

Supporting Statement for Paperwork Reduction Act Submissions

OMB Control No. 2502-0556 FHA TOTAL (Technology Open to Approved Lenders) Mortgage Scorecard

A. Justification

1. SEC. 203 of the National Housing Act (12 U.S.C. 1709) authorizes the Secretary, upon application by the mortgagee, to insure mortgages offered to him that are eligible for insurance upon such terms as the Secretary may prescribe. The regulation mandating this collection can be found in the Code of Federal Regulations at 24 CFR 203.255(b)(5). This information is necessary to assure that lenders (and automated underwriting system (AUS) vendors) are aware of their obligations regarding use of the TOTAL Mortgage Scorecard and are certifying that they will comply with all pertinent regulations. It also allows FHA to request reports from lenders regarding their use of the scorecard, that they have implemented appropriate quality control procedures for using the scorecard, and provides an appeal mechanism should FHA take an action to terminate a lender's use of the scorecard.
2. Any AUS vendor that "calls" the Total Mortgage Scorecard, and any FHA-approved mortgagee that obtains a risk-assessment from the Scorecard, must abide by the requirements in 24 CFR 203.255(b). Access to the TOTAL Mortgage Scorecard by a FHA mortgagee is conditioned upon the mortgagee's certification to comply with those requirements. Only AUSs developed, operated, owned, or used by FHA-approved Direct Endorsement mortgagees, Fannie Mae, or Freddie Mac are permitted to access the Scorecard, and only FHA-approved mortgagees are able to obtain risk assessments using the TOTAL Mortgage Scorecard. The primary use of the information is to assure that the lenders who use FHA's TOTAL Mortgage Scorecard have certified to the terms and conditions of that use and that they will not violate the regulations at 24 CFR 203.255. This data collection also permits FHA to obtain information as needed from TOTAL scorecard users, including evidence of their quality control procedures, and establishes an appeal process should FHA take an action against a lender deemed to have violated the appropriate regulations. There are no changes in the burden, forms or laws regulating this collection.

In order to serve its clients better, HUD has made the following non material changes: As part of the FHA Transformation Program, Single Family Housing is moving the TOTAL Scorecard to the Mortgage Industry Standard Maintenance Organization (MISMO) data standards format. The data elements are currently used throughout the industry and are therefore listed as industry standard business practice. The attached document outlines the benefits of converting the data and the mapping phases.

Both FHA Total Scorecard, 2502-0556 and Informed Consumer Choice Notice and Application for FHA Insured Mortgages, 2502-0059 will be affected in the two initial transformation phases and Informed Consumer Choice Notice and Application for FHA Insured Mortgages, 2502-0059 will be affected in the final transformation phase.

MISMO is a not-for-profit subsidiary of the Mortgage Bankers Association (MBA). MISMO's mission is to develop leading technical standards for residential and commercial real estate finance industries that are grounded in an open process to develop, promote and maintain voluntary electronic commerce procedures. The benefits of converting data to the MISMO format include:

- Improving data accuracy and consistency
 - Allowing for secure and efficient exchange of information
 - Increasing data transparency
 - Boosting investor confidence in mortgages
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All major lenders and GSEs have already adopted MISMO standards. FHA's transformation to the MISMO data standards will ensure consistency in the delivery of data from the lenders and GSE's.

The data elements that are being mapped to MISMO as part of the FHA Transformation Program, can be categorized under the three following phases; Loan Application, Loan Evaluation, and Loan Closing. The Loan Application and Loan Evaluation phase elements are contained in the 2502-0556 and 2502-0059 OMB data collections. The Loan Closing phase elements are contained in the 2502-0059 OMB data collection.

The first release for the TOTAL Scorecard conversion to MISMO will include all existing TOTAL data fields plus some additional fields that will be utilized by a Risk & Fraud tool that is currently being tested. These additional fields are industry standard and are part of a standard lender's loan application. The data elements in the first release can be categorized under two of the phases mentioned above. The data elements that are currently being collected in the TOTAL Scorecard are part of the Loan Application Phase. The data elements that will be collected through the Risk & Fraud tool are part of the Loan Evaluation Phase.

- Phase Definitions below:

- Loan Application (Currently collected through the 2502 - 0556 & 2502 – 0059 OMB data collections) – Collected by the lenders as part of the application process.

- TOTAL data elements
- Additional 1003 data elements
- Credit Report data elements

- Loan Evaluation (Currently collected through the 2502 - 0556 & 2502 – 0059 OMB data collections) – Collected by the lender and used for scoring, loan underwriting and additional risk & fraud evaluation.

- Risk & Fraud Tool data elements

- Loan Closing (Currently collected through the 2502 – 0059 OMB data collection) – Collected by the lender at loan closing and used to evaluate whether a loan is endorsed or not by FHA.

- Endorsement data elements
- eCase Binder data elements

3. The information regarding the lender's certification that it will properly use the TOTAL Mortgage Scorecard is collected electronically. Other information, such as evidence of quality control procedures, may be collected in hard copy.
4. None of this information is collected elsewhere.
5. This information will not impact small businesses and other small entities.
6. Without requiring lenders to certify to proper use of FHA's Mortgage Scorecard, FHA would have no means of enforcing the regulations regarding use of the scorecard and employing sanctions against lenders misusing it. HUD/FHA would not be able to terminate lender access nor would it be able to demand evidence that may indicate such misuse. This collection also provides a mechanism for lenders to contest FHA's decisions to terminate a lender's access to the scorecard.
7. There are no special circumstances required in the collection of information.
8. In accordance with 5 CFR 1320.8(d)(a), HUD is soliciting comments from the public and affected agencies concerning the proposed collection of information. The Notice announcing this collection of information appeared in the Federal Register on April 24, 2013, Volume 78, Number 79 page 24226.

The following industry professionals were consulted to provide their impression on the information collection for total number of burden hours.

Maryann Mayer Director of Risk Escalations Prospect Mortgage Corporation

Certification: 25 seconds

Reports and Loan Samples: 5 hours per file

Appeals: 300 hours

Joyce F. Walsh Senior Vice President, Government Lending Enterprise Bank of America

Certification: 20 seconds

Reports and Loan Samples: 5 hours (However, depends on quality of loan files)

Appeals: 200 hours

Lloyd Kushner Vice President, Underwriting Pulte Mortgage, LLC.

Certification: 1 minute

Reports and Loan Samples: 3 hours per file

Appeals: 40 hours

- 9. There are no payments or gifts made to any respondents.
- 10. No assurances of confidentiality are provided to respondents.
- 11. There are no questions of a sensitive nature posed to respondents.
- 12. Estimated burden and costs to respondents:

The estimated public burden consists of an electronic certification process, required of all lenders wishing to use FHA’s TOTAL Mortgage Scorecard, using “click-through” procedures, providing FHA reports and loan samples on an as-needed basis, and the burden associated with appealing FHA’s decision to terminate a lender’s access to the scorecard.

There are 2,753 Title II FHA-approved lenders. All 2,753 Title II FHA-approved lenders have certified to the terms and conditions of TOTAL. This is the number of corporations, not branches. There are 15,510 branches, approximately. HUD is requesting burden hours to cover approximately 400 new lender certifications and any possible re-certifications. Because the burden hour estimate is so high, HUD is including the appeal process in this request. There is no burden hours associated with quality control implementation. Quality Control is a customary and usual business practice and existing requirements already cover lenders using automated underwriting systems.

Information Collection	Number of Respondents	Frequency of Response	Total Annual Responses	Burden Hours per Response	Total Burden Hours	Hourly Cost	Total Annual Cost
Certification	8,500	Varies	400	0.02	8	\$25	\$200
Reports and Loan Samples	50	Varies	50	10.00	500	\$25	12,500
Appeals	3,500	Varies	2	200.00	400	\$25	10,000
Totals	12,000		452		908		\$22,700

The hourly cost is based on an estimate of the average annual salary of lender support staff in the range of \$52,000.

- 13. There are no additional costs to the respondents.
- 14. Estimated cost to the Federal government:

Information Collection	Total Annual Responses	Burden Hours per Response	Total Burden Hours	Hourly Cost	Total Annual Cost
Reports and Loan Samples	50	15	750	\$35	\$26,250
Appeals	2	100	200	\$35	7,000
Subtotal	52		950		\$33,250
System maintenance					20,000
Total					\$53,250

The hourly rate is based on the average annual salary of a GS-12-5. HUD pays \$20,000 annually for system maintenance.

15. This is revision of a currently approved collection. As a result of the FHA Transformation Program, Single Family Housing is moving the TOTAL Scorecard to the Mortgage Industry Standard Maintenance Organization (MISMO) data standards format. The data elements are currently used throughout the industry and are therefore listed as industry standard business practice or the functions are covered under the currently approved collections 2502-0556 and 2502-0059. Therefore, no additional burden reporting is necessary.
16. The results of the information collected will not be published.
17. We are not seeking 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

The information collection does not employ statistical methods.