

## Supporting Statement for Paperwork Reduction Act Submissions

### FHA Lender Approval, Annual Renewal, Periodic Updates and Required Reports by FHA Approved Lenders OMB Control Number 2502-0005

(Form HUD-92001-C and various online submissions)

#### A. Justification

1. This information collection clearance package seeks to a revision of OMB clearance approval of 2502-0005 that expires on September 30, 2016. The Federal Housing Administration (FHA) of the Department of Housing and Urban Development approves entities to participate as FHA-approved lenders. Specific information must be obtained and reviewed to determine if an entity meets the criteria to obtain the requested approval. In addition, this submission covers subsequent information required by FHA in order for entities to renew and maintain their approval, make periodic updates to their approval, submit required reports to FHA and submit requests to voluntarily terminate their FHA approval.

Title II of the National Housing Act, as amended, 12 U.S.C. 1703, 1709, and 1715b and 42 U.S.C. 3535(d), authorizes the Secretary of the Department of Housing and Urban Development to prescribe terms and conditions with respect to mortgage insurance under the above act. Criteria for approval to become a Title I lender and/or Title II mortgagee, as well as requirements to maintain that approval, are specified in 24 CFR 202 and Handbook HUD 4000.1, which became effective on September 14, 2015. The requirements in Handbook HUD 4000.1 represent the consolidation of those previously set forth in Handbooks HUD 4700.2 & 4060.1 and various Title I letters and Mortgagee Letters.

31 U.S.C. § 7701, the Debt Collection Improvement Act of 1986, authorizes “the head of an agency administering an included Federal loan program” to collect taxpayer identifying numbers for “a lender or servicer in a Federal guaranteed or insured loan program administered by the agency.” Executive Order 9397, as amended by E.O. 13478, also authorizes federal departments and agencies to use Social Security Numbers “as a system to organize and identify individual persons.”

#### Changes to Existing Collections

Revisions are limited to FHA’s Online Application for Lender Approval (previously HUD-92001-A) and the Annual Certification for FHA-approved lenders and mortgagees, which is completed using the Lender Electronic Assessment Portal (LEAP).

HUD has refined certain policy citations in order to focus the lender-level certifications on FHA lender approval eligibility requirements. FHA lenders remain subject to all other HUD regulations, policies and requirements, but HUD determined that certification to full compliance with all requirements is unnecessary and inconsistent with HUD’s own quality control requirements, which acknowledge the possibility of loan-level manufacturing defects and other errors. Specific processes and mechanisms exist for monitoring and ensuring compliance with policies not explicitly listed in the revised certification statements.

HUD has also added a certification statement in order to address comments received in response to revisions to a separate, loan-level certification form: HUD-92900-A (OMB Control Number 2502-0059). This loan-level form previously included a statement regarding lender-level fraud and other civil/criminal charges. HUD has determined that this statement should apply at the lender level rather than the loan level so that any related noncompliance is subject to the procedures of the Mortgagee Review Board.

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The added statement reads as follows:

*5. I certify that, to the best of my knowledge and after conducting a reasonable investigation, during the Certification Period or the 3-year period preceding the first day of the Certification Period, neither the Mortgagee nor any officer, partner, director, principal, manager, supervisor, loan processor, loan underwriter, or loan originator employed by or under contract with the Mortgagee:*

*(a) Was convicted of, indicted for, or otherwise criminally or civilly charged by a governmental entity (federal, state or local) with commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public transaction or contract under a public transaction;*

*(b) Was convicted of, indicted for, or otherwise criminally or civilly charged by a governmental entity with violation of federal or state antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;*

*(c) Had one or more public transactions terminated for cause or default;*

*except for those occurrences, if any, that the Mortgagee reported to HUD and for which the Mortgagee received explicit clearance from HUD to continue with the certification process.*

A similar certification statement will be added to the Online Application for Lender Approval with minor technical differences due to the format of the Online Application.

Other language revisions to the certification statements in the Online Application for Lender Approval and the Annual Certification for FHA-approved lenders and mortgagees are detailed in documents submitted to OMB. These are technical in nature, including renumbering of statements, minor language changes for clarity and consistency between certification versions, and the removal of ambiguous terms that are not captured in requirements or other well-defined terms found in HUD Handbook 4000.1.

#### Revision of Number of Responses and Burden Hours

The number of respondents/responses has been adjusted for several items based on FY2015 actual numbers. Burden hour estimates specifically related to the Online Application for Lender Approval and the Annual Certification for FHA-approved lenders and mortgagees have increased as a result of changes to the certification language described above.

2. a. **Online Application for Lender Approval:** FHA's Online Application for Lender Approval allows prospective FHA lenders to submit required information and attachments for FHA's review. Screen shot attached. All data and attachments are captured and stored in the Lender Electronic Assessment Portal (LEAP). Lender applicants fill in required data and must attach various documents depending on what type of lender approval they are seeking. These include: (1) State license or registration; (2) DBA (doing business as) approvals; (3) credit report on applicant; (4) credit reports on owners and officers; (5) financial reports on applicants (audited financial reports, regulatory financial reports and/or corporate guaranty agreement); (6) LLC documents; (7) partnership documents; (8) evidence of funding program; (9) quality control plan; (10) fidelity bond; (11) errors & omissions policy; (12) resumes; and (13) other documents the applicant wishes to include to supplement their application.

The Online Application requires each applicant to enter its Nationwide Multistate Licensing System and Registry Unique Identifier (NMLS ID) in accordance with the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act) and Section 203 of the Helping Families Save Their Homes Act of 2009, which made compliance with the SAFE Act a condition of eligibility for approval or authorization to participate in FHA programs.

The Online Application includes an initial lender certification, which consists of a number of statements to which the lender must certify indicating that they meet the approval eligibility criteria specified in 24 CFR 202 and HUD Handbook 4000.1.

- b. **Non-Online Application for FHA Lender Approval:** Because the Online Application for Lender Approval automates all FHA lender approval processes, the Non-Online Application (Form HUD-92001-A) has been eliminated.
- c. **Online Branch Registration:** Lenders register branches by submitting required information via LEAP. This information includes addresses, branch managers and other points of contact, DBA names, etc.
- d. **Non-Online Branch Registration:** Because LEAP automates all branch registration processes, the Non-Online Branch Registration (Form HUD-92001-B) has been eliminated.
- e. **Online Payment of Lender Approval Application Fee:** Applicants for FHA lender approval pay the application fee as part of the Online Application process via an electronic interface with the Department of Treasury's pay.gov system.
- f. **Online Payment of Branch Fee:** Lenders who register a branch electronically via LEAP pay the branch fee via an electronic interface with the Department of Treasury's pay.gov system.
- g. **Online Annual Certification Report/Unable to Certify Report:** Each lender must submit its annual online certification via LEAP. This annual certification consists of a number of statements to which the lender must certify indicating that they continue to meet the approval eligibility criteria specified in 24 CFR 202 and HUD Handbook 4000.1. If a lender cannot certify compliance with all requirements in the certification, the lender must submit an explanation of the reasons why it cannot certify. LEAP provides lenders the option to attach supporting documentation to the lender's unable to certify explanation.
- h. **Online Annual Financial Statements and Reports:** Each lender (with the exception of government mortgagees) must submit its required financial statements and reports via LEAP to renew its FHA lender approval.
- i. **Online Payment of Annual Renewal Fee:** Each lender (with the exception of government mortgagees) must submit an electronic payment for its annual renewal fee via LEAP.
- j. **Online Termination of a Branch:** Lenders are required to terminate any of its registered branches that cease operations via LEAP.
- k. **Online Business Changes of a Lender:** LEAP allows lenders to self-update their institution and branch profile information, including updates to addresses, phone numbers, fax numbers, email addresses, NMLS ID, and DBA name of the lender's home office or any registered branches. LEAP also automates the process for requesting business changes and notifications required by HUD Handbooks and Mortgagee Letters, including corporate officer changes, voluntary withdrawal, notification of material events, adding branches, mergers, and branch bulk transfers and acquisitions.

- l. **Non-Online Business Changes of a Lender:** Because LEAP automates the change request processes noted above, non-online business change requests have been eliminated.
  - m. **Non-Online Declaration of Trusts:** FHA approved lenders participating in the creation and operation of a Declaration of Trust (DOT) for the non-Ginnie Mae securitization of FHA-insured loans must submit documents to FHA for approval. Approval requirements are described in 24 CFR 203.433 and 24 CFR 203.434. FHA estimates an average of 5 such approval requests per year.
  - n. **Non-Online reporting of Title I Loan Non-compliances:** Form HUD 92001-C Reporting Non-compliances for FHA Insured Title I Loans is used by lenders with Title I authority to report noncompliance information identified by the lenders themselves pursuant to Quality Control Plan reviews. Lenders with Title I authority are required by Title 1 Letter 447 to promptly report to HUD the discovery of any material misstatements of fact, borrower misuse of loan proceeds, dealer noncompliance or other significant violations in the Title I Program. FHA estimates an average of 50 such reports per year.
  - o. **Online Reporting of Title II Loan Noncompliance:** Lenders with Title II authority must report noncompliance information identified by the lenders themselves pursuant to Quality Control Plan reviews electronically via the Neighborhood Watch Early Warning System. This is commonly referred to as “self-reporting.” In order to reduce duplication of information already on file with FHA, the system automatically populates loan information on file with FHA for each loan number the lender enters into the system. The lender only needs to comment on this automatic data if it is in error. The lender then fills in the remaining boxes with specific information about the non-compliance identified in their Quality Control Review.
  - p. **Non-Online Credit Watch Termination Reinstatement Requests:** Lenders previously requested Credit Watch Termination reinstatements by submitting hard copy requests, but all such requests must now be submitted electronically via LEAP. This eliminates non-online requests.
  - q. **Online Credit Watch Termination Reinstatement Requests:** A lender with Title II authority that has lost its authority to originate or underwrite Title II loans (either for a specific geographic area or in total) via HUD’s Credit Watch Termination Initiative may request reinstatement of that authority. All such requests must be submitted electronically via LEAP.
3. 13,205 (99.5%) of the annual 13,260 responses are currently done online.
  4. The information required in order for FHA to determine if an entity meets the criteria to obtain requested FHA approval is not readily available from other sources. Neither is the information required by FHA in order for entities to renew and maintain their approval, make periodic updates to their approval, submit required reports to FHA or submit requests to voluntarily terminate their FHA approval. Most of these actions are voluntary by the lender, and the lender is the only definitive source of the required information. FHA’s requirements have been revised over the years in order to reduce or eliminate possible duplication.
  5. The burden associated with the approval process is the minimum required to achieve program objectives. The same applies to the additional information required after approval to participate as an FHA lender. Consideration for small business is not a factor.

6. The information collected is required to achieve program objectives. It is used to determine whether an applicant is qualified for participation in the program for which it is applying. The application approval process is the first line of risk evaluation and prevention by the Department for its insured lending programs. Lender applicants must submit required data and documents depending on what type of lender approval they are seeking. These include: (1) State license or registration; (2) DBA (doing business as) approvals; (3) credit report on applicant; (4) credit reports on owners and officers; (5) financial reports on applicants (audited financial reports, regulatory financial reports and/or corporate guaranty agreement); (6) LLC documents; (7) partnership documents; (8) evidence of funding program; (9) quality control plan; (10) fidelity bond; (11) errors & omissions policy; (12) resumes; and (13) other documents the applicant wishes to include to supplement their application. Each applicant must enter its Nationwide Multistate Licensing System and Registry Unique Identifier (NMLS ID) in accordance with the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act) and Section 203 of the Helping Families Save Their Homes Act of 2009, which made compliance with the SAFE Act a condition of eligibility for approval or authorization to participate in FHA programs. Both the Online Application and the Online Annual Certification include certification statements to which the lender must certify indicating that they meet the approval eligibility criteria specified in 24 CFR 202 and HUD Handbook 4000.1. The information collected after approval is critical to monitor each mortgagee's activities. This includes corporate officer changes, voluntary withdrawals, notification of material events, adding branches, mergers and acquisitions, and branch bulk transfers associated with those business changes.
7. Explain any special circumstances requiring:
- Responses more than quarterly. The information collection frequency is the minimum consistent with program objectives. Lender initial applications are one-time events and renewal of approval is annual, and most other collections are associated with lender-initiated requests (e.g. to add branches or voluntarily withdraw from FHA programs). Collections may be more than quarterly for submission of information about business changes or other requests to HUD per regulatory requirements.
  - Responses in fewer than 30 days. Information about business changes or conditions related to key personnel (for example) must be reported within 10 business days of the event per HUD regulatory requirements.
  - More than an original and two copies of any document. N/A
  - Retain records for more than three years. N/A
  - Statistical surveys not designed to produce results that can be generalized to the universe of study. N/A
  - Statistical data classification not been approved by OMB. N/A
  - A pledge of confidentiality that is not supported by 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: N/A
  - Respondents to submit proprietary trade secret, or other confidential information. Company financial statements are requested in order for the Department to determine the eligibility of the entity to participate in the Department's mortgage insurance programs. The Department is authorized to request this information by the statutes cited in item 1 above. The information will not be disclosed outside the Department without prior consent except as required or permitted by law.

8. In accordance with 5 CFR 1320.8(d), a 60-day notice soliciting public comments on this collection was published in the *Federal Register* on September 1, 2015 (FR-5835-N-12 pages 52781-52782). A copy of the *Federal Register* notice is attached. HUD received comments from one FHA-approved lender and one industry association for a total of two submissions in response to the notice. A Summary of Public Comments document is attached. This document presents the main questions and concerns raised by the commenters, as well as HUD's response to each comment.
9. There have been no payments or gifts to respondents.
10. Names and Social Security Numbers are requested in order for the Department to obtain positive identification of the applicant's officers, directors, stockholders and employees who have authority to obligate the applicant. The information is used to determine the eligibility of the individuals to participate in the Department's mortgage insurance programs. The Department is authorized to request this information by 31 U.S.C. § 7701 and Executive Order 9397. It will not be disclosed outside the Department without prior consent except as required or permitted by law.
11. There are no questions of a sensitive nature on the form.
12. The following table shows the estimated burden for each collection effort. Most of the information requested will be collected in order to comply with State requirements to be licensed to operate as non-supervised mortgagees and lenders (commonly known as mortgage bankers), and supervised depository institutions. The estimated burden is to fill out specific forms, enter information into HUD systems, or to duplicate documents that need to be attached.

The estimated cost for the burden hours is computed at \$47 per hour. Hourly costs are based on an estimate of the lender costs including all associated overhead, and staff preparation time. The information submissions prepared by staff are subsequently reviewed by management prior to submission.

Information Collection Burden							
Item No.	Information Collection	No. of Respondents	Total Annual Responses	Hours Per Response	Total Annual Hours	Cost per Hour	Total Annual Cost
A	Online submission of Application for FHA Lender Approval	300	300	1.75	525	\$47	\$24,675
B	Non-online submission of Application for FHA Lender Approval (HUD-92001-A)		0	0	0	\$47	\$0
C	Online Registration of New Branches		300	0.25	75	\$47	\$3,525
D	Non-online Submission of Application for Registration of New Branches (HUD-92100-B)		0	0	0	\$47	\$0
E	Online FHA Lender Approval Application Fee		300	0.05	15	\$47	\$705
F	Online Branch Registration Fee		300	0.05	15	\$47	\$705
G	Online Annual Certification Report/Unable to Certify Report <sup>1</sup>	2,700	2,900	1.00	2,900	\$47	\$136,300
H	Online Annual Financial Statements and Reports		2,700	3.00	8,100	\$47	\$380,700
I	Online Payment of Annual Renewal Fee		2,700	0.25	675	\$47	\$31,725
J	Online Termination of a Branch		200	0.25	50	\$47	\$2,350
K	Online Business Changes of a Lender		1,500	0.25	375	\$47	\$17,625
L	Non-online Business Changes of a Lender		0	0	0	\$47	\$0
M	Non-online Declaration of Trusts		5	5.00	25	\$47	\$1,175
N	Non-online Submission of HUD-92001-C Reporting of Title I Loan Non-Compliances	10	50	1.00	50	\$47	\$2,350
O	Online Submission of Reporting of Title II Loan Non-Compliance	100	2,000	0.25	500	\$47	\$23,500
P	Non-online Credit Watch Termination Reinstatement Requests	0	0	0	0	\$47	\$0
Q	Online Credit Watch Termination Reinstatement Requests	5	5	3.00	15	\$47	\$705
<b>Totals</b>		<b>3,115</b>	<b>13,260</b>		<b>13,320</b>	<b>\$47</b>	<b>\$626,040</b>

<sup>1</sup> Each year of the 2,700 respondents approximately 200 are expected to not be able to meet all necessary requirements for filing certification, so they must also submit an “unable to certify” report which requires further review before they may proceed. The result is 2,900 total responses from 2,700 respondents. The same number of respondents applies to rows H through M of the matrix.

13. There are no additional costs to respondents based on increased hours per response for any items.
14. Hours required for HUD's review and processing of data and documents related to this information collection are estimated at 75% of the total burden hours for the public. Most information is reviewed by HUD in its entirety, but some reviews are risk-targeted. The resulting estimated cost to the Federal government is \$469,530 computed at \$47 per hour (GS13) for approximately 9,990 hours of review and processing. Overhead, including systems operations and maintenance, is estimated at \$250,000. The total estimated cost to the Federal government is \$719,530.
15. This is a revision of a currently approved information collection. This revision reflects policy changes documented in HUD Handbook 4000.1, as well as changes to related forms issued since the last version of this information collection.
16. Only summary information will be forwarded to other Departmental offices for statistical purposes and possible publication.
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.

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**B. Collections of Information Employing Statistical Methods**

This information collection does not employ statistical methods.