

Supporting Statement for Paperwork Reduction Act Submissions

Multifamily Contractor's/Mortgagor's Cost Breakdowns and Certifications

OMB Control Number 2502-0044

(HUD-2205-A, HUD-2328, and HUD-92330-A)

A. Justification

1. Regulations published in 24 CFR 200.50 require the mortgagor and mortgagee to execute a building loan agreement approved by the Commissioner, that sets forth the terms and conditions under which progress payments may be advanced during construction, and prior to initial endorsement of the mortgage for insurance.

Section 227 of the National Housing Act (Section 126 of the Housing Act of 1954, Public Law 560, 12 U.S.C. 1715r), applicable portions of which are attached for reference, prohibits the insurance of multifamily mortgages on new or rehabilitated multifamily housing unless the mortgagor agrees to certify "actual costs" upon completion of the physical improvements on the mortgaged project prior to final endorsement of the mortgage. Cost certification requirements apply to the general contractor when an identity of interest exists between the general contractor and the mortgagor, or when the mortgagor is a nonprofit entity and a cost plus contract has been used.

Regulations published in 24 CFR 200.95 and 200.96 require that the mortgagor's certificate of actual cost, in a form prescribed by the Commissioner, shall be submitted upon completion of the physical improvements to the satisfaction of the Commissioner and before final endorsement, except that in the case of an existing project that does not require substantial rehabilitation and where the commitment provides for completion of specified repairs after endorsement, a supplemental certificate of actual cost will be submitted covering the completed cost of repairs. The certificate shall show the actual cost to the mortgagor, after deduction of any kickbacks, rebates, trade discounts, or other similar payments to the mortgagor, or to any of its officers, directors, stockholders, partners, or other entity member ownership, of construction and other costs, as prescribed by the Commissioner. An independent Certified Public Accountant or independent public accountant shall verify the Certificate of Actual Cost in a manner acceptable to the Commissioner. Upon the Commissioner's approval of the mortgagor's certification of actual cost such certification shall be final and incontestable except for fraud or material misrepresentation on the part of the mortgagor.

2. Form HUD-2328 is used to represent the contractors and/or mortgagors firm costs and services as a basis for disbursing dollar amounts when insured advances are requested. The contractor and/or mortgagor prepare the HUD-2328 as a requirement for issuance of a firm commitment. The firm replacement cost of the project also serves as a basis for disbursement of dollar amounts when insured advances are requested. The contractor uses form HUD-2328 to establish a schedule of values of construction items on which the monthly advances or mortgage proceeds are based. The information regarding completed work items are used by the Field Office to ensure that payments from the mortgage proceeds are made for work actually completed in a satisfactory manner. The work must be inspected and approved by a Field Office Inspector. If the collection of information was not conducted, disbursement of mortgage proceeds could not be monitored.

The contractor uses form HUD-92330-A to convey actual costs incurred in the completion of construction in a standardized format for cost certification. Form HUD-92330-A uses the Uniform System of Cost Accounting to classify construction trade items, and accounting classifications that are identical to those in the Contractor's and/or Mortgagor's Cost Breakdown, Form HUD-2328. In addition to assuring that the mortgage proceeds have not been used for purposes other than construction costs, Form HUD-92330A further protects the interest of the Department by directly monitoring the accuracy of the itemized trades in Form HUD-2338, and also serves as project data to keep Field Office cost data banks and cost estimates current and accurate. If the collection of information were not conducted, there would not be an accurate

method to assure that mortgage proceeds have not been used for purposes other than the payment of legitimate construction costs and expenses.

Form HUD-2205-A pertains to the Section 223(f) Program, which involves the purchase or refinance of an existing project. Form HUD-2205-A is used for Section 223(f) Program only. This information is required for a general contractor when an identity of interest exists between the general contractor and the mortgagor or when the mortgagor is a non-profit entity and a cost plus contract has been used. The information is used to determine the actual cost of improvements equaled or exceeded the proceeds of the loan and the amount by which the proceeds of loan exceeded actual costs. Costs are project specific and general and modified information is not acceptable.

3. Reengineering efforts to replace the Development Application Processing (DAP) system with a modernized and simplified solution to improve the application review process are underway. The initial prototype for handling the tracking pipeline data and reporting for Multifamily (MFH) and Healthcare (OHP) needs to be developed using the most feasible, flexible, and scalable technologies to build an interactive and intuitive online solution. The new system, to be called Application Underwriting Support System (AUSS) will generate staff-generated review documents, pre-populated standardized documents and offers communication capability between HUD staff reviews and Lender coordination. It will also interface with the integrated Real Estate Management System (iREMS), a lender portal, and document management system for an enterprise solution that will streamline FHA's business processes. Strategic planning, technologies evaluation, risk assessment, and security consideration are agilely reviewed at each life cycle stage to ensure realignment opportunities captured and implemented in timely manner.
4. Development and construction cost varies with each project. General or modified information is not acceptable. No other forms exist which can be acceptable. No other existing forms can be substituted to obtain the required information for mortgage proceeds distribution and cost certification.
5. The Department minimizes the burden on small businesses by requiring the collection of information only once. Form HUD-2328 is used at the start of construction. Form HUD-92330-A is used prior to the close of construction.
6. The collection of information occurs only once for each multifamily housing project. The Department could not comply with the provisions of the law and Federal regulations if the collection were eliminated. The Federal regulations and Federal laws are addressed in the opening of the Supporting Statement in the Justification A and are included with the package as required.
7. **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;
Not Applicable
 - 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 than 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 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 secret, 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**

There are no special circumstances that require the collection of information to be inconsistent with the guidelines in 24CFR 200.95 and 200.96.

8. In accordance with 5CFR 1320.8(d), this information collection soliciting public comments was announced in the Federal Register on March 14, 2016, Volume 81, No. 49, Pages 13406. (0) Comment received.

Consultation was provided by mortgage credit and construction analyst staff in local Multifamily Hubs/Program Centers to assess if the proposed information collection is necessary, accuracy of the agency's estimation of public burden, improvements or enhancements to the current collection, and offer suggestions to minimize public burden, i.e., electronic submission. The following HUBs were contacted:

Kenneth Cooper, Construction Analyst
Kansas City, Kansas

Alex Johnson, Construction Analyst
Baltimore, Maryland

Tom Perez, Construction Analyst
Fort Worth, Texas

9. The collection of this does not provide any payments or gifts to respondents, other than remuneration to contractors, are provided to respondents.

The Privacy Act of 1974 provides an assurance of confidentiality to the respondents. Form HUD-2328 is the contractor's estimate of construction cost. On bid proposals, the bid amount, which may be on this form, is subject to public bid opening. Forms HUD-92330-A and HUD-2205-A are for the Department's use only and respondents are assured that the material is held in confidentiality unless a release order is issued under the Freedom of Information Act.

11. No questions of a sensitive nature apply.
12. Estimates of the respondents' burden and costs:

Information Collection	Number of Respondents	Frequency of Response	Responses Per Annum	Burden Hour Per Response	Annual Burden Hours	Hourly Cost	Total Annual Cost
HUD-2328	1807	1	1807	11	19,877	\$36.00	\$715,572.00
HUD-92330-A	1807	1	1807	5	9,035	\$41.00	\$370,435.00
HUD-2205-A	125	1	125	3	375	\$39.00	\$14,625.00

Totals	3739		3739		29,287		\$1,100,632.00
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13. There are no additional costs associated with this collection of information.

14. **Cost to the Federal Government** is based on an hourly rate of \$41.00 (Grade 12/Step 5), there are no operational expenses.

Information Collection	Number of Respondents	Frequency of Response	Responses Per Annum	Burden Hour Per Response	Annual Burden Hours	Hourly Cost	Total Annual Cost
HUD-2328	1807	1	1807	4	7,228	\$36.00	\$260,208.00
HUD-92330-A	1807	1	1807	8	14,456	\$41.00	\$592,696.00
HUD-2205-A	125	1	125	4	500	\$39.00	\$19,500.00
Totals	3739		3739		22,184		\$872,404.00

15. This is an revision of a currently approved collection. The decreases in numbers are the direct results of the housing industry economic recovery; therefore, HUD no longer remains the major contributor in the housing industry.

16. The OMB expiration dates will be displayed on the appropriate forms.

17. There are no exceptions to the Certification Statement identified in item 19 of the OMB 83-I.

B. Collection of Information Employing Statistical Methods.

This collection of information does not employ statistical methods.