognized forms to verify an applicant's employment, income, assets and credit. The equivalent of other types of documentation may be used such as obtaining a verbal verification of employment (supported with W-2's and earning statements) in lieu of a written confirmed verification of employment utilizing industry recognized forms, documenting handicapped or disabled applicant with a letter or award letter from Social Security in lieu of a form; or obtaining two months of bank statements in lieu of an actual verification of deposit form. Credit documents support the lender's decision to approve the mortgage application. Since the lender is responsible for the integrity and accuracy in the underwriting file, the Agency relies on the lender's judgment in determining when the use of alternative documentation sources is appropriate in lieu of actual written confirmation through use of an industry recognized form. During the normal course of mortgage lending business, the lender would collect sufficient information to determine eligibility, repayment and creditworthiness of a loan applicant.

The respondents are the approved lenders who participate in the SFHGLP, which are 2,812 state approved lenders and 769 nationally approved lenders, or a total of 3,581. The estimated number of responses is estimated to be 134,727. This estimate is based upon FY 2010 in which 133,053 loans were processed and funded, approximately 1% of applications received were withdrawn, or 1,291, and 383 applications received were rejected. The number of annual responses is estimated to be equal to the number of respondents since respondents only submit the credit documentation once. It is anticipated the borrower will spend 1 hour gathering information and completing the loan application for submittal to the lender. It is anticipated the loan officer/processor will spend 1 hour per response reconciling the borrower's application and confirming information. It is anticipated the underwriter will spend 1 hour reviewing the credit documentation to make an informed underwriting decision. A total of 3 burden hours are estimated per response for a total of 404,181work hours.

Lenders assembling, submitting credit packages	3,581
Estimated Number of Respondents	**3,581**
Projected number of new loans	133,053
Projected number of applications withdrawn	1,291
Projected number of applications rejected	383
Total Annual Responses	**134,727**
Combined man-hours per response (applicant, processor, underwriter)	3
Estimated Total Man-hours	**404,181**

Transfer and Assumptions. Lenders must obtain written concurrence from the Agency prior to consenting to a transfer of a property securing a guaranteed loan with an assumption of the outstanding debt to a program eligible applicant. The lender must also notify the Agency if a borrower transferred a property without the lender's and Agency's approval or transfers the property without assumption of the debt.

Assumptions in the program are rare since the transferor is not released from liability. The Agency estimates that the total number of lenders and borrowers who may be involved in a transfer and assumption will be minimal since, in most instances, it would be more beneficial for all parties to obtain a new loan to purchase the property.

The estimated number of respondents is 2 annually with 30 minutes required per response and is based on the projected number of transfers and assumptions. This will result in 1 total work hour.

Estimated Number of Respondents	**2**
Requests per respondent	1
Total Annual Responses	**2**
Man-hours to complete a request	.50
Estimated Total Man-hours	**1**

Annual Fee (Lenders). Authorities granted to the Secretary of the United States Department of Agriculture (USDA), via Public Law (P.L.) 111-212, Section 102 (July 29, 2010), in which the Secretary may collect from the lender an annual fee not to exceed 0.5 percent of the outstanding principal balance of the loan for the life of the loan is implemented effective with new purchase and refinance transactions obligated on or after October 1, 2011 (FY 2012). The purpose of the annual fee is to make the SFHGLP subsidy neutral, thus eliminating the need for taxpayer support of the program. The fee will be calculated annually and the lender will be notified of the annual fee for the next 12 months period and billed thereafter each year on the anniversary date of the loan**.** Payment is due to the Agency by the 15th calendar day after the bill is generated. A late fee of 4 percent of the annually billed amount will be assessed on the 15th calendar day after the bill is generated. If the fee remains unpaid after 30 days, an additional late fee may be accessed on the unpaid fee amount. The fee will be collected through Pay.Gov.

The number of respondents is equal to the estimated number of servicing lenders regularly participating in the program and is estimated to be 859. One response per lender per loan subject to an annual fee is required. The estimated total number of annual responses is equal to the estimated number of SFHGLP loan each year, which is estimated at 134,727 annual responses.

Lenders will submit the annual fee either through a fully web-based method for lenders with 3,000 or less loans or an overnight matching batch process for lenders with greater than 3,000 loans. Neither process is anticipated to exceed 15 minutes per response for a total of 33,682 work hours.

Servicers Reporting SFHGLP Portfolio	859
Estimated Number of Respondents	**859**
Requests per respondent = (1) for each loan made after 10/1/2012	134,727
Total Annual Responses	**134,727**
Man-hours to complete a request	.25
Estimated Total Man-hours	**33,682**

Guaranteed Rural Housing Loan Status Reporting. Information reported by the lender/servicer allows the Agency to monitor the lender and program performance. The Agency developed a mechanism (electronic data interchange) for lenders to report their portfolio to the Agency electronically in an industry recognized standard format on a quarterly schedule. All mortgage servicers use electronic methods via an electronic transaction set or manual web page submission that allows them to report servicing information electronically. All participating servicing lenders report electronically with no paper based reporting. Electronic reporting greatly reduces reporting burden from paper based reporting.

The number of respondents is equal to the estimated number of servicing lenders regularly participating in the program and is estimated to be 859. One response per lender per quarter (4 times annually) is required for an annual report total of 3,436 responses.

Since lenders have automated their responses for all loans serviced, the average time required for the lender to review instructions, search existing data sources, gather and maintain data needed, complete, and review the collection of information is 15 minutes per response for a total of 859 work hours.

Servicers Reporting SFHGLP Portfolio	859
Estimated Number of Respondents	**859**
Requests per respondent	4
Total Annual Responses	**3,436**
Man-hours to complete a request	.25
Estimated Total Man-hours	**859**

Guaranteed Rural Housing Borrower Default Status. Lenders submit monthly default status reports electronically to the Agency using an industry-standardized format through an electronic transaction set or manually through a web transmission. With information received, the Agency monitors the program and lender performance.

Lenders elect to submit electronically from an extraction of their portfolio (a transaction set) or through a web submission (applicable to low portfolio). In the latter, the lender manually reviews the electronic submission before it is sent to ensure the delinquency codes are accurate for each account being reported. Both methods coincide with industry standards.

The number of respondents is equal to the estimated number of servicing lenders regularly reporting defaulted guaranteed loans and is estimated to be approximately 386, based on recent lender monitoring reports. One response per servicing lender per month per year is required for a total of 4,632 responses annually. The average time required for the lender to review instructions, search existing data sources, gather and maintain data needed, complete, and review the collection of information is 30 minutes per response for a total of 2,316 work hours.

Servicers Reporting Portfolio in Default	386
Estimated Number of Respondents	**386**
Requests per respondent	12
Total Annual Responses	**4,632**
Man-hours to complete a request	.50
Estimated Total Man-hours	**2,316**

Servicing Plan. Loss mitigation tools must be utilized where appropriate to reduce losses to the government and assist the borrower in retaining homeownership. The lender should make every possible effort to assist borrowers who are experiencing temporary financial hardship and are willing to cooperate in resolving a default situation. Once the loan becomes 90 days delinquent and avenue other than foreclosure will be pursued, the lender must prepare a servicing plan which will expeditiously bring the account current. The lender must submit the servicing plan to the Agency for consideration. Lenders typically submit this plan electronically, but have the option to submit by regular mail.

The Agency estimates the burden per response to be 1 hour for gathering supporting documentation, analyzing and proposing a servicing plan option to the Agency. Based on plan submissions in FY 2010, 203 lenders (respondents) submitted 9,997 plans which represent the annual responses. The annual burden to the lender is estimated at 9,997 work hours for plans submitted.

Lenders submitting servicing plan requests	203
Estimated Number of Respondents	**203**
Projected number of servicing plan requests	9,997
Total Annual Responses	**9,997**
Man-hours per response	1
Estimated Total Man-hours	**9,997**

Property Disposition Plan. The lender must prepare and maintain a disposition plan on all acquired properties. Plans outline the proposed method of sale of the property, the estimated sales price, costs to sell and any other information that may impact a loss paid by the Agency. The Agency allows the lender 9 months to market and sell the acquired property. Interest is maximized at 90 days. Agency concurrence of the proposed plan is required. The lender should make every effort to sell Real Estate Owned (REO) properties quickly and at a sales price that minimizes a loss to the government. The plan ensures the lender will act prudently in the REO disposition process.

In FY 2010, 4,299 loss claims were filed by 206 lenders (respondents). Of those claims, 3,704 were by the liquidation method of foreclosure; 32 involved Deed-In-Lieu claims, 397 involved short sales and 166 were foreclosure to 3rd party purchasers. At least one property disposition plan is required for properties acquired by the lender. A third party purchase at the foreclosure sale (166) or short sale (397) indicate the property was sold and not acquired by the lender and does not require a disposition plan. 3,736 claims required property and disposition plans due to REO acquired. The average time to assemble the information and complete the property disposition plan is 1 hour, for a total of 3,736 hours annually. Lenders typically submit this plan electronically, but have the option of submitting by mail.

Lender/servicers submitting Property Disposition Plans	206
Estimated Number of Respondents	206
Property disposition plans – liquidation by foreclosure	3,704
Property disposition plans – liquidation by deed-in-lieu	32
Total Annual Responses	**3,736**
Man-hours per response	1
Estimated Total Man-hours	**3,736**

Future Recovery. Loss claims paid to lenders may be paid on actual sale of Real Estate Owned (REO) or based upon an estimate if the REO remains unsold at the end of the allowable sale period.

If the property remains unsold at the end of the allowable sale period, lenders must notify the Agency. The Agency estimates the amount that is likely to be recovered for a property that the lender has not sold within the marketing time frame and requires a loss claim to be filed. A loss claim is based upon an estimated net recovery value. Once the REO is sold, the Agency requires the lender to provide verification of the REO sale by submitting a HUD-1, Settlement Statement (standard industry) or similar written document as verification of the sale amount. Should the property sell for a price greater than what the anticipated sales price on the loss claim was based, the proceeds of that difference will be distributed to ensure the total loss to the Government is equivalent to the loss that would have been incurred had the recovered amount been included in the initial loss calculation. Recovery of other funds after loss payment is also considered. If an actual payment, for example, a delayed insurance payment or collection on a deficiency judgment occurs after claim payment, the Lender is to notify the Agency of the recovered funds to allow the Agency to determine how the proceeds will be disbursed. The additional burden is to make and provide a copy of documentation received by the lender in the sale of the REO, such as the HUD-1, Settlement Statement (standard industry) or similar written documentation confirming the REO sold, confirm the actual contract sales price and/or written documentation of other recovery.

Respondents represent the number of lenders who submit estimated claims per year, which in FY 2010 were 206. Since lenders are required to report the sale of all claims paid based upon an estimated net recovery, the annual number of responses is based on the anticipated number of loss claims paid whereby the REO remained unsold at the end of the marketing period and a claim was paid based upon a liquidation value appraisal. The number of claims to be paid is estimated to be 1,669, based upon FY 2010. The burden to submit the documentation is estimated at 10 minutes per response resulting in 267 work hours.

Lender/servicers submitting estimated loss claims	206
Estimated Number of Respondents	206
Estimated loss claims	1,669
Total Annual Responses	**1,669**
Man-hours per response	0.16
Estimated Total Man-hours	**267**

Overpayment Notification. The SFHGLP was authorized under the Cranston-Gonzalez National Affordable Housing Act and the Agency issued a final rule implementing the SFHGLP on April 17, 1991 under 7 CFR Part 1980-D. No new loans are authorized for interest assistance since the program no longer receives funding. To grant continued interest assistance, the lender will periodically update financial information with the borrower and determine the continued qualification of the borrower for interest assistance. The lender submits the interest assistance calculation to the Agency for review and approval.

When interest assistance is granted, the borrower enters into an agreement with the Agency to repay a portion of that assistance (recapture) when the dwelling is sold, title is transferred or the borrower ceases to occupy the property. When recapture is triggered, the lender must notify the Agency and request information regarding the amount of interest assistance that could be subject to recapture. The recapture amount is calculated based upon a payoff date.

Borrowers may receive more interest assistance than they were eligible for as a result of misreported household income, calculation errors, or failure on the part of the borrower to report income increases. The difference between the amount of interest assistance the borrower received and the amount that would have been received at the properly calculated interest rate constitutes an overpayment. When it is discovered that the Government overpaid its portion of interest assistance, the lender is required to report the overpayment to the Agency and take action to repay the overpayment. Based upon historical information, incidents of overpayment of interest assistance have occurred in extremely rare occasions.

The number of reports required is estimated to be one per year, or less. The burden to prepare and submit the report is estimated to be 30 minutes per response for a total of .50 work hour.

Lender/servicers reporting overpayment of interest assistance	1
Estimated Number of Respondents	**1**
Estimated reports of overpayments period year	1
Total Annual Responses	**1**
Man-hours per response	0.50
Estimated Total Man-hours	**0.50**

Mortgage Credit Certificates (MCCs). The Tax Reform Act of 1984 authorizes MCCs to provide housing assistance through a tax credit to families with low and moderate incomes. The MCC entitle the "first-time" homebuyer to non-refundable Federal income tax credits thereby reducing the borrower's Federal income tax liability. The MCC enhances the applicant's repayment ability because the amount of the monthly MCC can be deducted from the proposed mortgage payment.

The process of obtaining the MCC is not a burden imposed by the Agency. The burden clearance is for providing the Agency with required documentation to substantiate and demonstrate the borrower has an approved MCC.

The annual respondents represent the lenders who will submit the MCC to the Agency, which based upon FY 2010, was 83. The annual number of responses is based on the expected number of borrowers that may use the MCC provision. Only about 16 States currently offer MCCs and of those States, only a few utilize the MCCs frequently. The Agency estimates that 567 guaranteed loans, based upon FY 2010, will utilize MCCs, resulting in 567 estimated annual responses. The average time per response is 10 minutes per response for a total of 91 work hours.

Lenders utilizing the MCC feature to improve repayment	83
Estimated Number of Respondents	**83**
Estimated number of MCC's offered per year	567
Total Annual Responses	**567**
Man-hours per response	0.16
Estimated Total Man-hours	**91**

Funded Buydown Account. Under special provisions, a temporary funded buydown account may be utilized to enhance repayment ability in the early years of the mortgage loan. Additionally applicants can buy down the rate of interest charged on the mortgage loan permanently as long as the rate of interest prior to buy down did not exceed the maximum rate of interest defined in 3555.104 of 7 CFR Part 3555. The burden clearance is for providing the Agency with required documentation to substantiate and demonstrate the borrower has a buydown account which meets the requirements of the rule. Respondent represent the lenders requesting and reporting the funded buydown. In FY 2010, 38 lenders processed a buydown. The annual number of responses is based upon the expected number of borrowers that may utilize the buydown feature. The Agency estimates 89 loans, based upon FY 2010, will utilize the buydown feature. The average time per response is 10 minutes for copying and submitting the documentation, or a total of 14 work hours.

Lenders utilizing the buydown feature to improve repayment	38
Estimated Number of Respondents	**38**
Estimated number of buydowns offered per year	89
Total Annual Responses	**89**
Man-hours per response	0.16
Estimated Total Man-hours	**14**

Mineral Leases and Partial Releases. A lender may consent to the lease of minerals rights or a partial release of security, such as selling or exchanging a partial piece of property or granting a right-of-way provided a benefit to the borrower is derived from the action. This type of action requires prior approval of Rural Development. A lender will develop the necessary written documentation to support a request. Documentation is similar to that of the industry in like transactions. The burden clearance is for assembling and submitting the request to Rural Development. It is estimated, based upon requests received in FY 2010 that 6 lenders will respond with 24 requests received annually. The estimated time per response is 15 minutes for 6 estimated hours.

Lenders requesting a mineral lease or partial release	6
Estimated Number of Respondents	**6**
Estimated number of mineral leases/partial releases requested	24
Total Annual Responses	**24**
Man-hours per response	0.25
Estimated Total Man-hours	**6**

REPORTING REQUIREMENTS - FORMS APPROVED WITH THIS DOCKET:

Form RD 3555-11, "Guaranteed Rural Housing Lender Record Change." Lenders are responsible for servicing SFHGLP loans and protecting their security interest. Lenders that do not wish to hold or service SFHGLP loans may sell them to any approved lender, Fannie Mae, or Freddie Mac. The lender that holds the loan may choose to contract with a third party to service its loans. Whenever lenders sell SFHGLP loans or contract servicing responsibilities to a third party, the transferring lender must inform the Agency of the occurrence. This type of transfer is most common. Another type of transfer may be a forced transfer, based upon withdrawal of lender approval.

> **Transfer of Servicer.** When more than one loan is being sold to the same lender, or when the servicer on more than one loan is being changed to the same servicer, the lender need only prepare one form and attach a list of borrowers affected. This may occur when a servicer sells their portfolio (or a portion thereof) to another servicer, or when a merger or acquisition occurs. Within the guaranteed serviced portfolio this has become a more frequent occurrence with many industry lenders ceasing business, merging with others or is forced out of business by the Federal Deposit Insurance Corporation (FDIC) reporting a large number of failed banks. The annual number of respondents for subsequent transfers has risen significantly in past years due to mortgage

industry uncertainties and lenders ceasing to continue business. Based upon individual requests received from lenders in FY 2010, we estimate 12,000 forms will be prepared and forwarded to the Agency from 859 servicers. The Agency receives 50-75 per day for processing. It is estimated to take 30 minutes to assemble the information, prepare the form and submit the record change to Rural Development per response.

Lender/servicers reporting a transfer	859
Estimated Number of Respondents	**859**
Lender Record Change received per day: 50-75 (typical 50)	50
Annualized: 240 working days per year x 50	12,000
Total Annual Responses	**12,000**
Man-hours per response	0.50
Estimated Total Man-hours	**6,000**

Forced Transfer. The Agency expects lenders to perform those servicing actions that a reasonable and prudent lender would perform in servicing its portfolio of non-guaranteed loans. When the Agency withdraws a lender’s approval, any SFHGLP loans held by the lender must be sold within six months to an Agency-approved lender. Notification of the transfer of servicing activities to an Agency approved lender is accomplished with the use of this form. Limited action of this type of occurrences have happened in the past and therefore the Agency expects only a limited number of cases where a lender would be required to transfer its loan servicing to another lender. It is estimated no more than 4 lenders will be required to transfer its loan servicing. It is estimated, based upon historical data approximately 2,000 SFHGLP portfolio per lender is transferred. It is estimated the lender takes 30 minutes to assemble the information, prepare the form and submit the record change to Rural Development. When the entire portfolio is involved, the request is written and requires only the transferor and transferee information as the Agency can transfer an entire portfolio of a lender in one action. Therefore, the estimated Lender Record Changes per lender is equal to the number of respondents who are forced, or request an entire portfolio to be transferred to another approved lender. The burden is minimal compared to individual loan by loan requests. Total annual responses is estimated to be 6 forced transfers, requiring 1 report from the respondent/lender, or a force required by the Agency, which requires 30 minutes or less time to report or 3 estimated hours.

Lender/servicers reporting a change through a forced transfer	6
Estimated Number of Respondents	**6**
Estimated Lender Record Changes per lender (1,000 – 3,000) with one request	6
Total Annual Responses	**6**
Man-hours per response	0.50
Estimated Total Man-hours	**3**

Form RD 3555-16, "Agreement for Participation in Single Family Housing Guaranteed/Insured Loan Programs of the United States Government." To participate in the SFHGLP, the lender submits Form RD 3555-16, "Agreement for Participation in Single-Family Housing Guaranteed/Insured Loan Programs of the United States Government" with supporting documentation to Rural Development. This form is the Agreement between the Agency and the lender. It provides the basis for making and servicing Agency guaranteed loans and reflects the standard lender agreement promoted by the Department of Treasury, Financial Management Services, and the Office of Management and Budget.

The program relies on lenders to make sound underwriting decisions. Because the Agency does not underwrite the loans it guarantees, lenders that apply for loan guarantees must originate, underwrite, service and hold loans responsibly. To ensure that these standards are met, the Agency must approve a lender before it participates in the SFHGLP.

The application package includes evidence the lender has a demonstrated ability to originate, underwrite and service single-family mortgages and meets the criteria set forth in 7 CFR Part 3555. Supplemental documentation supporting the lender meets the standards of qualification to participate in the SFHGLP includes evidence that neither the lender nor any of the lender's principal officers have been suspended or debarred from participation in Federal programs; complete contact information for retail and wholesale operations; an outline of underwriting criteria; a quality control plan; evidence of the underwriter(s) qualifications and experience; and evidence training on the SFHGLP has occurred.

The number of respondents is equal to the estimated number of new lenders requesting Agency approval to participate in the program annually. On a national approval, the estimate is 249 while on State approval, the estimate is 446. It is estimated of the 3,581 lenders actively participating in the program, mergers or sales of present lenders require an additional 70 updates to lender files requiring the execution of a newly agreed upon Lender Agreement. The total number of new lender agreements submitted on an annual basis is estimated to be 765.

The average time to prepare the form is 1 hour and includes the lender's review of program regulations. Since the lender is required to confirm their qualifications through submittal of supplemental information in the application process, it estimated an additional 3 hours to collect, assemble, complete training and submit documentation to the Agency in addition to preparation of the application form may be required. The combined documentation actions of the lender eligibility application package are estimated to be 4 hours per response for a total of 3,060 work hours.

New lender application requests – nationally	249
New lender application requests - state	446
Updates to lender applications	70
Estimated Number of Respondents	**765**
A complete application package per lender request or update	765
Total Annual Responses	**765**
Man-hours per response	4
Estimated Total Man-hours	**3,060**

Form RD 3555-20, "Rural Housing Guarantee Report of Loss." To file a loss claim, the lender must submit Form RD 3555-20, "Rural Housing Report of Loss" with documentation supporting the proposed loss payment to the Agency. The lender and the Agency utilize this form to determine the amount of loss payable under the terms of the guarantee. It is utilized for property that is sold within the marketing time frame as well as property that remains unsold, but the allowable marketing time frame has expired. The lender completes a portion of the form along with supporting documentation to support the claim. The Agency reviews the loss claim package and determines if the lender has fulfilled all program obligations, calculates the amount of loss payment amount, notifies the lender and issues payment.

The estimated number of respondents is the number of loss claims to be paid. In FY 2010, 4,299 loss claims were paid and represents the number of losses anticipated annually. Of those 4,299 losses, 206 servicers submitted a claim, who represents the respondents. The average time for a lender to complete the form, including providing the required supporting documentation is 1 hour per response for a total of 4,299 work hours.

Lenders submitting a Report of Loss	206
Estimated Number of Respondents	**206**
Loss Claims	4,299
Total Annual Responses	**4,299**
Man-hours per response	1
Estimated Total Man-hours	**4,299**

Form RD 3555-21, "Request for Single Family Housing Loan Guarantee." The lender must submit a complete loan application package that demonstrates the general loan, applicant, and site eligibility requirements of the 7 CFR part 3555 are met prior to issuance of a Conditional Commitment for Loan Note Guarantee. This form summarizes the details of the proposed loan to be guaranteed and requires the lender to certify that all eligibility requirements have been met. The lender is responsible for working with the application to insure all necessary documentation is obtained to satisfy the requirements for loan eligibility. The information collected represents the same information for other mortgage loan products and is usual and customary. Therefore it is not considered an additional burden to the lender. The applicant is required to read and execute the form to certify to the conditions of the program. In addition to repayment income, which is standard to the mortgage industry, the lender must calculate the qualifying income and compare it to the income limits to determine program eligibility.

The average time for an applicant to read, comprehend, and sign the form is 10 minutes. The average time for a lender to read, comprehend, complete, and sign the form is estimated to be 20 minutes.

The respondents represent the lenders who receive, process, and underwrite the applicant's loan request. The SFHGLP has 3,581 active approved lenders participating in the program. The annual number of responses is expected to equal the number of loans anticipated during the year. In FY 2010 133,053 loans plus approximately 1% or 1,291 applications received were withdrawn and 381 applications were rejected by the Agency for a total number of 134,727 loan requests. The total combined time per response for both the borrower and the lender is 30 minutes, which results in an estimated annual total of 67,364 work hours.

Lenders submitting credit documentation	3,581
Estimated Number of Respondents	**3,581**
Credit applications funded	133,053
Credit applications withdrawn	1,291
Credit applications rejected	383
Total Annual Responses	**134,727**
Man-hours per response	0.50
Estimated Total Man-hours	**67,364**

Form RD 3555-18, "Conditional Commitment for Single Family Housing Loan Guarantee." The Agency completes a review of the complete loan application package confirming the general loan, applicant and site meets eligibility requirements of the program submitted by the approved lender. If the agency review indicates that the loan meets all program requirements, the Agency will agree to guarantee the loan, subject to any conditions noted on this form. This form is issued to the lender and outlines the terms and conditions the lender must meet to obtain a Loan Note Guarantee. It allows the lender to proceed to closing.

Once loan closing occurs, the lender utilizes the reverse pages of this form entitled "Lender Certification" to certify compliance to the conditions set forth by the Agency as issuance. This form, along with supportive documentation is submitted to the Agency post closing when the lender requests the actual Loan Note Guarantee.

The number of respondents is based upon the lenders who have requested a Conditional Commitment. The SFHGLP has 3,581 active lenders. The total number of responses is based on the projected number of loans, which are 133,053, based upon FY 2010 historical information, plus approximately 1% or 1,291 withdrawn applications that received a commitment and later withdrew their request for a total of 134,344 commitment requests. The estimated time for review of the conditions, completing the certification and submission to the Agency is 1 hour per loan for a total of 134,344 work hours.

Lenders submitting credit documentation for a commitment	3,581

Estimated Number of Respondents	**3,581**
Credit applications funded/commitments issued	133,053
Credit applications withdrawn/commitments issued	1,291
Total Annual Responses	**134,344**
Man-hours per response	1.0
Estimated Total Man-hours	**134,344**

Form RD 3555-17, "Loan Note Guarantee." To issue a Loan Note Guarantee, the lender must transmit the required guarantee fee, certify the loan was closed in accordance with the terms and conditions outlined in Form RD 3555-18, provide copies of closing documents validating the loan closed with the proper lien position, confirm development is complete in accordance with 7 CFR 3555 and validate the loan is current at request.

With information received by the lender, if the Agency determines the loan closed in accordance with Agency requirements, the Loan Note Guarantee may be issued. This form is issued by the Agency to the lender and provides the terms and conditions of the guarantee. One guarantee for each loan guaranteed is issued to the lender. The lender maintains the *Loan Note Guarantee* until the loan is paid in full or otherwise terminated. If a transfer by Assumption Agreement occurs, the lender utilizes this form to record and report the transferee and date of occurrence. Because the transferor is not released from liability of the loan, this feature is seldom exercised.

The number of respondents is equal to the number of lenders who request a Loan Note Guarantee or report a transfer by assumption. The SFHGLP has 3,581 active lender/respondents. The total number of responses is based on the projected number of loans closed from obligations, based on FY 2010, which are and the estimated assumptions occurring per year, which is 2. The average time to read and comprehend the form is 5 minutes since lenders are already familiar with the form. It is anticipated recording a transferee on the form would take no longer than reading the form. This results in a total of 10,951 work hours.

Lenders requesting a Loan Note Guarantee from a closed loan	3,581
Lenders reporting a transfer by Assumption	2
Estimated Number of Respondents	**3583**
Loan Note Guarantees Issued	131,415
Transfer by Assumption Agreement	2
Total Annual Responses	**131,417**
Man-hours per response	0.08
Estimated Total Man-hours	**10,951**

Form RD 3555-12, "Master Interest Assistance and Shared Equity Agreement with Promissory Note." The SFHGLP was authorized under the Cranston-Gonzalez National Affordable Housing Act and the Agency issued a final rule implementing the SFHGLP on April 17, 1991 under 7 CFR Part 1980-D. To implement the program, it began as a pilot program in 20 States on May 17, 1991. In 1992, the SFHGLP was offered on a nationwide basis. The 1991 pilot provided interest assistance to eligible borrowers to enhance their repayment ability. To qualify to receive assistance, the borrower must have executed Form RD 3555-12. The form provides the basis for continued eligibility for the assistance, future payment and the determining factors surrounding recapture of interest assistance granted during the life of the guarantee. The form is used only for loans funded with interest assistance. Since interest assistance has not been funded since 1991 and it is not expected to be funded in the near future, no responses are expected.

Form RD 3555-13, "Annual Interest Assistance Agreement." For those remaining that were eligible under the pilot implementation of the SFHGLP described earlier in this form is used to determine the amount of interest assistance the borrower is eligible to receive in the forthcoming agreement year. The lender is responsible for conducting annual and interim reviews of household income to ensure that households continue to be eligible to receive interest assistance and that the amount of assistance provided is correct. The lender provides the form to the borrower, who completes Section II, executes the form to affirm information reported and supports it with documentation validating the information reported. The form is returned to the lender. The lender verifies reported information, calculates adjusted income and determines the borrower's continued eligibility and amount of interest assistance. The form is submitted to the Agency for approval and renewal of the interest assistance agreement. The Agency reviews the lender's calculations and processes the update.

The estimated number of respondents is based upon the number of lenders who retain and continue to service those loans that were granted interest assistance in the pilot year of the SFHGLP. Ten lenders continue to hold and service loans with interest credit assistance. There are 27 loans outstanding currently receiving interest assistance. One response per year is expected to be received by the Agency for each loan, however the borrower and lender each respond separately with information. The average time a borrower spends collecting the information, preparing the form and returning it to the lender is 20 minutes. The average time a lender spends reviewing the documentation provided, calculating the income for eligibility and submitting it to Rural Development for approval and processing is 20 minutes. The combined time by borrower and lenders is 40 minutes. One response per borrower is anticipated from the lender. Twenty seven loans remain outstanding.

Borrower's burden:

Borrowers receiving interest assistance under 1991 pilot	27
Estimated Number of Respondents	**27**
Interest Assistance Agreements prepared by borrowers	27
Total Annual Responses	**27**
Man-hours per response	.33
Estimated Total Man-hours	**9**

Lender's burden:

Lenders who retain loans receiving interest assistance under 1991 pilot	10
Estimated Number of Respondents	**10**
Interest Assistance Agreements prepared by borrowers and lenders	27
Total Annual Responses	**27**
Man-hours per response	.33
Estimated Total Man-hours	**9**

REPORTING REQUIREMENTS - FORMS APPROVED UNDER OTHER OMB NUMBERS:

Form RD 1910-5, "Request for Verification of Employment." The lender may utilize and industry accepted form or method of verifying income or as an optional method, the lender may use Form RD 1910-5 to confirm employment/income. Mortgage lenders utilize forms available in the industry provided by Fannie Mae or Freddie Mac (both secondary market sources) or other optional methods of obtaining supporting documentation referenced in the Uniform Residential Loan Application Credit Package portion of the burden. Since burden of this form has been captured in the standard credit documentation package portion, burden reporting for this program for use of this form has been captured. Approved under OMB No. 0575-0172.

Form RD 1980-19, "Guaranteed Loan Closing Report." To report a closed loan, to request a Loan Note Guarantee and confirm the loan met all conditions set forth in Form RD 3555-18, within 30 days of loan closing, the lender utilizes this form, or equivalent automated means provided by the Agency. Concurrently, the lender provides supportive documentation confirming the loan was properly closed and remits the guarantee fee to the Agency. The respondents are the lenders who have closed loans requesting a Loan Note Guarantee. The SFHGLP presently has 3,581 active lender/respondents. The total number of responses is equal to the number of closed loans, or131,415, based upon FY 2010. The average time for the lender to read, comprehend, and complete the form and assemble the supportive documentation is 1 hour, totaling 131,415 hours annually. Approved under OMB No. 0575-0137.

Lenders reporting closed SFHGLP	3,581
Estimated Number of Respondents	**3,581**
Loans closed	131,415
Total Annual Responses	**131,415**
Man-hours per response	1
Estimated Total Man-hours	**131,415**

Form RD 1944-4, "Certification of Disability or Handicap." The lender may utilize an industry accepted form or method of verifying the disability or handicap of an applicant or member of the applicant's family or as an optional method, the lender may use Form RD 1944-4. This form may be utilized when the lender is seeking to establish eligible medical expenses as deductions to the annual income calculation. Mortgage lenders utilize forms available in the industry provided by Fannie Mae or Freddie Mac (both secondary market sources) or other optional methods of obtaining supporting documentation referenced in the Uniform Residential

Loan Application Credit Package portion of the burden. Since burden of this form has been captured in the standard credit documentation package portion, burden reporting for this program for use of this form has been captured. Approved under OMB No. 0575-0172.

Form RD 1944-62, "Request for Verification of Deposit." The lender may utilize an industry accepted form or method of verifying assets of an applicant for the purpose of establishing annual income or as compensating factors in the underwriting decision or as an optional method, the lender may use Form RD 1944-62. Mortgage lenders utilize forms available in the industry provided by Fannie Mae or Freddie Mac (both secondary market sources) or other optional methods of obtaining supporting documentation referenced in the Uniform Residential Loan Application Credit Package portion of the burden. Since burden of this form has been captured in the standard credit documentation package portion, burden reporting for this program for use of this form has been captured. Approved under OMB No. 0575-0172.

Form RD 1924-25, "Plan Certification." The lenders permanent loan file must contain evidence of certified plans and specifications. The lender may elect to utilize Form RD 1924-25 as an optional format to document certification. Other options include obtaining a building permit or a certificate of occupancy.

The estimated burden per response is 10 minutes. Most lenders will require copies of building permits or certificate of occupancy inspections performed by the local building municipality to document plan certification of the new dwelling. The estimated burden represents the assembling of the information collected.

The estimated number of respondents is based upon the combined efforts of the lenders originating a loan which is 3,581 approved lenders. Annual responses is based upon the anticipated number of applicants requesting a loan which is estimated to be 133,053. The Agency estimates that approximately 14.93 percent of the loans, based upon FY 2010, will be for new construction (19,870 loans) and will require one response per loan.

Lenders originating new construction	3,581
Estimated Number of Respondents	**3,581**
Projected number of new construction loans	19,870
Response per loan	1
Total Annual Responses	**19,870**
Man-hours per response	0.16
Estimated Total Man-hours	**3,179**

FEMA 81-93, "Standard Flood Hazard Determination." The Flood Disaster Protection Act of 1973 mandates that flood insurance coverage be purchased for improved real property located in a Special Flood Hazard Areas (SFHA). This document is a onetime official declaration of flood zone status printed on the Federal Emergency Management Agency (FEMA) Standard Flood Hazard Determination form. It identifies the FEMA assigned flood zone designations, for a subject property address, based upon the current flood insurance rate maps published by FEMA. Any federally regulated lending industry entity is required to statutorily implement the mandatory purchase provisions of the National Flood Insurance Reform Act of 1994 and other key legislation that governs the National Flood Insurance Program (NFIP). Most mortgage applications are affected. Inform from this form is utilized by the Agency to complete an environmental assessment of the proposed property prior to issuance of a commitment to an approved lender. Burden of this form has been captured in the standard credit documentation portion of this burden reporting for the SFHGLP.   Approved under OMB No.1660-0040.

RECORDKEEPING

Additionally lenders must maintain record of all payments and disbursements paid on the obligation while the Agency has potential liability. The lender should also maintain a record of all servicing actions, relevant post closing documents, and all borrower notices and correspondence.

3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g. permitting electronic submission of responses, and the basis for the decision for adopting this means of collection. Also describe any consideration of using information technology to reduce burden:

Electronic Default and Status Reporting. Advancements in technology have allowed the Agency to accept electronic reporting by lenders for monthly defaults and quarterly portfolio status. In FY 2002, the Electronic Data Interchange (EDI) was developed with a provision for web reporting for those small lenders with less than 100 guaranteed loans in their portfolio. Lenders with portfolios of 100 or more loans send EDI X12 files for transaction set (TS) 203, Secondary Mortgage Market Investor Report, and TS 264, Mortgage Loan Default Status – both which are standard for industry reporting. This process replaced the previous paper reporting for monthly defaults and annually portfolio reports which was very labor intense.

Automated Loss Claim Processing. The Agency developed an Automated Loss Payment system, for use by employees, to track property and disposition plans, and track and pay loss claim payments electronically to lenders. The ability of larger servicers to utilize the electronic system for loss claim payments was implemented, phasing in 14 nationwide approved servicers. With e-authentication credentials, servicers could access the Automated Loss Claim Payment system. Instead of forwarding a claim for input by the centralized branch that process loss claim requests, lenders could input information collected to generate a claim payment. The system has threshold edits requiring data verification by a centralized branch responsible for the loss claim process. The information input by the lender is uploaded to the centralized branch, which confirms the information input and renders a payment decision based upon the data input. Fourteen (14) lenders have full access to the automated system. This step eliminated a 100% review of all claims input by the lender, except for specific threshold edit items and allowed a direct payment to the lender, as long as no threshold edits resulted from the electronic submittal. The burden to submit the entire supporting documentation with the Report of Loss Claim form was eliminated, except for documentation submitting edits triggered when inputting the loss claim request into the electronic system. The system also allows for the ability to track and monitor future recovery and input electronic loan closings. Those lenders who have security access to the loss claim payment portion also have access to the future tracking portion. This effort requires all users to meet e-authentication security credentials.

Electronic Loan Closing and Electronic Payment of Fees. Lenders may input loan closings electronically through an Internet web based transaction to the Agency. This effort requires the lender/users to meet e-authentication security credentials. The Agency is presently testing a pilot with one major lender. Roll-out to additional lenders is anticipated once additional phases of *pay.gov* are developed. The web transaction closely follows Form 3555-19. This transaction will allow a lender to electronically submit information regarding closed guaranteed loans directly to the SFHGLP office responsible for validating information and establishing the case on the guaranteed data base as a closed loan meeting guaranteed loan program requirements. Additionally, lenders will submit the guarantee fees to the Agency through an automated clearinghouse (ACH) method developed by the U.S. Treasury called *pay.gov*. The burden to lenders will be significantly reduced by utilizing the electronic method. Lenders will eliminate the necessity of completing and certifying to Form RD 1980-19 and generating a paper check to represent the fee as the closing and fee will be electronically processed. Respondents will have an option of utilizing this electronic option for providing information regarding loan closing or submitting a paper package to the SFHGLP office until fully implemented.

Automated Underwriting System. In an effort to explore methods to decrease the amount of paper required to process a loan while increasing efficiency and decreasing operating costs and staffing requirements, the Agency pursued an automated underwriting decision system for submitting and processing Rural Development guaranteed loans. The Internet web based system is intended to make it easier and faster for customers to process and submit guaranteed loans through electronic submittal to the Agency. The system streamlines and automates the application process, automates credit decision-making, and automates the program eligibility determination including the determination of eligible rural lending areas using Geospatial Information Systems (GIS) mapping data. Once fully developed, the automated system will bring the program's loan origination process to present mortgage industry standards. It will improve performance tracking of the portfolio and enhance overall market acceptance of the program. Lenders will have the option of utilizing this web based streamlined system or continuing to submit a paper package to the SFHGLP office until fully developed. As of FY 2010 over 81% of the loan volume from over 1700 lenders was through utilization of the electronic underwriting system.

Loss Mitigation. Rural Development (Agency) encourages approved Single Family Housing Guaranteed Loan Program (SFHGLP) lender/servicers to exercise loss mitigation techniques to the fullest extent possible when servicing defaulted loans under the SFHGLP. The Agency expanded upon their Loss Claim Automation process by developing an automated system for lenders and employees to track proposed servicing plans by lender/servicers. Participating lender/servicers may electronically complete the service plan, through a web based Intranet system, required of a loss mitigation action, submit supporting documentation and view the status of their request electronically. Six (6) lenders utilize the electronic method available representing 65% of the plans processed. Additional training will be offered servicers on the electronic system hereafter accomplishing near 100% electronic submittal of loss mitigation servicing plans.

Future Technological Enhancements Planned to Replace an Existing Paper Process. The Agency continues to strive towards the electronic process with the elimination of any unnecessary paper burden. As the Agency further develops the automated underwriting system allowing access by brokers and integration of the system with large partner's origination systems, a greater percentage of loans will be processed electronically. As the electronic loan closing is launched to all approved lenders, a greater percentage of fee and closings will be electronically transmitted. The Agency is in the planning stages of an imaging update, which when developed, could allow the attachment of any credit documents, thereby eliminating any necessity to provide paper documents. Concurrently with imaging, the Agency is improving technology to allow for electronic/digital signatures on documents, thereby eliminating the necessity to execute a form, scan and attach the executed document to a message. With full implementation of these processes, the delivery of the SFHGLP could be fully paperless in the future, thereby reducing the burden of generating the paper process.

4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in Item 2 above:

There are no standard Government forms that the Agency can utilize in gathering information beyond those the Agency has already adopted. Due to the different requirements of other guaranteed loan programs and statutory requirements, there are no similar forms that collect the data needed from the external customer on a standard form that can be utilized by all programs.

The information is collected on a case-by-case basis. There is no similar information available to the Agency that could be used or modified for these purposes.

5. If the collection of information impacts small businesses or other small entities (item 5 of OMB Form 83-1), describe any methods used to minimize burden:

The collection of this information does not involve small businesses or other small entities.

6. Describe the consequences to Federal program or policy activities if the collection is not conducted or conducted less frequently, as well as any technical or legal obstacles to reducing burden:

The Agency could not effectively monitor lenders and assess the program if information were collected less frequently or was not collected at all. Effective loan portfolio management begins with the oversight of the risk in individual loans. Prudent risk selection is vital to maintaining favorable loan quality. The information collected is required by OMB Circular A-129.

7. Explain any special circumstances that would cause an information collection to be conducted in a manner:

a. Requiring respondents to report information to the Agency more than quarterly:

Electronic default reporting which provides for a monthly report by the lender of delinquent SFHGLP loans is the only information required to be reported more frequently than on a quarterly basis. Due to the large SFHGLP portfolio, reporting of delinquent SFHGLP loans on a monthly basis is essential to efficiently and effectively monitor the health of the loan portfolio. Obtaining a monthly report provides the Agency with a complete picture of the credit risk profile allowing more analysis and control of the risk to the portfolio.

b. Requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it:

There are no specific information collection requirements that require less than 30 days response. However, in many cases, it may be beneficial for a borrower or a lender to respond with information in an expedient manner, as the Agency cannot provide the borrower or lender with increased program benefits until documentation is received to support the request.

c. Requiring respondents to submit more than an original and two copies of any document::

The Agency does not require any information to be submitted in more than an original and two copies.

d. Requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records for more than three years:

Each lender is required to maintain a permanent loan file on each individual guaranteed borrower. This is typical for any mortgage loan product and is an action that is completed in a lenders normal course of business. Compliance items relevant to the program eligibility of property and/or applicants are required to be maintained in the lender's case until such time the guarantee is terminated for future review and/or audit by the Agency. This requirement is consistent with standard mortgage industry practices and represents no additional burden of recordkeeping placed upon the lender or public.

e. In connection with a statistical survey, that is not designed to produce valid and reliable results that can be generalized to the universe of study:

There are no such requirements.

f. Requiring the use of a statistical data classification that has not been reviewed and approved by OMB:

No such requirement exists.

g. That includes a pledge of confidentiality that is not supported by authority established in statute or regulation, that is not supported by disclosure and data security policies that are consistent with the pledge, or which unnecessarily impedes sharing of data with other agencies for compatible confidential use:

There is no requirement for a pledge of confidentiality and no assurance of confidentiality provided to the respondents by the Agency.

h. Requiring respondents to submit proprietary trade secret, or other confidential information unless the agency can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law:

The collection of information does not involve requirements to submit proprietary, trade secrets, or other confidential information.

8. Comments on Agency's notice in the Federal Register and efforts to consult with persons outside the Agency to obtain their views on the availability of data, frequency of collect, the clarity of the instructions and recordkeeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.

A 60-day reinstatement notice was published in the Federal Register on June 26, 2012, Vol 77, No. 123, page number 38035. No comments were received.

The Agency consulted with representatives of the mortgage lending industry regarding the availability of data, frequency of collection, the clarity of instructions, recordkeeping, disclosure, or reporting format, and data elements to be reported. The following were consulted:

Jackie Young
Vice President RH Operations
–Jon RoventiniVice President RH Production
JP Morgan Chase Bank N.A.1400 East Newport Center Dr.Deerfield Beach, FL 33442954.426.5838
Jackie.young@chase.com or
jon.roventini@chase.com

Mr. Brent Cooper
Wholesale Rural Housing Production Manager
SunTrust Mortgage
954.639.4882
Brent.Cooper@SunTrust.com

These individuals and organizations were selected for consultation based on their extensive knowledge and active involvement in the program. They represent a cross-section of the mortgage industry. Participants have a working knowledge of the SFHGLP which aided their consultation.

Lender respondents both agreed the recordkeeping, disclosures, reporting and elements to report were consistent with other government programs as well as most conventional products. One area required additional recordkeeping inconsistent with other usual government programs. The SFHGLP requires retention of the certified plans, specifications and inspections performed for new dwellings. Recordkeeping of these documents are maintained for compliance auditing. Neither respondent disagreed with the importance of retaining these documents and cited the cost of storing, recording and assuring an alternative method to ensure proper retention of the documents.

9. Explain any decision to provide any payment or gift to respondents, other than re-enumeration of contractors or grantees:

There is no payment or gift to respondents.

10. Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or Agency policy:

There has been no assurance of confidentiality provided to the respondents by the Agency.

11. Provide additional justification for any question of a sensitive nature, such as sexual behavior or attitudes, religious beliefs, and other matters that are commonly considered

private. This justification should include the reasons why the Agency considers the questions necessary, the specific uses to be made of the information, the explanation to be given to persons form who the information is requested, and any steps to be taken to obtain their consent:

The information collected by the Agency is not of a sensitive nature.

12. Provide estimates of the hour burden of the collection of information. Indicate the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated:

A) Indicate the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated. If this request for approval covers more than one form, provide separate hour burden estimates for each form and aggregate the hour burdens in Item 13 of OMB 83-I.

Estimated response time was derived from previous history. For each collection item, the previous FY activity was assessed. Since FY 2005, the SFHGLP has experienced a historical volume growth. Continued demand indicates the SFHGLP will continue to grow in the future. A theoretical accounting for the respondent's time spent complying with the collection request was estimated, and projected against the wage class value noted below.

The wage class value was based on the following:

> **Lenders:** Loan processors (persons below the management level) are the primary persons completing the forms to obtain a guarantee from the Agency. Depending on the composition of the lender's organization, underwriters may also collect some of the information. Processors are paid an estimated average of $25,000 to 50, 000 annually. Salary will vary by corporate structure (small to large) and geographically (rural to high cost area). $35,000 ($16.83 hourly) was utilized in the statistical analysis. *Processors* account for an estimated 90% occurrence for collection. Originators, who obtain the application from the borrower, assemble the information and communicate with the borrower typically, work on commission in a range of ½% to 1% of the loan amount. If the average loan amount is $135,000 and an average mortgage originator creates four-five loans per month, originators salaries could be $60,000 to $100,000 per year. $80,000 ($38.46 hourly) was used for statistical analysis. *Originators* account for an estimated 5% occurrence for collection. Underwriters are paid an estimated $55,000 to $80,000 average annually; 70,000 ($33.65 hourly) was used for statistical analysis. *Underwriters* are estimated to collect data 5% of the occurrences. Combined, the estimated average weighted annual salary of the primary employee(s) collecting data is $39,000. Upper management provides oversight of the program and monitors performance. Management accounts for an estimated 5% of the lender's total time. Estimated average pay for management varies based on the type and size of the lender and level of management involved with the program; incentives paid for performance, etc. and are estimated to be $75,000 to $100,000 average per year. $85,000 ($40.87 hourly) was used for statistical analysis. Combined, the estimated weighted-average annual salary of a lender's employee is $43,250 per year or $20.79 per hour.

Borrowers: It is estimated, based on the mean income of loans guaranteed during FY 2010, that the mean income of guaranteed customers is approximately $47,510 per year or $22.88 per hour.

Information regarding salaries of Lenders was obtained from participating lenders and by researching the Department of Labor.

B) Provide estimates of annualized cost to respondents for the hour burdens for collections of information, identifying and using appropriate wage rate categories.

See attached spreadsheet for complete annualized cost burden of the collection.

13. <u>Provide an estimate of the total annual cost burden to respondents or record keepers resulting from the collection of information, (do not include the cost of any hour burden shown in items 12 and 14). The cost estimates should be split into two components: (a) a total capital and start-up cost component annualized over its expected useful life; and (b) a total operation and maintenance and purchase of services component:</u>

There are no capital/startup costs or operation/maintenance costs associated with this collection.
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14. <u>Provide estimates of annualized cost to the Federal Government. Provide a description of the method used to estimate cost and any other expense that would not have been incurred without this collection of information:</u>

We estimate the annual cost to the Federal Government to be $19,362,183.40. A FY 2005 staffing survey of States indicated the number of employees directly involved in the administration of the SFHGLP (413) multiplied by the national costs factor of $66,974 (obtained from www.opm.gov) multiplied by the percentage of time (70 percent) the employees are involved. A staffing survey has not been obtained since FY 2005.

The cost factor includes salaries, benefits, travel, communication, supplies, etc. and is estimated by using an assumption that the average pay grade for a GS-11, Step 6 of the General Schedule with an average locality pays adjustment of 14.16%. Some States are centralized and the Specialists working are GS-12's while in other States the program is de-centralized and the Loan Specialists are GS-11's. In addition, there are numerous GS-5 to GS-8 technical support personnel who assist in the GRH program.

15. <u>Explain the reasons for any program changes or adjustments reported in items 13 or 14 of the OMB Form 83-1:</u>

This is a reinstatement with change of a previously approved information collection tied to a proposed rule. Any change in hours is a result of increased program level funding and demand by the public. Also considered is a change in the average loan amount, additional lenders participating in the program, due to a change in the program funding level and a keener interest by industry partners.

16. <u>For collection of information whose results will be published, outline plans for tabulation and publication:</u>

Information will not be published for statistical purposes.

17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate:

Multiple forms are cleared within multiple packages and the different expiration dates for each package will be confusing to the customer.

18. Explain each exception to the certification statement identified in item 19 "Certification for Paperwork Reduction Act."

There are no exceptions requested.

19. How is this information collection related to the Service Center Initiative (SCI)? Will the information collection be part of the one stop-shopping concept?

Some lenders participate in more than one of the Agency's programs. Through the Guaranteed Loan System (GLS), some basic lender data can be shared between Agencies. However, the SFHGLP is unique in nature as compared to other Agency guaranteed programs. Therefore sharing of information is limited at this time.

Under the Comprehensive Loan Program (CLP) initiative Farm Service Agency and Rural Development will be collaborating in the ensuing three years to strategically integrate existing USDA IT loan originating and servicing platforms. The proposal is based upon the same "line of business" of the Federal Architecture Business Reference Model. Rural Development and Farm Service Agency are also focusing on collaborative efforts for sharing common technologies, software and application components. The proposed technology will allow seamless sharing of data across components and collaborating on standard data base technologies, common web application and software development tools defined by the Service Center Management Initiative. The initiative is in support of the USDA Target Architecture and Federal Enterprise Architecture.