

FORM 83-I
SUPPORTING STATEMENT
REG-127770-07 (final)

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

This document contains final regulations that expand the list of permitted loan modifications to include certain modifications that are often made to commercial mortgages. Changes to the regulations are necessary to better accommodate evolving practices in the commercial-mortgage industry. These changes will affect lenders, borrowers, services, and sponsors of securitizations of mortgages in REMICs.

This information is required in order to show that modifications to mortgages permitted by the proposed regulation will not cause the modified mortgage to cease to be a qualified mortgage.

2. USE OF DATA

The Internal Revenue Service can use this information to monitor proper compliance with the requirement in the regulations that a mortgage loan held by a REMIC be principally secured by an interest in real property.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

REMICs affected by the appraisal requirement will not be required to file the appraisal with the Internal Revenue Service, though may be required to furnish this information to the Service if audited. Thus, there was no consideration given to using information technology to reduce burden.

4. EFFORTS TO IDENTIFY DUPLICATION

We have attempted to eliminate duplication within the agency wherever possible and we are not aware of any other information already available that could be used to determine the fair market value of an interest in real property for purposes of the proposed regulations.

5. METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES

This collection of information will not have a significant impact on a substantial number of small businesses or other small entities.

6. CONSEQUENCES OF LESS FREQUENT COLLECTION OF FEDERAL PROGRAM OR POLICY ACTIVITIES

Not applicable

7. SPECIAL CIRCUMSTANCES REQUIRING DATE COLLECTION TO BE INCONSISTENT WITH GUIDELINES IN 5 CFR 1320.5(d)(2)

Not applicable

8. CONSULTATION WITH INDIVIDUALS OUTSIDE OF THE AGENCY ON AVAILABILITY OF DATA, FREQUENCY OF COLLECTION, CLARITY OF INSTRUCTIONS AND FORMS, AND DATA ELEMENTS

This notice of proposed rulemaking was published in the Federal Register on November 9, 2007 (72 FR 63523), to provide the public a 60-day period in which to review and provide public comments relating to any aspect of the proposed regulation. A public hearing was requested and was held on April 4, 2008 (73 FR 12041). The final regulation was published on September 16, 2009 (73 FR 47439).

In response to the Federal Register notice dated September 27, 2012 (77 FR 59454), we received no comments during the comment period regarding this final regulation.

9. EXPLANATION OF DECISION TO PROVIDE ANY PAYMENT OR GIFT TO RESPONDENTS

Not applicable

10. ASSURANCE OF CONFIDENTIALITY OF RESPONSES

Respondents will not be required to file the collection of information with the Internal Revenue Service, though may be requested to provide the information on audit. If requested on audit, the information is confidential as required by 26 USC 6103.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

Not applicable

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

Estimated total annual reporting burden: 3000 hours

Estimated average annual burden hours per respondent: 8

Estimated annual frequency of responses: 1

The average commercial loan pool is 200 loans per pool and, in 2006, there were 75,000 outstanding commercial loans held by REMICs. We determined that there were approximately 375 REMICs (75,000/200) that could be affected by our proposed regulation. We further estimated that an appraisal of an interest in real property would take 8 hours and that each of the 375 estimated REMICs would have at least one loan modified each year such that the appraisal requirement would need to be satisfied in order to prevent the loan from becoming disqualified. Finally, we estimated the total annual reporting burden to be 3000 hours (375 REMICs x 8 hours/appraisal).

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

As suggested by OMB, our Federal Register notice dated September 27, 2012, requested public comments on estimates of cost burden that are not captured in the estimates of burden hours, i.e., estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information. However, we did not receive any response from taxpayers on this subject. As a result, estimates of cost burdens are not available at this time.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

Not applicable

15. REASONS FOR CHANGE IN BURDEN

There is no change in the total burden previously approved. We are making this submission to renew the OMB approval.

16. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION

Not applicable

17. REASONS WHY DISPLAYING THE OMB EXPIRATION DATE IS INAPPROPRIATE

We believe that displaying the OMB expiration date is inappropriate because it could cause confusion by leading taxpayers to believe that the regulations sunset as of the expiration date. Taxpayers are not likely to be aware that the Service intends to request renewal of the OMB approval and obtain a new expiration date before the old one expires.

18. EXCEPTIONS TO THE CERTIFICATION STATEMENT ON OMB FORM 83-I

Not applicable