

**Supporting Statement for  
Legal Instructions for Applications for Full Insurance  
Benefits—Assignment of Multifamily Mortgages to the Secretary (2510-0006)**

**A. JUSTIFICATION**

**1. Circumstances Making the Collection of Information Necessary**

Under Section 207(g) of the National Housing Act (12 U.S.C. § 1713(g)), when an FHA insured multifamily mortgage goes into default, the mortgagee may become entitled to receive mortgage insurance benefits from FHA by assigning the mortgage to HUD. Section 207(g) states that in connection with the assignment of the mortgage to HUD, the mortgagee shall assign, transfer and deliver to the Secretary:

- (1) All rights and interests arising under the mortgage so in default;
- (2) All claims of the mortgagee against the mortgagor or others, arising out of the mortgage transactions;
- (3) All policies of title or other insurance or surety bonds or other guaranties and any and all claims thereunder; and
- (4) All records, documents, books, papers, and accounts relating to the mortgage transaction.

HUD's regulations implementing these requirements are found in 24 C.F.R. § 207.258(b). (Copies of relevant statutes and regulations are attached.) HUD's Office of General Counsel (OGC), Multifamily Mortgage Division, is responsible for reviewing and approving the mortgage-related documents submitted by the mortgagee in connection with these requirements. When HUD receives the mortgagee's election to assign the mortgage, the mortgagee receives an e-mail from HUD's Multifamily Delinquency and Default Report System (MDDR), which informs the mortgagee that it can obtain the Legal Instructions Concerning Applications for Full Insurance Benefits from MDDR, in order to inform the mortgagee of the requirements and procedures for meeting them.

Most of the documents which mortgagees are required to produce pursuant to the proposed form- e.g., the mortgage and the security agreement, are documents which the mortgagee should have in its files even in the absence of these requirements.

**2. Purpose and Use of the Information Collection**

The mortgagee provides HUD with accurate, complete and valid documentation on the mortgage being assigned to the Secretary so that HUD may effectively service and, if necessary, sell or foreclose the lien of the mortgage. If the documentation did not meet HUD's requirements, HUD might not have a valid and enforceable first lien on both the real and the personal property comprising the project.

### **3. Use of Improved Information Technology and Burden Reduction**

Due to the low number of annual respondents and that there are no forms to complete, information technology would not reduce the burden. The information is gathered from the actual mortgage documents that the mortgagee already has in its possession as a result of applying for the insurance and providing the loan, and closing or settlement of mortgages remains a hard copy documentation process.

### **4. Efforts to Identify Duplication and Use of Similar Information**

Due to the low number of annual respondents and that there are no forms to complete, information technology would not reduce the burden. The information is gathered from the actual mortgage documents that the mortgagee already has in its possession as a result of applying for the insurance and providing the loan, and closing or settlement of mortgages remains a hard copy documentation process.

### **5. Impact on Small Businesses or Other Small Entities**

The collection of this information will not impact small businesses or other small entities.

### **6. Consequences of Collecting the Information Less Frequently**

FHA insurance claims could not be paid to mortgagees who are in good standing without this necessary information. The documents are required by law to assign the mortgage and determine ownership of the real property and chattel secured by the mortgage. The burden cannot be reduced as each of the documents is necessary because of the legal ramifications of each individual document.

### **7. Special Circumstances Relating to the Guidelines of 5 CFR 1320.5**

There are no special circumstances applicable to this connection of information.

### **8. Comments in Response to the *Federal Register* Notice and Efforts to Consult Outside the Agency**

As required by 5 CFR 1320.8(d), HUD published in the Federal Register a 60-Day Notice on September 10, 2015, at 80 FR 55481. HUD received no public comments.

### **9. Explanation of Any Payment or Gift to Respondents**

FHA insurance claims could not be paid to mortgagees who are in good standing without this necessary information. The documents are required by law to assign the mortgage and determine ownership of the real property and chattel secured by the mortgage. The burden cannot be reduced as each of the documents is necessary because of the legal ramifications of each individual document.

## 10. Assurance of Confidentiality Provided to Respondents

All legal documents and communications submitted will be bound by the principles of confidentiality set forth in the Model Rules of Professional Conduct as well as the attorney-client privilege.

## 11. Justification for Sensitive Questions

No questions of a sensitive nature are included in this request

## 12. Estimates of Hour Burden Including Annualized Hourly Costs:

This is an extension of a currently approved collection. The burden on each respondent will vary in proportion to the number of claims filed by the respondent. Some mortgagees hold very few FHA-insured mortgages, and may file few if any claims for insurance benefits each year. Other mortgagees (most notably, the Federal National Mortgage Association, known as Freddie Mac) hold very large portfolios of FHA-insured mortgages, and may file ten or more claims per year. For purposes of this response, however, it is assumed that in each year no mortgagee would file more than one claim.

The number of claims filed has been fewer since the previous OMB approval was provided. In 2015, the number of respondents to date is 35; in 2014, the number was 48; in 2013, the number was 83; and in 2012, the number was 107. The significant reduction is attributed to FHA's successful efforts at reducing mortgage defaults, but the downturn in the economy, especially the housing market during the 3 year period since the preceding approval, while not resulting in higher claims, has not resulted in fewer claims. Therefore, based on the number of claims in 2015, 2014, 2013, and 2012, the annual claim response was calculated at the average of 68.

The burden of 26 hours per claim includes the time necessary to provide mortgage documents such as title policies, UCCs, security agreements, original mortgage and mortgage note, etc., which relate to the HUD-insured mortgage covering the project. Documents must be obtained from various recording offices (land offices, title companies, etc.) archives, etc. The annualized cost to the respondent is estimated at \$90 an hour times 26 burden hours per claim times 68 responses or \$159,120.

<u>No. of Responses</u>	<u>Frequency (Annually)</u>	<u>Hours</u>	<u>Burden (Total Hours Annually)</u>
68	1	26	1,768
<u>No. of Respondents</u>	<u>Hours (Average)</u>	<u>Rate</u>	<u>Total</u>
68	26	\$90	\$159,120

## 13. Estimate of Other Total Annual Cost Burden to Respondent or Recordkeepers

There are no capital or start-up costs. There are no cost burdens to respondents for operation and maintenance.

## 14. Annualized Cost to the Federal Government:

For each claim filed, a paralegal specialist (typically a GS-12 to GS-13) will spend an average of 3 hours reviewing and checking on the insurance claim, and a GS-14 attorney advisor or a GS-15 senior attorney advisor will spend approximately one hour reviewing the work of the paralegal specialist. Assuming an average hourly rate of \$36 (the average of GS-12, Step 5 (\$ 32.73), and GS-13, Step 5 (\$38.92)) the labor cost will be approximately \$108.00 for staff review of the insurance claim. The additional one hour of the supervising attorney (\$40.58 for a GS-14 and \$47.74 for a GS-15) adds approximately an additional \$45 to the claim review. (See OPM table of federal wages which provide an hourly rate [http://archive.opm.gov/oca/12tables/pdf/g\\_s\\_h.pdf](http://archive.opm.gov/oca/12tables/pdf/g_s_h.pdf).) Therefore, the HUD employee wage cost per application is \$144.00, which reflects the total cost to the federal government per insurance claim.

Number of reviews of mortgage insurance benefits requests:	68
Number of hours to complete a review:	4
Total number of hours (68 x 4)	272
Cost for total number of reviews: (@ \$144.00 per hour)	\$39,168

Total estimated annualized costs to the Federal government are \$39,168.00 based on 4 hours processing time at \$144 per hour for 68 responses.

## **15. Changes in Hour Burden**

There are no program changes.

## **16. Plans for Tabulation, Publication, and Project Time Schedule**

A. Time Schedule

B. Publication

C. Analysis Plan

None of the information collected will be published.

## **17. Reason(s) Display of OMB Expiration Date Inappropriate**

No Exemption is requested.

## **18. Exceptions to Certification for Paperwork Reduction Act Submissions:**

N/A

## **19. Collections of Information Employing Statistical Methods:**

N/A