

SUPPORTING STATEMENT

OMB Control Number 2502-0418: Multifamily Insurance Benefits Claims Package

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.**

When the terms of a Multifamily contract are breached or when a mortgage meets conditions stated within the Multifamily contract for an automatic assignment, the holder of the mortgage may file for insurance benefits. The law which supports this action is statute 12 USC 1713(g) and Title II, Section 207(g), of the National Housing Act.

This Act provides in part, "...the mortgagee shall be entitled to receive the benefits of the insurance as hereinafter provided, upon assignment, transfer, and delivery to the Secretary, within the period and in accordance with the rules and regulations to be prescribed by the Secretary of (1) all rights and interest arising under the mortgage so in default; (2) all claims of the mortgagee against the mortgagor or others, arising under the mortgage transaction; (3) all policies of title or other insurance or surety bonds or guaranties and any and all claims there under; (4) any balance of the mortgage loan not advanced to the mortgagor; (5) any cash or property held by the mortgagee, or to which it is entitled, as deposits made for account of the mortgagor and which have been applied in reduction of the principle of the mortgage indebtedness; and (6) all records, documents, books, papers, and accounts relating to the mortgage transaction."

These provisions are further outlined in 24 CFR Part 207, Subpart B - Contract Rights and Obligations. To receive these benefits, the mortgagee must prepare and submit to HUD the Multifamily Insurance Benefits Claims Package. The package consists of the following forms:

1. HUD-2741 - Instructions for applications for Insurance Benefits Multifamily Mortgages
2. HUD-2742 - Fiscal Data Support of Claim for Insurance Benefits, Multifamily Mortgage
3. HUD-2744A - Allocation of Mortgage Receipts and Disbursements-Schedule A
4. HUD-2744B - Mortgagee's Report of Project Collections-Schedule B
5. HUD-2744C - Mortgagee's Report of Project Disbursements-Schedule C
6. HUD-2744D - Mortgagee's Other Disbursements by Mortgagee-Schedule D
7. HUD-2744E - Mortgagee's Report of Special Escrow-Schedule E
8. HUD-434 - Statement of Taxes
9. HUD-1044D - Payment Information

In addition, at the time of renewal, the department is making a non-substantial change to collections related to Rights and Duties of the Mortgagee under the Contract of Insurance for Multifamily Housing Mortgage Insurance Programs. 2502-0418 is the collection for the Multifamily Insurance Benefits Claims

Package. The mortgagee will be required to include in a bond trust indenture language directing the trustee to refund remaining bond debts to HUD.

We are not collecting any new information; and HUD is not a party to the trust indenture. The Owner does not need to submit any additional information nor do they have to fill in any additional forms; they will just include language provided by HUD, in the regulation, as part of the trust indenture. This change is to help The Department address reimbursement to FHA of excess bond proceeds. The claims process is not changing, but the excess claims will now go to HUD.

When a mortgagee finances mortgages through the issuance and sale of bonds or through bond anticipation notes, the mortgagee uses the funds from the payment of a mortgage insurance claim under 24 CFR § 207.258 (FHA multifamily insurance claim payment) to pay off the remaining bond debts. At times, the amount paid by the FHA multifamily insurance claim is greater than the remaining bond debts. This final rule requires mortgagees that finance a project using a project-specific trust indenture agreement to include language in the trust indenture to require that excess bond funds that remain after FHA's multifamily insurance claim payment is used to satisfy the bonds are returned to FHA. HUD requires similar payments of excess bond funds on obligations of public housing agencies and, thus, the final rule provides consistency in the administration of HUD's bond financing programs.

The language would state that: in the event of an assignment or conveyance of the mortgage to the Commissioner, subsequent to the issuance of the bonds, all money remaining in all funds and accounts other than the rebate fund, and any other funds remaining under the trust indenture after payment or provision for payment of debt service on the bonds and the fees and expenses of the credit enhancer, issuer, trustee, and other such parties unrelated to the mortgagor (other than funds originally deposited by the mortgagor or related parties on or before the date of issuance of the bonds) shall be returned to the mortgagee.

This collection covers the same environment, has the same functions, uses the same or similar forms and collects the same information as the contract that owners are required to submit in order to enter into business agreements with the Department.

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.

When the terms of any multifamily contract is breached or when a mortgagee meets conditions stated within the multifamily contract for an automatic assignment, the holder of the mortgage may file for insurance benefits. To receive these benefits, the mortgagee must prepare and submit to HUD the Multifamily Insurance Benefits Claims Package. HUD uses the information collection to determine the insurance benefits owed to the mortgagee. HUD audits each form. From the information collected, the Government Accountability Office is able to audit HUD's records. Also, the information is used by the Department of Justice in pursuit and defense of claims filed against or by the United States.

3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or forms of information technology, e.g. permitting electronic submission of responses, and the basis for the decision of adopting this means of collection. Also describe any consideration of using information technology to reduce burden.

The collection of information does not involve the use of any technological collection techniques. The forms are mailed to HUD along with the originals of the mortgage, deed, trust, etc., as part of the Multifamily Benefits Claims package. It is not feasible to submit the forms electronically, separate from

the claims package documentation, since many of the original documents require raised seals to be affixed to confirm authenticity from the issuing jurisdiction.

4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use of the purposes described in Item 2 above.

Duplication, in the sense of similar data collection, does not exist.

5. If the collection of information impacts small businesses or other small entities (Item 5 of OMB Form 83-I), describe any methods used to minimize burden.

No small businesses or entities are affected.

6. Describe the consequences 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.

The lender is required by regulation to submit to HUD the Multifamily Insurance Benefits Claims Package within 45 days after the mortgage is assigned or within the extended deadline in order to obtain insurance benefits. Non-compliance would delay payments and mortgagees' interest payments would be curtailed. HUD's inventory of unpaid claims would increase.

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

a. requiring respondents to report information to the agency more often than quarterly;

- A respondent may be required to submit collection information more often than quarterly. Regulation requires a mortgagee to submit this information in order to receive insurance benefits. Therefore, this information is submitted when the terms of a FHA Multifamily contract is breached or when a mortgage meets conditions stated within the Multifamily contract for an automatic assignment.

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

- Respondents must submit the information collection within 45 days after the mortgage is assigned or within the extended deadline in order to obtain insurance benefits.

c. requiring respondents to submit more than an original and two copies of any document;

- Respondents are only required to submit the original and two copies of each document.

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

- Record retention for the loan history must begin from the date the claimant became the holding mortgagee.
- e. **in connection with a statistical survey, that is not designed to produce valid and reliable results than can be generalized to the universe of study;**
 - No statistical data is collected.
- f. **requiring the use of a statistical data classification that has not been reviewed and approved by OMB;**
 - No statistical data is collected.
- g. **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**
 - No pledge of confidentiality is promised outside of any supported by the authority established in statute or regulation.
- h. **requiring respondents to submit proprietary trade secrets, 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.**
 - Respondents are not required to submit proprietary trade secrets.

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 instruction and record keeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.

Consultation with representatives of those from whom information is to be obtained or those who must compile records should occur at least once every 3 years – even if the collection of information activity is the same as in prior periods. There may be circumstances that may preclude consultation in a specific situation. These circumstances should be explained.

In accordance with 5 CFR 1320.8(d), this information collection soliciting public comments was announced in the *Federal Register* on August 21, 2014, Volume 79, Number 162, Page 49533. No Comments were received.

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

There is no decision to provide any payments or gifts to the lender except the payment of insurance benefits. This payment is the Department's contractual obligation.

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

HUD's policy for providing confidentiality is that any information released to the public does not contain identifying information such as social security numbers. Such identification is deleted from the required information prior to being released.

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. The 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:

- a. 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 hour burden, and explain the reasons for the variance. Generally, estimates should not include burden hours for customary and usual business practices.**
- b. If this request for approval covers more than one form, provide separate hour burden estimates for each form and aggregate the hour burdens in item 13 of OMB Form 83-I.**
- c. Provide estimates of annualized cost to respondents of 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 not be included in Item 14.**

It is estimated that 125 respondents (lenders) will annually submit a Multifamily Insurance Benefits Claims Package.

	# of Respondents	# of Responses	Total Responses	Hours per Response	Total Hours	Cost per Hour*	Total Cost
HUD-434	125	1	125	0.5	62.5	\$34.26	\$2,141.25
HUD-2741	125	1	125	0	0	\$34.26	0
HUD-2742	125	1	125	0.25	31.25	\$34.26	\$1,070.63
HUD-2744A	125	1	125	1.25	156.25	\$34.26	\$5,353.13
HUD-2744B	125	1	125	0.75	93.75	\$34.26	\$3,211.88
HUD-2744C	125	1	125	0.5	62.5	\$34.26	\$2,141.25
HUD-2744D	125	1	125	0.25	31.25	\$34.26	\$1,070.63
HUD-2744E	125	1	125	0.5	62.5	\$34.26	\$2,141.25
HUD-1044D	125	1	125	0.25	31.25	\$34.26	\$1,070.63
Total - Claims	125	1	1,125		531.25	\$34.26	\$18,200.63

*The hourly cost is based on \$34.26/hour for professional staff (\$71,500 annually) for completing the information.

- 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.)**
- a. 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 and 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.
 - b. 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 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.

- c. 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.

Additional cost incurred by the respondent includes \$15.33/hr for clerical staff based on an annual salary of \$32,000 to copy package and postage fees of approximately \$10 depending on the method of shipping. Total additional cost per *package* is estimated to be \$25.33

- 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.

	HUD Review Hours per Year	Hourly Rate*	Total HUD Reviews	# of Claims	Cost per Claim	Total Contractor Cost	Total Cost
HUD Review - 7 HUD employees x 20 hours per week x 52 weeks per year	7,280	\$40.66	\$296,004.80				\$296,004.80
Contractor examination cost				125	\$2,682.38	\$335,297.32	\$335,297.32
Total Risk-Sharing Claims	7,280	\$40.66	\$296,004.80	125	\$2,682.38		\$631,302.12

**The hourly cost for HUD employees is based on the rate of pay for a GS12-5 per hour as of 2011. Contractors are not a part of the risk-sharing claim process.*

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

This is an extension of previously approved collection. This collection contains all information collection requirements for Multifamily Insurance Benefits Claims packages. Currently, there are no changes to the program but the industry is considering comments for recommended future program changes. The decrease in responses and burden is a result of a decrease in program participation.

16. For collections 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 information collected 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.

Approval is not being sought to not display the expiration date for OMB approval of the information collection.

18. Explain each exception to the certification statement identified in Item 20, "Certification for Paperwork Reduction Act Submissions," of OMB Form 83-I.

There are no exceptions to the certification statement identified in item 20 of the OMB 83-I.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL

The information collected does not use statistical methods.