

Supporting Statement for Paperwork Reduction Act Submissions

Application and Re-certification Packages for Approval of Nonprofit Organizations In FHA Activities

OMB Control Number 2502-0540

A. Justification

1. Sections 203(g)(2), 221(h), and 235(j) of the National Housing Act (12 U.S.C. 1708) permits private nonprofit organizations and public entities to act as mortgagors through use of FHA insured mortgage programs to purchase and rehabilitate housing for subsequent resale. HUD's regulations in 24 CFR 200.194 establish eligibility requirements for nonprofit organizations and government entities that seek to participate in certain HUD programs acting as a mortgagor; purchasing HUD's Real Estate Owned (REO) Properties (HUD Homes) at a discount; providing secondary financing; and imposing legal restrictions on conveyance as part of affordable housing programs. HUD has issued policies based on specific requirements of nonprofits that participate in FHA discount sales, down payment assistance and mortgage insurance programs. Procedures for removal of nonprofits with the ability to participate in these programs are codified at 24 CFR 200.195.
2. Nonprofit organizations seeking HUD approval to participate in certain specified Federal Housing Administration (FHA) single family activities must submit financial and management information to HUD. HUD staff uses the information to assess the management and financial capability of the nonprofit to carry out its mission relative to the HUD programs in which it seeks to participate. The information also assists HUD staff to detect any conflicts of interest or activities that may not be permissible. Annual activity reports are required to assure compliance and monitor activity to keep the risk to the Federal government at a minimum. The collection of information assists HUD to reduce its own risk as well as protect homebuyers from fraudulent activities that occurred prior to this collection activity. Nonprofit organizations are reevaluated every two years to assure they have performed according to plan and to provide HUD with any information on changes that may impact the nonprofit's performance.

Mortgagee Letter (ML) 2012-24 was posted and effective November 21, 2012 to clarify that HUD deems Section 115 entities to be "instrumentalities of government" for the purpose of providing secondary financing under FHA single family programs. When operating a secondary financing program, organizations claiming Section 115 status must present proof of that status to the mortgage lender in the form of:

- 1) a letter from the organization's auditor; or
- 2) a written statement from the organization's General Counsel, as an official of the organization; or
- 3) a Letter Ruling issued by the Internal Revenue Service; or
- 4) an equivalent document evidencing Section 115 status.

Documentation evidencing Section 115 status must be placed on the right side of the case binder. Section 115 entities would normally have one of these documents readily available resulting in minimum additional burden hours. To date, FHA has only approved one Section 115 entity. Section 115 entities are not required to have HUD approval and are not to be included on HUD's Nonprofit Organization Roster, for operating a secondary financing program under FHA single family programs.

3. Currently, the information is collected electronically. HUD has developed a web-based program management system to facilitate an automated collection of this information. The system is currently being used by HUD management, line staff and nonprofit participants. This Nonprofit Data Management System is an automated web-based program management tool designed to assist HUD staff with the daily oversight and administration of Single Family's Nonprofit Program activities. This tool allows for on-line reporting and enables potential participants to submit an application for approval or recertification.
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4. This information is not collected elsewhere at HUD. HUD makes every effort to assure no duplication of information is required.
5. The collection of this information does not place any additional impact on small nonprofit organizations seeking approval to participate in FHA programs. However, the required information is, for the most part, standard and already available in the nonprofit organizations' places of business and may include articles of organization, letters of determination, resolutions, and/or legal documents. Reapplication packages require complete information, but the burden of effort to the organization will become limited to updating the original package. Reports are done in a standard format and are routinely maintained by the organization as a normal function of doing business.
6. Ascertaining the legal eligibility, financial capacity, and experience in housing activities of nonprofit organizations is necessary to comply with the requirements of the National Housing Act, and to assess the organization's ability to participate as a mortgagor in FHA programs. Sound underwriting practices require that HUD evaluate a mortgagor's ability to make mortgage payments on insured properties to minimize risk of monetary loss. HUD also bears the responsibility to assure that homebuyers who purchase homes from nonprofits that participate in the discount sales and other programs receive the benefits derived from those programs. This collection provides the means to meet that obligation.
7. There are no special circumstances involved in this collection.
8. In accordance with 5 CFR 1320.8(d), this information collection soliciting public comments was announced in the *Federal Register* on February 22, 2013 (Volume 78, Number 36, Pages 12344). No comments were received.

Comments were solicited from three organizations regarding the information collections requirements of this program.

- Bobbi Carter, Director, Albany County Rural Housing Alliance states the recertification process is fairly simple because they prepare and collect information all year long and just pull the specific necessary information when requested.
- Paul Brown, Executive Director, Barrow County Habitat for Humanity states, the initial application requires some preparation, but for recertification he has not had any problems or received any complaints. The recertification process is really smooth.
- Mark Roger, Executive Director, Guadalupe Neighborhood Development Corp. had an application rejected due to not meeting the current requirements. His company was applying for approval for the first time after acting as just an administrator for other nonprofits. Guadalupe had been working with conventional financing previously and realizes that they have a little more to learn about the FHA approval process. Mr. Roger feels the process was a little difficult to understand a first, but he is preparing his company for approval in the future.

Availability of data: All data requested is readily available; nonprofit applicants and program participants already submit required information.

Frequency of collection: Annual Reporting of properties resold is required, but the web-based automated system (NPDMS) allows for the nonprofit organization to input their required data into the NPDMS no later than 60 days after the resale of the property negating the need for these nonprofits to submit an annual report. This allows for information to be reviewed on a frequent basis and allows for regular program monitoring in an effort to reduce risk to the Department. Frequent reporting allows for HUD to program participants' potential for noncompliance prior to their occurrence and allows for staff to provide more frequent technical assistance.

The format for recordkeeping disclosure, or reporting: In order to accommodate on-site reviews, the non-profit agency should maintain records in a specific format. Attachment 4 of ML 02-01 lists the required

items to be included in each property file. Files should be maintained individually for each property purchased, sold, or leased. In addition to the individual property files, other documents should be maintained for review and are listed in Attachment 4. Accounting records should be maintained in a property specific format so that cost calculations can be made for all expenses related to each specific property. Files should be maintained for a minimum of three years after the property is sold by the nonprofit. Although Attachment 4 details some specifics on the format for recordkeeping disclosures or reporting, standard business practices already exist in the industry and HUD is only requesting at least the same level of detail and organization be maintained in order to provide quality information when reporting information to HUD.

The data elements to be collected: Mortgagee Letters 02-01, Attachments 1 and 2 and Attachment 4: Reporting Requirements, and ML 00-08, Attachment 5 sufficiently captures information required for HUD Homes participants.

9. There are no payments or gifts to respondents with respect to this collection.
10. Since social security numbers are required, HUD addresses the issue of confidentiality in two formats (1) within the text of Mortgagee Letter (ML) 2002-01 the agency explains to respondents the purpose for which social security numbers will be used and assures respondents that SSNs will be kept confidential; and (2) HUD added a statement to the attachment of the ML to comply with the requirements of the Privacy Act of 1974.
11. No sensitive information is required as part of this collection.
12. Estimate of public burden. Total number of respondents consists of 73 new applicants, 150 yearly agency re-certifications and 2 Section 115 entities. The frequency of response varies depending on the information collected:
 - a. Applications, Affordable Housing Programs, Agency Reporting and Agency Recertification all occur annually
 - b. Credit Evaluation of Nonprofits could occur for a maximum of four times per year (worst case scenario). This is due to the requirement for lenders providing financing to perform an analysis of the nonprofits agency’s financial capacity to encumber properties using FHA insurance. Included in this analysis is the review of a 90 day year-to-date financial statement. If requested at specific times, by various lenders, the nonprofit could be required to produce at least four – 90 day year-to-date financial statements.
 - c. Section 115 entities responses are based on FHA loans within that entity. FHA currently has only one approved Section 115 entity; the estimates are based on two entities with an estimated total of five FHA insured loans.

Description of Info. Collection	Number of Respondents	Frequency of Response	Total Annual Responses	Hours per Response	Total Hours	Hourly Rate	Total Annual Cost
Application	73	1	73	24	1,752	\$27.5	\$48,180
Affordable Hsg Program	73	1	73	12	876	\$27.5	24,090
Agency Reporting	150	1	150	4	600	\$27.5	16,500
Agency Recertification	150	1	150	16	2,400	\$27.5	66,000
Credit Evaluation of Nonprofit	150	4	600	3	1,800	\$27.5	49,500
Section 115 verification document	2	5	10	.5	5	\$27.5	137.5
Totals	225		1,056		7,433		\$204,408

The hourly rate is based on an estimated average annual salary of \$57,200 nonprofit personnel.

Most of the information required under this information collection is maintained by the affected organizations in the normal course of business. Recordkeeping is considered a normal part of the participant's business. The recordkeeping requirement is information HUD expects to view when its staff conducts a review, and HUD ascribes no burden to recordkeeping requirements. Furthermore, the information collected does not come from a required individual forms, but is a compilation of information generated from the nonprofits database system.

13. There are no additional costs to respondents or recordkeepers.
14. Estimated annualized costs to the Federal government include staff time needed to coordinate the review and approval of applications, and to monitor housing related activities of participating nonprofit organizations. Section 115 verification is not included on table; it is reviewed by the lender not HUD and placed in the case binder. There is no measurable burden associated with the individual paper being placed in the case binder along with other required documents.

Description of Info. Collection	Total Annual Responses	Hours per Response	Total Hours	Hourly Rate	Total Annual Cost
Application	73	12	876	\$34	\$29,784
Affordable Hsg Program	73	6	438	\$34	14,892
Agency Reporting	150	2	300	\$34	10,200
Agency Recertification	150	8	1,200	\$34	40,800
Credit Evaluation of Nonprofit	600	2	1,200	\$34	40,800
Totals	1,046		4,014		\$139,476

The hourly rate is a blended rate based on the estimated average annual salaries of both administrative and professional personnel. Section 115 verification not included here because it is not reviewed by HUD.

15. This is an extension of a currently approved collection. There are no program adjustments. The decrease in burden is due to the reduction in estimated applications and recertifications. The new estimates are based on the FY 2013 actual numbers and averaged with previous estimates. A three year average would be best for the next extension request.
16. There is no anticipated publication of the information gathered through this collection.
17. HUD is not requesting approval to avoid displaying the expiration date.
18. There are no exceptions to the certification statement identified in item 19 of the OMB 83-I.

B. Collections of Information Employing Statistical Methods

This collection of information does not employ statistical methods.
