

# Supporting Statement for Paperwork Reduction Act Submissions

## A. Justification

**1. Explain the circumstances that make the collection of information necessary. Identify any legal or administrative requirements that necessitate the collection. Attach a copy of the appropriate section of each statute and regulation mandating or authorizing the collection of information.**

Monthly Reports for Establishing Net Income (Monthly Reports) provide HUD with financial data necessary to monitor the financial conditions of the project and to review contractual compliance during the selected periods of a project's operation or other information that indicates that the project is experiencing financial or management difficulties. The statutory authority for collection of monthly reports is contained in 24 CFR 200.105, "Mortgagor Supervision". The administrative authority for this collection is referenced in HUD Handbook 4370.1 *Reviewing Annual and Monthly Financial Reports*, Chapter 3 "Monthly Accounting Reports". Copies of these authorities are attached along with copies of the HUD forms.

**2. 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.**

Monthly Reports are submitted to local HUD offices on the tenth day of each month by owners or management agents of HUD-insured or Secretary-held projects. Monthly Reports are required during the following period of a project's operation:

- During the initial rent-up period from the date of initial occupancy through the date of sustaining (95%) occupancy;
- During the term of any project workout, modification agreement of Financial Assistance Contract, and;
- Any time the project is in default under the original terms of the mortgage.

HUD may also require monthly accounting reports if:

- The review of the annual audited financial statement indicates that (1) the project is in poor financial condition, (2) has poor or missing internal controls, or (3) the owner or agent diverted project operating funds, or;
- The project develops vacancy problems after initial rent-up or experiences problems in collecting tenant rents.

Program Center staff use Monthly Reports to assess the need for remedial actions to correct the project deficiencies or head off potential default of the project mortgage. HUD forms 93480 and 93481 are related to the project costs. When a project is experiencing rent collection problems, it only stands to reason that expenses are directly related to income. Project Managers are responsible for reviewing trends in project's expenses.

The reasonableness of a project's expense level is determined by comparing the project's current expenses with expenses of similar projects for the same year. Projects with similar construction type, layout, location, tenant body and size can be used to indicate expected levels and trends in expenses. When expenses are analyzed in conjunction with changing revenues, Project Managers can anticipate problems and initiate corrective actions to avoid further deterioration and/or ultimate assignment of the project or mortgage to HUD. Mortgage defaults lead to assignments of mortgages costing the Government millions of dollars annually for the payment of insurance claims. After

assignment of the mortgage, HUD reviews the Monthly Reports to assure project funds are used only to pay necessary and reasonable operation expenses to the project and to reduce any debt due to the Department.

**3. Describe whether, and to what extent the collections of information involves the use of automated, electronic, mechanical, or other the 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.**

Almost all owners and agents submit printed reports from automated statements in lieu of the HUD monthly accounting reports forms identified here. Conditions for approving submissions of automated reports are included in Handbook HUD 4370.1 REV-1 *Reviewing Annual and Monthly Financial Reports*. Automation of this process is not feasible at this time because respondents use their own proprietary software to gather the information, then submits paper reports generated from their own applications. HUD lacks the resources to create data interpretation and storage software to apply an electronic means of collection.

**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.**

This information is not collected and/or available from other sources.

**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 impact on small businesses such as accounting firms and property management agents is necessary to collect and prepare financial data required for the completion of the Monthly Reports. Management agents are responsible for maintaining books and records for audit purposes. The burden would be minimized when the continuous review of monthly reports indicate that the project owner/agent has established financial stability and is experiencing no financial difficulties at which time the requirement for monthly financial review is ended.

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

Less frequent data collection would decrease the Department's ability to monitor debt collection on HUD-held projects and would increase the potential for fraud, diversions, defaults, and assignments.

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

- **requiring respondents to report information to the agency more than quarterly;**

Financial statements are submitted monthly, per industry custom.

- **requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it;**

There is no requirement for respondents to prepare a written response to a collection of information in fewer than 30 days after receipt.

- **requiring respondents to submit more than an original and two copies of any document;**

There is no requirement for respondents to submit more than an original and two copies of any document.

- **requiring respondents to retain records other than health, medical, government contract, grant-in-aid, or tax records for more than three years;**

There is no requirement for respondents to retain records other than health, medical, government contract, grant-in-aid, or tax records for more than three years.

- **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 statistical surveys involved with this collection.

- **requiring the use of a statistical data classification that has not been reviewed and approved by OMB;**

There is no requirement for the use of statistical data classification that has not been reviewed and approved by OMB.

- **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; or**

There is no 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.

- **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.**

There is no requirement for 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.

**8. If applicable, provide a copy and identify the date and page number of publication in the Federal Register of the agency's notice, required by 5 CFR 1320.8(d), soliciting comments on the information collection prior to submission to OMB. Summarize public comments received in response to that notice and describe actions taken by the agency in response to these comments. Specifically address comments received on cost and hour burden.**

- **Describe efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and recordkeeping disclosure, or reporting format (if any) and the data elements to be recorded, disclosed, or reported.**

This information collection is conducted in a manner consistent with the guidelines of 5 CFR 1320.8(d). The Notice for this collection was announced in the *Federal Register* on ...

The Department solicited comment from field offices who regularly review the information submissions of owners/agents who provide monthly financial statements. These respondents included staff from the Hub office in Jacksonville, Florida, our Seattle Washington office, and our Hub office in Columbus, OH. None offered new insights or suggestions of procedures to reduce the impact of current collection methods. Owner/managers typically submit forms created from their own proprietary software.

- **Consultation with representatives of those from whom information is to be obtained or those who must compile records should occur at least once every three years – even if the collection of information activity is the same as in prior periods. There may be circumstances that preclude consultation in a specific situation. These circumstances should be explained.**

**9. Explain any decision to provide any payment or gift to respondents, other than remuneration of contractors or grantees.**

There will be no payments or gifts to respondents.

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

No assurances of confidentiality are provided.

**11. Provide additional justification for any questions of a sensitive nature, such as sexual behavior and 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 from whom the information is requested, and any steps to be taken to obtain their consent.**

There are no questions of a sensitive nature.

**12. Provide estimates of the hour burden of the collection of information. The statement should:**

- indicate the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated. Unless directed to do so, agencies should not conduct special surveys to obtain information on which to base hour burden estimates. Consultation with a sample (fewer than 10) of potential respondents is desirable. If the hour burden on respondents is expected to vary widely because of differences in activity, size, or complexity, show the range of estimated burden hours, and explain the reasons for the variance. Generally estimates should not include burden hours for customary and usual business practices;
- if this request covers more than one form, provide separate hour burden estimates for each form and aggregate the hour burdens in Item 13 of form OMB 83-I; and
- provide estimates of annualized cost to respondents for the hour burdens for collections of information, identifying and using appropriate wage rate categories. The cost of contracting out or paying outside parties for information collection activities should not be included here. Instead, this cost should be included in Item 14.

### Estimates of the Hour Burden of the Collection of Information

Information Collection	Number of Respondents*	Frequency of Response	Total Annual Responses	Burden Hours per Response	Annual Burden Hours	Hourly Cost	Total Annual Cost
HUD-93479	13,646	12	163,752	0.05	8,188	\$ 24.03	\$ 196,748
HUD-93480	13,646	12	163,752	0.05	8,188	\$ 24.03	\$ 196,748
HUD-98481	13,646	12	163,752	0.05	8,188	\$ 24.03	\$ 196,748
Total			491,256	0.15	24,563		\$ 590,244

\* This estimate is based on 20% of HUD's insured and HUD-held portfolio.

\*\* Estimated hourly costs are based on respondent's staff hours to gather documents, and national average hourly cost for account managers as reported by Payscale.com.

**13. 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 estimate 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 purchase of services component. The estimates should take into account costs associated with generating, maintaining, and disclosing or providing the information. Include descriptions of methods used to estimate major cost factors including system and technology acquisition, expected useful life of capital equipment, the discount rate(s) and the time period over which costs will be incurred. Capital and start-up costs include, among other items, preparations for collecting information such as purchasing computers and software; monitoring, sampling, drilling and testing equipment; and record storage facilities;
- If cost estimates are expected to vary widely, agencies should present ranges of cost burdens and explain the reasons for the variance. The cost of purchasing or contracting out information collection services should be a part of this cost burden estimate. In developing cost burden estimates, agencies may consult with a sample of respondents (fewer than 10) utilize the 60-day pre-OMB submission public comment process and use existing economic or regulatory impact analysis associated with the rulemaking containing the information collection, as appropriate.
- Generally, estimates should not include purchases of equipment or services, or portions thereof made: (1) prior to October 1, 1995, (2) to achieve regulatory compliance with requirements not associated with the information collection, (3) for reasons other than to provide information or keep records for the government, or (4) as part of customary and usual business or private practices.

There are no additional capital or startup costs associated with this collection of information.

**14. Provide estimates of annualized cost to the Federal government. Also, provide a description of the method used to estimate cost, which should include quantification of hours, operational expenses (such as equipment, overhead, printing, and support staff), and any other expense that would not have been incurred without this collection of information. Agencies also may aggregate cost estimates from Items 12, 13, and 14 in a single table.**

**Estimates of Annualized Cost to the Federal Government**

<b>Information Collection</b>	<b>Total Annual Responses</b>	<b>Burden Hours per Response</b>	<b>Total Annual Burden Hours</b>	<b>Hourly Cost</b>	<b>Total Annual Cost</b>
HUD-93479	163,752	0.25	40,938	\$ 28.88	\$ 1,182,289
HUD-93480	163,752	0.25	40,938	\$ 28.88	\$ 1,182,289
HUD-96003	163,752	0.25	40,938	\$ 28.88	\$ 1,182,289
<b>Total</b>	<b>491,256</b>		<b>122,814</b>		<b>\$ 3,546,868</b>

\* Hourly cost based on a GS-12, Project Manager charged with reviewing the monthly accounting reports.

**15. Explain the reasons of any program changes or adjustments reported in Items 13 and 14 of the OMB form 83-I.**

This is an extension of a currently approved collection. An adjustment was made to reflect the current number of respondents, which grew with the increase in the size of HUD's portfolio, and responses based on the current number of HUD insured and HUD-held project records available in HUD systems. Decreased burden hours reflect the fact that HUD accepts owners' electronic submissions of reports generated by their own financial systems. Owners are not required to transfer their electronic files into the forms provided by HUD, although the forms continue to be available for those without automated means to generate the information.

Owners submit reports generated by their electronic financial systems, either by mail or e-mail. This is not a program change so much as recognition of the reduced effort to print and mail those documents designed to satisfy HUD requirements.

**16. For collection of information whose results will be published, outline plans for tabulation and publication. Address any complex analytical techniques that will be used. Provide the time schedule for the entire project, including beginning and ending dates of the collection of information, completion of report, publication dates, and other actions.**

The results of this information collection will not be published.

**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.**

The expiration date will be displayed on the HUD forms associated with this information collection.

**18. Explain each exception to the certification statement identified in item 19.**

There are no exceptions to the certification statement in item 19.

**B. Collections of Information Employing Statistical Methods**

There are no statistical methods used in this collection.