

Supporting Statement for Paperwork Reduction Act Submissions

Debt Resolution Program

OMB Control Number 2502-0483
HUD-56141, HUD-56142, HUD-56146

A. Justification

1. The Debt Collection Improvement Act (DCIA) of 1996 requires Federal Agencies to maximize collections of delinquent debts owed to the Government by ensuring quick action to enforce recovery of debts and the use of all appropriate collection tools. Section 2(c) of the National Housing Act (P.L. 479, 48 Stat. 1246, 12 U.S.C. 1701 et. seq.) empowers the Secretary of the Department of Housing and Urban Development to collect or compromise all obligations assigned to or held by HUD, and all legal or equitable rights accruing to HUD, in connection with the payment of a HUD-insured loan, until such time as such obligations may be referred to the Attorney General of the United States for suit or collection. The DCIA also requires agencies to provide debtors the right to dispute their debt prior to the reporting of the debt to a credit bureau.

The Federal Claims Collection Standards (FCCS) indicate that written demand shall be made promptly upon a debtor of the United States in terms that inform the debtor of the consequences of failing to cooperate with the agency to resolve the debt. These written demands (including the *Credit Bureau Notification Letter*) are linked to information collections, as they generate disputes and requests to pay or compromise debts.

The FCCS further states, “Agencies should obtain financial statements from debtors who represent that they are unable to pay in one lump sum . . .” (31 CFR 901.8) and “To assess the merits of a compromise offer based in whole or in part on the debtor’s inability to pay the full amount of the debt within a reasonable time, agencies should obtain a current financial statement from the debtor . . .” (31 CFR 902.2(g)). Commercial debtors are required to submit copies of accountant prepared financial statements when warranted.

In accordance with the Federal Claims Collection Act of 1966, as amended by the Federal Debt Collection Act of 1984, the Assistant Secretary for Housing has authorization from the Secretary to collect all claims not exceeding \$100,000 exclusive of interest.

2. This information request seeks to continue the information collection requirements approved by OMB under control number 2502-0483, Debt Resolution Program.

HUD’s Financial Operations Center (FOC) is responsible for collecting or compromising obligations assigned to or held by HUD, and all legal or equitable rights accruing to HUD in connection with the payment of insurance claims. The FOC processes approximately 650 of these cases annually.

Form HUD-56142, Debt Resolution Program/Personal Financial Statement. The Federal Claims Collection Standards require HUD to obtain financial statements from borrowers who represent that they cannot pay their obligation in one lump sum. The Form HUD-56142 may be sent to the debtor with a verbal agreement confirmation letter. The FOC receives approximately 600 HUD-56142 forms annually.

Debtor Authorization for Third-Party Representation. Of the 600 debtors who submit the HUD-56142, approximately 75 will provide authorization for HUD to speak to a third party (attorney, lender, Title Company) regarding the debt.

Audited Financial Statements. Approximately 50 debtor submissions annually involve commercial debtors who are not required to submit a HUD-56142, as they are instead required to submit accountant prepared financial statements to demonstrate their financial position.

Justification documents, such as tax returns, evidence of unemployment or disability, bankruptcy discharge, etc., are used to verify information provided by debtors on HUD-56141 and HUD-56142.

HUD uses the information in the HUD-56142 and the justification documents to determine (a) the debtor's ability to pay the debt in full; (b) the ability to pay the debt in installments; or (c) justification for a settlement offer. HUD uses this information to analyze debtors' financial positions and then approve settlements and repayment agreements.

Form HUD-56141, Debt Resolution Program/Settlement Offer. Of the 650 borrowers who submit financial information, about 230 submit a settlement offer for full or partial payment of their obligation. HUD uses the information submitted on form HUD-56141 to evaluate the debtor's offer of full or partial settlement and requests for releases of obligations. HUD also uses this information to evaluate the source of the funds used to pay any portion of the debt. The attached form is being revised slightly for formatting purposes.

Request for Immediate Release. If the debtor or agent demands an immediate release, they are asked to submit a copy of the cancelled check to verify that HUD received payment. Of the 230 borrowers who submit settlement offers, approximately 76 involve the debtor or agent submitting copies of certified or canceled check to speed HUD's processing of the release documents.

Form HUD-56146, Debt Resolution Program/Repayment Agreement. Of the 650 borrowers who submit financial information, approximately 420 will submit form HUD-56146 through which the debtor agrees to pay his/her debt to HUD in installments. HUD uses this information to determine a borrower's attitude about repayment of the debt and his/her ability to repay the debt. If a verbal agreement is reached over the phone, the terms of the verbal agreement are later confirmed in writing. On rare occasions involving secured debt, the debtor will offer HUD his or her home as repayment of the debt (Deed in Lieu). This occurrence happens fewer than 2 times annually. The attached form is being revised slightly to add the payment amount.

3. This information collection is not usually collected electronically, although HUD will accept email requests from debtors who wish to respond in that manner. The respondents are debtors who defaulted on HUD-insured loans. These respondents usually prefer a paper option for communicating the information rather than an electronic means because many do not have easy access to computers with communication capability. When debtors agree to periodic debits of their bank accounts, this results in the elimination of a paper-based payment process because it eliminates paper checks. The burden to the respondents is minimal.
4. There is no duplication in the collection of this information. The data gathered is unique to the particular loan and the individual's circumstances.
5. This information does not impact small businesses or other small entities. The collection of information is targeted toward consumers/borrowers. Business entities with debts owed to HUD are also eligible for compromise/settlements. Small entities are not otherwise affected.
6. The consequences of not collecting this information would be non-compliance with the Federal Claims Collection Standards and a reduction in HUD's effectiveness in collecting debt based on the Department's inability to assess the viability of proposed payment arrangements or settlement offers.
1. 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;

Not Applicable

- requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it;
When a debtor wants/needs to participate in a compromise settlement or payment arrangement as soon as possible, this is usually done with 30 days after initial contact.
- requiring respondents to submit more than an original and two copies of any document;
Not Applicable
- requiring respondents to retain records other than health, medical, government contract, grant-in-aid, or tax records, for more than three years;
Not Applicable
- 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;
Not Applicable
- requiring the use of a statistical data classification that has not been reviewed and approved by OMB;
Not Applicable
- that includes a pledge of confidentiality that is not supported by authority established in a 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
Not Applicable
- 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.
Not Applicable

8. In accordance with 5 CFR 1320.8(d), the agency's notice soliciting public comments was announced in the *Federal Register* on Friday, November 6, 2015 (Volume 80, Number 215, Page 68872). No Comments were received. HUD also completed a survey of three HUD Debt Servicing Representatives who work with the public when completing the three HUD Forms: HUD 56141, HUD 56142 and HUD 56146. Each person surveyed indicated that they have been advised that the data necessary to complete the forms was readily available and the feedback they have received is that the instructions are straight forward and easy to follow. The answers were consistent in that the forms were easy to read and use, and that the times for completion were about right. There is no change relative to the time that is estimated to complete each form and the total burden on this collection remains unchanged since the last approval.
9. There are no payments or gifts to the respondents.
10. The release of information to appropriate Federal, State, or local agencies, and when relevant to civil, criminal, or regulatory investigators and/or prosecutors as well as the penalty for not providing a social security number is covered by the Privacy Act of 1974. Information provided by the lender concerning the delinquent loan is already a matter of record. All forms carry the required Privacy Act notifications.
11. Form HUD-56142 requests debtor's age. Age is an important consideration when determining a debtor's ability to pay, as it can be used to help determine a borrower's potential ability to generate income for debt reduction.

12. Estimated Burden and Costs to Respondents: Respondents include approximately 600 individual debtors and approximately 50 corporate entities. The only difference in information collected from individuals and that collected from corporate borrowers is that individuals file the HUD-56142, and corporations file audited financial statements.

Information Collection	Number of Respondents	Frequency of Response	Responses Per Annum	Burden Hours Per Response	Annual Burden Hours	Hourly Cost	Total Annual Cost
HUD-56142	600	1	600	.42	252.00	\$19.00	\$4,788.00
Authorization for 3 rd party representation	650		75	.05	3.75	\$19.00	71.25
Audited financial statements	50	1	50	.03	1.50	\$19.00	28.50
Justification documents: tax returns, evidence of unemployment or disability, bankruptcy discharge, etc.	650	1	650	.50	325.00	\$19.00	6,175.00
HUD-56141	650		230	.08	18.40	\$19.00	349.60
Request for immediate release	650		76	.08	6.08	\$19.00	115.52
HUD-56146	650		420	.08	33.60	\$19.00	638.40
Totals			2,101		640.33		\$12,166.27

The hourly rate is based on an estimate of average debtor annual salary of \$40,405.

13. There are no additional costs to respondents.

14. Federal Government Costs:

Information Collection	Responses Per Annum	Hours Per Response	Annual Burden Hours	Hourly Cost	Total Annual Cost
HUD-56142	600				
Audited financial statements	50				
Justification documents: tax returns, evidence of unemployment or disability, bankruptcy discharge, etc.	650	.50	325.00	\$33.00	\$10,725.00
Authorization for 3 rd party representation	75	.25	18.75	\$33.00	618.75
HUD-56141	230	.08	18.40	\$33.00	607.20
Request for immediate release	76	.25	19.00	\$33.00	627.00
HUD-56146	420	.08	33.60	\$33.00	1,108.80
Totals	2,101		414.75		\$13,686.75

The hourly rate is based on the annual salary of HUD Debt Servicing Representatives (GS-12).

15. This is a continuation of a currently approved collection and based on a consistent volume of submissions, there is no burden change.
16. Data collected will not be published.
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.