

Supporting Statement for Paperwork Reduction Act Submissions

Debt Resolution Program

OMB Control Number 2502-0483
HUD-56141, HUD-56142, HUD-56146

A. Justification

1. The Debt Collection Improvement Act (DCIA) of 1996 requires Federal Agencies to maximize collections of delinquent debts owed to the Government by ensuring quick action to enforce recovery of debts and the use of all appropriate collection tools. Section 2(c) of the National Housing Act (P.L. 479, 48 Stat. 1246, 12 U.S.C. 1701 et. seq.) empowers the Secretary of the Department of Housing and Urban Development to collect or compromise all obligations assigned to or held by HUD, and all legal or equitable rights accruing to HUD, in connection with the payment of a HUD-insured loan, until such time as such obligations may be referred to the Attorney General of the United States for suit or collection. The DCIA also requires agencies to provide debtors the right to dispute their debt prior to the reporting of the debt to a credit bureau.

The Federal Claims Collection Standards (FCCS) indicate that written demand shall be made promptly upon a debtor of the United States in terms that inform the debtor of the consequences of failing to cooperate with the agency to resolve the debt. These written demands (including the *Credit Bureau Notification Letter*) are linked to information collections, as they generate disputes and requests to pay or compromise debts.

The FCCS further states, “Agencies should obtain financial statements from debtors who represent that they are unable to pay in one lump sum . . .” (31 CFR 901.8) and “To assess the merits of a compromise offer based in whole or in part on the debtor’s inability to pay the full amount of the debt within a reasonable time, agencies should obtain a current financial statement from the debtor . . .” (31 CFR 902.2(g)). Commercial debtors are required to submit copies of accountant prepared financial statements when warranted.

In accordance with the Federal Claims Collection Act of 1966, as amended by the Federal Debt Collection Act of 1984, the Assistant Secretary for Housing has authorization from the Secretary to collect all claims not exceeding \$100,000 exclusive of interest.

2. This information request seeks to update the information collection requirements approved by OMB under control number 2502-0483, Debt Resolution Program, by removing a previously used form the HUD-92090 which is now obsolete. The collection includes all documents related to debt resolution. The total burden on this collection has decreased based on a corresponding decrease in processing volume.

HUD’s Financial Operations Center (FOC) is responsible for collecting or compromising obligations assigned to or held by HUD, and all legal or equitable rights accruing to HUD in connection with the payment of insurance claims. The FOC processes approximately 650 of these cases annually.

Form HUD-56142, Debt Resolution Program/Personal Financial Statement. The Federal Claims Collection Standards require HUD to obtain financial statements from borrowers who represent that they cannot pay their obligation in one lump sum. The Form HUD-56142 may be sent to the debtor with a verbal agreement confirmation letter. The FOC receives approximately 600 HUD-56142 forms annually.

Debtor Authorization for Third-Party Representation. Of the 600 debtors who submit the HUD-56142, approximately 75 will provide authorization for HUD to speak to a third party (attorney, lender, Title Company) regarding the debt.

Audited Financial Statements. Approximately 50 debtor submissions annually involve commercial debtors who are not required to submit a HUD-56142, as they are instead required to submit accountant prepared financial statements to demonstrate their financial position.

Justification documents, such as tax returns, evidence of unemployment or disability, bankruptcy discharge, etc., are used to verify information provided by debtors on HUD-56141 and HUD-56142.

HUD uses the information in the HUD-56142 and the justification documents to determine (a) the debtor's ability to pay the debt in full; (b) the ability to pay the debt in installments; or (c) justification for a settlement offer. HUD uses this information to analyze debtors' financial positions and then approve settlements and repayment agreements.

Form HUD-56141, Debt Resolution Program/Settlement Offer. Of the 650 borrowers who submit financial information, about 230 submit a settlement offer for full or partial payment of their obligation. HUD uses the information submitted on form HUD-56141 to evaluate the debtor's offer of full or partial settlement and requests for releases of obligations. HUD also uses this information to evaluate the source of the funds used to pay any portion of the debt. The attached form is being revised slightly for formatting purposes.

Request for Immediate Release. If the debtor or agent demands an immediate release, they are asked to submit a copy of the cancelled check to verify that HUD received payment. Of the 230 borrowers who submit settlement offers, approximately 76 involve the debtor or agent submitting copies of certified or canceled check to speed HUD's processing of the release documents.

Form HUD-56146, Debt Resolution Program/Repayment Agreement. Of the 650 borrowers who submit financial information, approximately 420 will submit form HUD-56146 through which the debtor agrees to pay his/her debt to HUD in installments. HUD uses this information to determine a borrower's attitude about repayment of the debt and his/her ability to repay the debt. If a verbal agreement is reached over the phone, the terms of the verbal agreement are later confirmed in writing. On rare occasions involving secured debt, the debtor will offer HUD his or her home as repayment of the debt (Deed in Lieu). This occurrence happens fewer than 2 times annually. The attached form is being revised slightly to add the payment amount.

Form HUD-92090, Debt Resolution Program/Preauthorized Debit/HUD PAD Authorization. **This information collection is no longer required by HUD.**

3. This information collection is not usually collected electronically, although HUD will accept email requests from debtors who wish to respond in that manner. The respondents are debtors who defaulted on HUD-insured loans. These respondents usually prefer a paper option for communicating the information rather than an electronic means because many do not have easy access to computers with communication capability. When debtors agree to periodic debits of their bank accounts, this results in the elimination of a paper-based payment process because it eliminates paper checks. The burden to the respondents is minimal.
4. There is no duplication in the collection of this information. The data gathered is unique to the particular loan and the individual's circumstances.
5. This information does not impact small businesses or other small entities. The collection of information is targeted toward consumers/borrowers. Business entities with debts owed to HUD are also eligible for compromise/settlements. Small entities are not otherwise affected.
6. The consequences of not collecting this information would be non-compliance with the Federal Claims Collection Standards and a reduction in HUD's effectiveness in collecting debt based on the Department's inability to assess the viability of proposed payment arrangements or settlement offers.

7. The following special circumstance requiring this information to be collected in fewer than 30 days after receipt is necessary. When a debtor wants/needs to participate in a compromise settlement or payment arrangement as soon as possible, this is usually done within 30 days after initial contact. No other special circumstances apply.
8. In accordance with 5 CFR 1320.8(d), the agency's notice soliciting public comments was announced in the *Federal Register* on August 20, 2012 (Volume 77, Number 161, Pages 50150). HUD also completed a phone survey of seven debtors who had previously completed the three HUD Forms: HUD 56141, HUD 56142 and HUD 56146. Each person surveyed indicated that the data necessary to complete the forms was readily available and that the instructions were straight forward and easy to follow. The answers were consistent in that the forms were easy to read and use, and that the times for completion were about right. While there is no change relative to the time that is estimated to complete each form, the total burden on this collection has been reduced based on a corresponding decrease in processing volume.
9. There are no payments or gifts to the respondents.
10. The release of information to appropriate Federal, State, or local agencies, and when relevant to civil, criminal, or regulatory investigators and/or prosecutors as well as the penalty for not providing a social security number is covered by the Privacy Act of 1974. Information provided by the lender concerning the delinquent loan is already a matter of record. All forms carry the required Privacy Act notifications.
11. Form HUD-56142 requests debtor's age. Age is an important consideration when determining a debtor's ability to pay, as it can be used to help determine a borrower's potential ability to generate income for debt reduction.
12. Estimated Burden and Costs to Respondents: Respondents include approximately 600 individual debtors and approximately 50 corporate entities. The only difference in information collected from individuals and that collected from corporate borrowers is that individuals file the HUD-56142, and corporations file audited financial statements.

Information Collection	Number of Respondents	Frequency of Response	Responses Per Annum	Burden Hours Per Response	Annual Burden Hours	Hourly Cost	Total Annual Cost
HUD-56142	600	1	600	.42	252	\$19	\$4,788
Authorization for 3 rd party representation	650		75	.05	3.75	\$19	71
Audited financial statements	50	1	50	.03	2	\$19	28
Justification documents: tax returns, evidence of unemployment or disability, bankruptcy discharge, etc.	650	1	650	.50	325	\$19	6,175
HUD-56141	650	1	230	.08	18.4	\$19	349
Request for immediate release	650	1	76	.08	6.08	\$19	115
HUD-56146	650	1	420	.08	33.6	\$19	638
Totals	650		2,101		641		\$12,164

The hourly rate is based on an estimate of average debtor annual salary of \$40,405.

13. There are no additional costs to respondents.

14. Federal Government Costs:

Information Collection	Responses Per Annum	Hours Per Response	Annual Burden Hours	Hourly Cost	Total Annual Cost
HUD-56142	600	.50	325	\$33.00	\$10,725

Audited financial statements	50				
Justification documents: tax returns, evidence of unemployment or disability, bankruptcy discharge, etc.	650				
Authorization for 3 rd party representation	75	.25	18.75	\$33.00	618
HUD-56141	230	.08	18.4	\$33.00	607
Request for immediate release	76	.25	19	\$33.00	627
HUD-56146	420	.08	33.6	\$33.00	1,108
Totals	2,101		414		\$13,685

The hourly rate is based on the annual salary of HUD Debt Servicing Representatives (GS-12).

15. This is a revision of a currently approved collection, to incorporate debtor authorization to speak to a third party, requests for copies of cancelled checks, information submitted to dispute a debt, and verbal agreement confirmation letters. There is a burden decrease due to the discontinuation of form HUD-92090.
16. Data collected will not be published.
17. HUD is not seeking approval to avoid displaying the OMB 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 information collection does not employ statistical methods.