

## Supporting Statement for Paperwork Reduction Act Submissions

### FHA Lender Approval, Annual Renewal, Periodic Updates and Required Reports By FHA Approved Lenders OMB Control Number 2502-0005

(Forms HUD-92001-A, HUD-92001-B, and HUD-92001-C)

#### A. Justification

1. This information collection clearance package seeks to a revision of OMB clearance approval of 2502-0005 that expires 10/31/2014. The Federal Housing Administration (FHA) of the Department of Housing and Urban Development approves entities to participate as Title I and/or Title II lenders. Specific information must be obtained and reviewed to determine if an entity meets the criteria to obtain the requested approval. In addition, this submission covers subsequent information required by FHA in order for entities to renew and maintain their approval, make periodic updates to their approval, submit required reports to FHA and submit requests to voluntarily terminate their FHA approval.

Title II of the National Housing Act, as amended, 12 U.S.C. 1703, 1709, and 1715b and 42 U.S.C. 3535(d), authorizes the Secretary of the Department of Housing and Urban Development to prescribe terms and conditions with respect to mortgage insurance under the above act. Criteria for approval to become a Title I and/or Title II lender mortgagee are specified in 24 CFR 202, HUD Handbooks 4700.2 & 4060.1 and various Title I letters and Mortgagee Letters. Once approved, FHA lenders must provide additional information to maintain their approval.

#### Changes to Existing Collections

- a. The online application for FHA Lender Approval system became mandatory on June 20, 2012. This online system uses the HUD Lender Electronic Assessment Portal (LEAP) and the final versions of its screens are attached.

#### Estimated Number of Responses and Burden Hours

There has been a decline in the number of FHA lenders and the burden hour estimates have been revised accordingly.

2. a. **Online Application for Lender Approval:** The online application for FHA Lender Approval system was implemented on June 20, 2012. The web site is at: <https://www5.hud.gov/FHALender/>. This online system uses the HUD Lender Electronic Assessment Portal (LEAP). The applicants fill in a series of screen templates and then must attach various documents depending on what type of lender approval they are seeking. These various business documents include: (1) State license or registration; (2) DBA approvals; (3) credit report on applicant; (4) credit reports on owners and officers; (5) financial reports on applicants (audited financial reports, regulatory financial reports and/or corporate guaranty agreement); (6) LLC documents; (7) partnership documents; (8) evidence of funding program; (9) quality control plan; (10) fidelity bond; (11) errors & omissions policy; (12) resumes; and (13) other documents the applicant wishes to include to supplement their application. Copies of its screens are attached.

The online application will now require the applicant to enter its unique Nationwide Mortgage Licensing System and Registry (NMLS) Unique Identifier (NMLS ID), previously this information was optional. The Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act) provided for the establishment of a Nationwide Mortgage Licensing System and Registry and mandated that states adopt NMLS for licensing and registration of individual mortgage loan originators. Section 203 of the Helping Families Save Their Homes Act of 2009 made compliance with the SAFE Act a condition of eligibility

---

for approval or authorization to participate in FHA programs. Currently all FHA-approved lenders are required to provide FHA with accurate information regarding their NMLS IDs in FHA Connection in order to obtain case numbers and enter third party originators into FHA Connection's Sponsored Originator Registry. The addition of this requirement to the application for approval would alleviate the burden upon the lender to update this information post approval.

- b. **Non-online Application for FHA Lender Approval: Form HUD-92001-A.** This form and its attachments are only used for applicants seeking approval as a FHA lender as a back up to the new online application process described in item 2.a above.
- c. **Online Branch Registration:** The information on Form HUD **92001-B** is submitted electronically via FHA Connection by FHA lenders to register branches.
- d. **Non-online Branch Registration:** Form HUD-**92001-B** is used by FHA lenders to register a Branch as a back-up to the online registration process described in Item 2.c above
- e. **Online Payment of Lender Approval Application Fee:** Applicants who file their lender approval application online using the Lender Electronic Assessment Portal (LEAP) system pay the application fee as part of that process via of an electronic interface with the Department of Treasury's pay.gov system. If an applicant files a paper lender approval application form HUD 92001-A, the applicant pays the application fee directly in the Department of Treasury's pay.gov system.
- f. **Online Payment of Branch Fee:** Lenders who register a branch using their FHA Connection Account pay the branch fee via of an electronic interface with the Department of Treasury's pay.gov system. Lenders who submit a branch form 92001-B to FHA to register a branch pay the branch fee directly in the Department of Treasury's pay.gov system.
- g. **Online Annual Certification Report/Unable to Certify Report:** Each lender submits its annual Certification Report via of its FHA Connection account. If they can't certify compliance with all of with all the requirements on its annual renewal certification report they must submit an explanation of the reasons why they can't certify in an unable to certify report via of its FHA Connection account.
- h. **Online Annual Financial Statements and Reports:** All lenders, except Government lenders, must submit required financial statements and reports via of the Lender Assessment SubSystem (LASS) to renew their FHA lender approval.

Audited financial statements with supplemental reports must be prepared by a CPA in compliance with HUD IG Consolidated Audit Guide for Audits of HUD Programs (HB 2000.04) and the GAO Auditing Standards (The Yellow Book).

Banks are allowed to submit a corporate guaranty agreement from their parent entity along with the parent's audited financial statements in lieu of audited financial reports on the applicant. The guarantee will provide that the parent entity of the applicant will guarantee that its subsidiary will meet the minimum net worth and liquidity requirements for FHA lender approval at all times.

Banks, Savings and Loans and Credit Unions who are not required to submit audited financial statements to their respective regulatory agency (Federal Deposit Insurance Corporation, Office of Thrift Supervision, or National Credit Union Administration) are allowed to submit a copy of their unaudited regulatory report (e.g., consolidated or quarterly Call Report or Report of Condition and Income, Office of Thrift Supervision Report, consolidated or quarterly Thrift Financial Report, Form 10-K, NCUA Supervisory Committee Audit, etc.) in lieu of audited financial statements.

Most lenders must also submit compliance reports on their internal controls and compliance with FHA's lender approval requirements. These reports are prepared by third parties and submitted via of the LASS system.

Loan Fees Reports for Multifamily Lenders: FHA approved lenders participating in FHA's Multifamily programs are required to report multifamily loan fees earned that **exceed five percent (5%)** of the insured loan amount on each FHA-insured loan over \$2,000,000 endorsed during the lender's fiscal year.

- i. **Online Payment of Annual Renewal Fee:** All lenders, except Government lenders, are required to pay an annual renewal fee of their FHA lender approval via of their FHA Connection account.
- j. **Online Termination of a Branch:** Lenders are required to terminate any of its registered branches that cease operations via of its FHA Connection account.
- k. **Online Business Changes of a Lender:** Lenders can make some business changes online via of their FHA Connection account. These include changes and updates to addresses, phone numbers, Fax numbers, email addresses, NMLS ID and dba (doing business as) name of their home office or any registered branches. They must also update the manager for each of their branch offices. If an update is not accepted in the online system, the lender must submit the request to FHA for manual review and updating.
- l. **Non-online Business Changes of a Lender:** Lenders are required to report certain business changes to FHA. These change include: (1) changes in its owners and officers; (2) restructuring, mergers or acquisitions; (3) change in name; (4) change in fiscal year end date; (5) loss of fidelity bond and/or errors and omissions insurance; (6) termination or change in supervisory agency; (7) net worth deficiency, liquid assets deficiency and operating loss; (8) bankruptcy or liquidation; (9) requests to voluntarily withdraw its FHA approval; (10) any allowable online business change that was rejected; (11) if individual employees of the lender are subject to any sanction or any other administrative action, including if there is a revocation of a State-issued mortgage loan originator license issued pursuant to the S.A.F.E. Act; (12) if the lender or any officer, partner, director, principal, manager, supervisor, loan processor, loan underwriter, or loan originator is no longer eligible to participate pursuant to the expanded list of ineligible participants in Section 203 of the "Helping Families Save Their Homes Act of 2009" (Public Law 111-22); and (13) other business changes effecting its ability to be a FHA approved lender.

These changes are reported by letter and the actual documents that must be submitted will vary. Details instructions on what must be submitted with each request and deadlines for submissions are in the Title I Lender Approval Handbook 4700.2, the Title II Mortgagee Approval Handbook 4060.1 and subsequent Mortgagee Letters and Title I letters. For example, if the company has been re-structured, amendments to the articles of incorporation or organization must be provided. In the case of mergers and acquisitions, copies of the documents reflecting the change are required.

- m. **Declarations of Trusts:** Declarations of Trusts: FHA approved Title II lenders participating in the creation and operation of a Declarations of Trust (DOT) for the non-Ginnie Mae Securitization of FHA insured loans must submit the DOT documents to FHA for approval. The approval criteria and approval requirement are in HUD regulations 24 CFR 203.433 and .434. FHA has received an average of three requests per year over the past five years.
- n. **Non-online reporting of Title I Loan Noncompliances:** Form **HUD 92001-C** Reporting Noncompliances for FHA Insured Title I Loans. This form is used by Title I lenders to report noncompliance information identified by the lenders themselves pursuant to Quality Control Plan reviews. Title I Lenders are required by Title 1 Letter 447, Reporting Noncompliances for FHA Insured Title I Loans, to promptly report to HUD the discovery of any material misstatements of fact, borrower misuse of loan proceeds, dealer noncompliance or other significant violations in the Title I Program.

- o. **Online Reporting of Title II Loan Noncompliances:** Electronic submission via of the Neighborhood Watch Early Warning System of each Title II lender to report noncompliance information identified by the lenders themselves pursuant to Quality Control Plan reviews. This is commonly referred to as “self reporting.” In order to reduce duplication of information already on file with FHA, the automated system automatically populates loan information on file with FHA for each loan number the lender enters into the system. The lender only needs to comment on this automatic data if is in error. The lender then fills in the remaining boxes with specific information about the non-compliance identified in their Quality Control Review.
  - p. **Non-online Credit Watch Termination Reinstatement Requests:** A Title II lender who lost part of the geographic area of its approval to originate or underwrite Title II loans via HUD’s Credit Watch Termination Initiative may request reinstatement of the lost area. Details instructions on what must be submitted are in Mortgagee Letters 2000-17 and 2010-03.
3. 14,465 (98%) of the annual 14,739 responses are currently done online.
  4. The information is not available from other sources.
  5. The burden associated with the approval process is the minimum required to achieve program objectives. Consideration for small business is not a factor. The same applies to the additional information required after approval to participate as a FHA lender.
  6. The information collected is required to achieve program objectives. It is used to determine whether an applicant is qualified for participation in the program for which it is applying. The application approval process is the first line of risk evaluation and prevention by the Department for its insured lending programs. Without collecting this information for the Department to review prior to making a decision regarding approval, the programs would be subject to widespread abuse. The information collected after approval is critical to monitor each lender and mortgagee’s activities.
  7. The information collection frequency is the minimum consistent with program objectives. The frequency cannot be changed because it applies when a lender requests initial approval, additional branches, and changes in personnel, addresses, business structure, and annual renewal of their approval.
  8. In accordance with 5 CFR 1320.8(d), this information collection soliciting public comments was announced in the *Federal Register* on March 25, 2013 (Volume 78, Number 79, Page 17937). No comments were received.
- FHA surveyed 3 (DHI Mortgage Company, LTD, 10700 Pecan Park Boulevard, Suite 450, Austin, TX 78750; New Penn Financial , LLC 4000 Chemical Road, Suite 200, Plymouth Meeting, PA 19462; and Rockland Trust Company, 8A Station Street, Middleboro, MA 02346) of its approved lenders to confirm the estimated burden hours. All lenders confirmed that the estimated burden hours associated with each task were accurate approximations. One lender commented that the burden associated with the initial submission of annual financial statements after approval was significantly greater than subsequent submissions.
9. There have been no payments or gifts to respondents.
  10. Names and Social Security Numbers are requested in order for the Department to obtain positive identification of the applicant’s officers, directors, stockholders and employees who have authority to obligate the applicant. The information is used to determine the eligibility of the individuals to participate in the Department’s mortgage insurance programs. The collection of this information is vital in order to identify ineligible individuals, and thus reduce the Department’s exposure and the risk to the FHA Insurance

Fund. The Department is authorized to request this information by Executive Order 9397 and it will not be disclosed outside the Department except as required or permitted by law.

11. There are no questions of a sensitive nature.

12. The following table shows the estimated burden for each collection effort. Most of the information requested will already have been collected in order to comply with State requirements to be licensed to operate as non-supervised mortgagees and lenders (commonly known as mortgage bankers), and supervised depository institutions. The estimated burden is to fill out specific forms or to duplicate documents that need to be attached.

Information Collection Burden							
Item No.	Information Collection	No. of Respondents	Total Annual Responses	Hours Per Response	Total Annual Hours	Cost per Hour	Total Annual Cost
A	Online submission of Application for FHA Lender Approval	240	240	.50	120	\$47	\$5,640
B	Non- Online submission of HUD-92001-A Application for FHA Lender Approval			2.00		\$47	\$0
C	Online Registration of New Branches via FHA Connection		300	.25	75	\$47	\$3,525
D	Non-online Submission of HUD-92100-B Application for Registration of New Branch (including attachments)		6	.50	3	\$47	\$141
E	Online Application Fee Payment FHA Lender Approval		240	.05	12	\$47	\$564
F	Online Branch Registration Fee		306	.05	15	\$47	\$705
G	Online Annual Certification Report/Unable to Certify Report	3,500	3,500	.25	875	\$47	\$41,125
H	Online Annual Financial Statements and Reports		3,300	3.00	9,900	\$47	\$465,300
I	Online Payment of Annual Renewal Fee		3,300	.25	900	\$47	\$42,300
J	Online Termination of a Branch		200	.25	50	\$47	\$2,350
K	Online Business Changes of a Lender		1,000	.25	250	\$47	\$11,750
L	Non- Online Business Changes of a Lender		500	1.00	500	\$47	\$23,500
M	Non-online Declaration of Trust		3	5.00	15	\$47	\$705
N	Non-online Submission of HUD-92001-C Reporting of Title I Loan Non-Compliance	0	0	1.00	0	\$23	\$0
O	Online Submission of Reporting of Title II Loan Non-Compliance	106	2,079	.25	520	\$23	\$11,954
P	Non-online Credit Watch Termination Reinstatement Requests	5	5	8.00	40	\$23	\$920
<b>Totals</b>		<b>3,851</b>	<b>0</b>		<b>0</b>	<b>** Expression is faulty**3</b>	<b>0</b>

The estimated cost for the burden hours in Items A-M is computed at \$47 per hour. Most of the information submissions are prepared by staff and are subsequently reviewed by management prior to submission.

The Quality Assurance Division (QAD) did not receive any paper-based/non-online submissions of Title I Loan non-compliance during calendar year 2012 (Item N: HUD-92001-C). QAD has therefore estimated that the information collection burden for this item is \$0.

During CY 2012 QAD received 2,079 self reports through the Neighborhood Watch Early Warning system (Item O: Online Submission of Reporting of Title II Loan Non-Compliance) from 106 FHA-approved lenders. To determine the information collection burden for self reporting, QAD spoke with three lenders (Bank of America NA Charlotte, Wells Fargo Bank NA, and CitiMortgage Inc.) that submitted more than 55% of all self reports during CY 2012 (1,151 responses). The respondents used the self report feature to submit Title II non-compliance reports on a weekly or monthly basis, depending on the frequency with which each institution conducted its quality control reviews of FHA-insured loans. Time required to submit /edit a self report varied from a few minutes for a single case to several minutes longer for submissions involving multiple cases. QAD therefore used 15 minutes or .25 hours as an approximate average reporting burden per submission. This figure takes into account the fact that the analysis required for determining program violations will have already been completed and saved electronically. It also takes into account the additional time needed to convert data for multiple case submissions into a format acceptable for upload to Neighborhood Watch.

Respondents stated that the instructions for submitting/editing self reports were clearly presented. No recommendations were made for additional fields on the Lender Reporting screen beyond those already available for reporting audit findings (material program violations) and fraud. QAD used the national median annual salary for a Mortgage Quality Assurance Auditor as of March 1, 2013 (\$46,994) as listed on salary.com to determine the hourly cost of \$23 per response.

During CY 2012, QAD received reinstatement requests from 5 lenders (Item P: Non-online Credit Watch Termination Reinstatement Requests). It is not possible for QAD to provide an exact estimate of the time it takes to assemble a reinstatement request since each lender differs in size, expertise, and the way they conduct their business operations. In addition, preparing reinstatement requests is not a regular business function performed by FHA-approved lenders; therefore responses would vary widely on the time required to complete a submission if we were to contact lenders to provide feedback.

QAD has therefore determined that 8 hours is an accurate estimate of the time required per response. This estimate takes into account the fact that the information provided in reinstatement packages (i.e., quality control review results, corrective actions taken) should be readily available and it should not take a quality control staff member more than one business day to summarize this information in writing. QAD used the national median annual salary for a Mortgage Quality Assurance Auditor as of March 1, 2013 (\$46,994) as listed on salary.com to determine the hourly cost of \$23 per response.

13. There are no additional costs to the respondents.
14. Estimate of total cost to the Federal government is estimated to be \$610,500 computed at an average of \$43 per hour based on national median annual salary for a Mortgage Quality Assurance Auditor and the hourly salary of a government GS13 employee for approximately 13,000 hours of review and processing.
15. This is a revision of a currently approved collection. This revision reflects revised estimates of both responses and burden hours resulting from the decline in FHA Lenders and collection of the NMLS ID and implementation of the new online lender approval application system as explained in item 1 above.
16. Only summary information will be forwarded to other Departmental offices for statistical purposes and possible publication.
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.