

Supporting Statement for Paperwork Reduction Act Submissions

Requirements for Single Family Mortgage Instruments OMB Number 2502-0404

A. Justification

1. FHA insures single-family mortgages and stipulates the specific provisions needed for mortgage instruments as required by statutory and regulatory provisions. Regulation 24 CFR 203.255 (b)(3) - Accompanying documents required by the Secretary – states the requirements for applications for insurance involving mortgages originated under the Direct Endorsement (DE) program under 24 CFR 203.5. One requirement is for the mortgagee to submit to the Secretary, within 60 days after the date of closing of the loan or such additional time as permitted by the Secretary, properly completed documentation and certifications, including a certified copy of the mortgage and note executed upon forms which meet the requirements of the Secretary.

The lender or designee prepares the mortgage and mortgage note that are to be insured by the Department. In accordance with the subject policy, the lender must include language in the mortgage, mortgage note, deed of trust, etc., that accomplishes the requirements of the Department for mortgage insurance. The lender must ensure that the mortgage and the note contain these provisions and do not include provisions that conflict. If these requirements are not observed, FHA may insure a mortgage that fails to comply with statutory and regulatory requirements established to protect the interest of the government.

For each mortgage, the lender or designee must provide the name of the mortgagor, the legal description of the property, and the term and rate of the mortgage to be insured. A lender must develop or procure mortgage and note forms that comply with both HUD and applicable state and local requirements for a recordable and enforceable mortgage. Proof of recoding is often found on the document; a recorded document normally has a seal or other marking that indicates where it may be found in the land records. Either proof of recordation or a certified copy of the document with the recordation seal will meet this requirement.

2. There is no change to the information collected. The only change is in the methodology used to calculate the burden hours. Previously, the number of FHA approved lenders was used and may have represented an inaccurate determination as some lenders close more cases than others and have more FHA business than other lenders. The breakdown is as follows:
 - a. The number of respondents means the number of FHA approved lenders. Currently, there are 11,907 known approved lenders.
 - b. The number of FHA endorsed cases was used to reflect a more accurate picture of the collection activity. In 2013, 1,261,143 cases were endorsed. Of the 1,261,143 FHA endorsed cases for 2013, of that number 5,086 cases were submitted electronically.
 - c. The number of burden hour per response is estimated at five minutes per hour per loan. The Department endorsed 1,261,143 loans in 2013; therefore these instruments are required per loan. It is estimated that the total annual burden hours is 105,053 with a total annual cost of \$1,680,848
 - d. The inventory reported in 2010 was 811,974. The reduction in burden hours between 2010 and 2013, is based on the majority of respondents electronic generation of mortgage instruments.

- HUD has instituted e-endorsement which allows lenders to submit their cases for insurance electronically. The chart below shows the rate in which lenders are moving towards e-binders.

CY	Number of Lender Insured Cases Insured	Number of Lender Insured Electronic Cases Insured	Number of Non-Lender Insured cases insured	Total Number of Cases Insured
2011	888,288	8,667	262,437	1,150,725
2012	1,063,062	5,738	271,788	1,334,850
2013	1,029,861	5,086	231,282	1,261,143

Currently, to be eligible for endorsement, lenders are still required to submit the case binder in accordance with Handbook 4165.1. Requirements for the case binder include a certified copy of all financial instruments.

- There is no duplication of effort. Each requirement is made only once for each FHA-insured loan. The total number of FHA insured cases for 2013 is 1,261,143.
- Typically, small businesses are not involved in the mortgage application process and no attempt was made to modify the requirements to accommodate small businesses. The Department believes that the burden estimate associated with these information collections are the minimum needed to make certain that statutory and regulatory requirements are being met and the integrity of the insurance fund is maintained.
- The Department will not be able to verify that a mortgage has been properly recorded and is eligible for FHA mortgage insurance if the information is not collected. FHA could be at risk by paying claims for benefits on mortgages not insured by the government.
- The collections are made at minimum frequency, that is, once per loan transaction. To obtain benefits under the single-family mortgage insurance programs, a lender must retain a copy of these instruments for the duration of the mortgage, which can be up to 30 years. This need is inherent in the nature of the transaction. To only require retention of such documents for three years would be inconsistent with the FHA's risk management policies because of the length of most mortgages (10 – 30 years).
- In accordance with 5 CFR Part 1320.8(d), this information collection requirement will be announced for public comment in the Federal Register (June 20, 2014, Vol. 79, No. 119, Page35370). No comment received.

HUD did not consult with mortgagees regarding this information collection. These documents are the basics of mortgage lending; lenders must have them to secure their interest in the property. Many local governments have statutes that control them; this is not solely a HUD requirement. The burden estimate was based on experience of legal and program staff in mortgage transactions, and the recognition that most mortgage documents are drawn up electronically with only minimal human intervention (i.e., adding name, property address, loan amount, rate and terms).

- No gifts or any payments are provided to respondents.
- No assurance of confidentiality is provided, nor is such appropriate or feasible. Mortgages must be publicly recorded for them to be enforceable.
- There are no questions of a sensitive nature requiring justification.
- The Department expects the time to complete the mortgage and the mortgage note (which require only several entries to existing model mortgages and notes) to be 30 minutes (burden per response .5 hours). The

number of responses (or the number of FHA cases endorsed) for 2010 is 1,623,947, making the total number of burden hours 811,974.

These below estimates reflect the data provided by departmental system files and informed judgment of program staff. The Department estimates that the number of responses and the associated burden will be relatively constant for the next three years as more lenders/buyers are doing FHA business.

Number of Respondents (FHA approved lenders)	Number of FHA cases endorsed for 2010	Mortgage Note/Deed of Trust	Frequency of Response per case endorsed	Responses Per Annum (1 response per endorsed case)	Burden Hour Per Response	Annual Burden Hours	Cost per Burden Hour	Total Annual Cost
11,907	1,261,143	1	1	1,261,143	0.0833	630,572	\$16.00	\$10,089,152

This is a clerical function. The \$16.00 hourly rate is based on a GS-5, step 1. Financial instruments are prepared by the lender as a requirement of State and local laws, and as a requirement for FHA insurance. Processing this instrument is often accomplished automatically; however, small lenders may still complete these forms manually. The closing department of most lenders has responsibility for preparing the closing package, including the mortgage and note.

13. There are no additional costs to respondents; however the respondent may be subject to an increase in volume due to the increase in FHA business.
14. There is no cost to the Federal government involved in implementation of these requirements.
15. This is an extension of a currently approved collection; however, there is an adjustment due to an increase in FHA endorsement of mortgages.
16. The results of this collection will not be published.
17. HUD is not seeking approval to avoid displaying the expiration date of the OMB approval.
18. There are no exceptions to the certification statement identified in Item #19 of the OMB 83-I. Changes to the housing market has increased FHA business substantially despite the number of foreclosed properties.

B. Collections of Information Employing Statistical Methods

This information collection does not employ statistical methods.