

# Supporting Statement for Paperwork Reduction Act Submissions

## Application and Recertification Packages for Approval of Nonprofit Organizations In FHA Activities

OMB Control Number 2502-0540

### A. Justification

1. Sections 203(g)(2), 221(h), and 235(j) of the National Housing Act (12 U.S.C. 1708) permits private nonprofit organizations and public entities to act as mortgagors through use of Federal Housing Administration (FHA) insured mortgage programs to purchase and rehabilitate housing for subsequent resale. HUD's regulations in 24 CFR 200.194 establish eligibility requirements for nonprofit organizations and government entities that seek to participate in certain HUD programs acting as a mortgagor; purchasing HUD's Real Estate Owned (REO) Properties (HUD Homes) at a discount; providing secondary financing; and imposing legal restrictions on conveyance as part of affordable housing programs. Nonprofits must apply and be placed on a roster to participate in the foregoing activities.

Over the course of 2015, HUD's Office of Single Family Housing worked to create a handbook incorporating almost all policy requirements related to our Nonprofit and Government entity programs. This handbook streamlines policy requirements into a single policy source. The handbook did not impact policies related to data and information collection in any material way. The handbook sections related to Nonprofits and Government Entities became effective March 14, 2016. The handbook should make understanding our requirements easier as they all reside in a single policy source.

Procedures for removal of nonprofits with the ability to participate in these programs are codified at 24 CFR 200.195. Authorization to permit HUD to collect and maintain Personally Identifiable information (PII) is located in 42 U.S.C 35449(b).

2. Nonprofit organizations seeking HUD approval to participate in certain specified FHA single family activities must submit financial and management information to HUD. HUD staff uses the information to assess the management and financial capability of the nonprofit to carry out its mission relative to the HUD programs in which it seeks to participate. The information also assists HUD staff to detect any conflicts of interest or activities that may not be permissible. Periodic activity reports are required to assure compliance and monitor activity to keep the risk to the Federal government at a minimum. The collection of information assists HUD to reduce its own risk as well as protect homebuyers from fraudulent activities that occurred prior to this collection activity. Nonprofit organizations are reevaluated every two years to assure they have performed according to plan and to provide HUD with any information on changes that may impact the nonprofit's performance. Only authorized HUD staff has access to the requested information and the agency does not share this information with the public, other agencies or other departments within the agency. The collection requirements have not measurably changed over time, the financial and management information we collect is based on industry standard documentation.
3. Currently, the information is collected electronically. HUD has developed a web-based program management system to facilitate an automated collection of this information. The system is currently being used by HUD management, line staff and nonprofit participants. This Nonprofit Data Management System (NPDMS) is an automated web-based program management tool designed to assist HUD staff with the daily oversight and administration of Single Family's Nonprofit Program activities. This tool allows for on-line reporting and enables potential participants to submit both an application for approval as well as a recertification which is required every two years.
4. This information is not collected elsewhere at HUD. HUD makes every effort to assure no duplication of information is required. **HUD Handbook 4000.1 clearly states that a nonprofit applicant applying for more than one Nonprofit program must only provide information once where duplicate information is requested.**

5. The collection of this information does not place any additional impact on small nonprofit organizations seeking approval to participate in FHA programs. However, the required information is, for the most part, standard and already available in the nonprofit organizations' places of business and may include articles of organization, letters of determination, resolutions, and/or legal documents. Reapplication packages require complete information, but the burden of effort to the organization will become limited to updating the original package. Reports are done in a standard format and are routinely maintained by the organization as a normal function of doing business.
6. Ascertaining the legal eligibility, financial capacity, and experience in housing activities of nonprofit organizations is necessary to comply with the requirements of the National Housing Act, and to assess the organization's ability to participate as a mortgagor in FHA programs. Sound underwriting practices require that HUD evaluate a mortgagor's ability to make mortgage payments on insured properties to minimize risk of monetary loss. HUD also bears the responsibility to assure that homebuyers who purchase homes from nonprofits that participate in the discount sales and other programs receive the benefits derived from those programs. This collection provides the means to meet that obligation.
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 often 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; \* 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 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; 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)(a), HUD is soliciting comments from the public and affected agencies concerning the proposed collection of information. The Notice announcing this collection of information appeared in the *Federal Register* on Tuesday, June 21, 2016 (Volume 81, Number 119, page 40340). No comments were received.

Comments were solicited from three organizations regarding the information collection requirements of this program.

- Jim Paley, Executive Director, Neighborhood Housing Services of New Haven, states that the recertification process is difficult for him because he does the work himself due to the writing required. He indicated that he found HUD staff available and very supportive during the process. He also understood the need to collect Board Member's social security numbers as a risk measure but mentioned that the revelation of sensitive information is awkward.
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- Michelle Mitchell, President, Colorado Housing Assistance Corporation (CHAC), states that recertification process is not difficult. Every time CHAC recertifies they learn something new and the next recertification process is easier. They understand how to use NPDMS and find HUD staff supportive and responsive when they have questions.
- Donna VanNess, President, Tarrant County Housing Partnership, Inc., states that her organization has years of experience submitting recertification packages and so they are able to do it with ease. They do recommend that HUD work to streamline requirements and make them clearer. They find HUD staff supportive and responsive to their requests for help.

**Availability of data:** All data requested is readily available; nonprofit applicants and program participants already submit required information.

**Frequency of collection:** Reporting of properties that are purchased, sold or leased is required through the web-based automated system (NPDMS) no later than 60 days after the transaction. This allows for information to be reviewed close in time to the transaction and allows for regular program monitoring in an effort to reduce risk to the Department. Frequent reporting also allows HUD to easily track noncompliance and allows for staff to provide more frequent technical assistance.

**The format for recordkeeping disclosure, or reporting:** In order for HUD to monitor our programs, program participants should maintain accurate and complete records. HUD Handbook 4000.1 clearly describes documents that should be maintained for on-site review and monitoring purposes.

Where program participants operate FHA's HUD Homes program, individual property files should be maintained for properties purchased, sold or leased when a discount of 10 percent or greater is obtained at the time of purchase. Files should be maintained for a minimum of three years after the property is sold by the nonprofit.

For Secondary Financing, HUD can request second lien documentation and loan performance information.

In addition, HUD may also request closing disclosures, accounting records, affordable housing program plans, marketing plans and quality control reports.

**The data elements to be collected:** HUD Handbook 4000.1 identifies specific information that must be maintained for reporting purposes for our Nonprofit and Government Entity programs.

9. There are no payments or gifts to respondents with respect to this collection.
  10. HUD is authorized to collect and maintain PII pursuant to 42 U.S.C 35449(b). Notice to the public is published in the Federal Register routinely along with the required updates to the Information Collection request. HUD is authorized to collect social security numbers in connection with our programs to mitigate risk pursuant to 31 U.S.C 7701. Social security numbers are collected as part of a nonprofits application. This requirement is also clearly set forth in the HUD Handbook 4000.1. HUD staff employ safeguards in the collection, use and destruction of the social security number. Only authorized HUD staff have access to the requested information and the agency does not share this information with the public, other agencies or other departments within HUD.
  11. No sensitive information is required as part of this collection.
  12. Estimate of public burden. Total number of respondents consists of 59 new applicants and 112 yearly agency re-certifications. The frequency of response varies depending on the information collected:
    - a. HUD is in receipt of applications, agency reporting and agency recertification on an ongoing basis.
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- b. The increase in the hours needed to apply and recertify takes into account the development of the Affordable Housing Program Plan which in previous years was counted as a separate item. The revised hours accurately reflect the hours a nonprofit spends developing and submitting both an application and recertification.
- c. Credit Evaluation of Nonprofits could occur for a maximum of four times per year (worst case scenario). This is due to the requirement for lenders providing financing to perform an analysis of the nonprofit's agency's financial capacity to encumber properties using FHA insurance. Included in this analysis is the review of a 90-day year-to-date financial statement. If requested at specific times, by various lenders, the nonprofit could be required to produce at least four – 90 day year-to-date financial statements.

Description of Info. Collection	Number of Respondents	Frequency of Response	Total Annual Responses	Hours per Response	Total Hours	Hourly Rate	Total Annual Cost
Application	59	1	59	60	3,540.00	\$27.83	\$98,518.20
Agency Reporting	112	1	112	4	448.00	\$27.83	12,468.84
Agency Recertification	112	1	112	30	3,360.00	\$27.83	93,508.80
Credit Evaluation of Nonprofit	112	4	448	3	1,344.00	\$27.83	37,403.52
<b>Totals</b>	<b>395</b>		<b>731</b>		<b>8692.00</b>		<b>\$241899.36</b>

The hourly rate is based on an estimated average annual salary of \$57,885 nonprofit personnel.

Most of the information required under this information collection is maintained by the affected organizations in the normal course of business. Recordkeeping is considered a normal part of the participant's business. The recordkeeping requirement is information HUD expects to view when its staff conducts a review, and HUD ascribes no burden to recordkeeping requirements. Furthermore, the information collected does not come from required individual forms, but is a compilation of information generated from the nonprofits database system.

13. There are no additional costs to respondents or recordkeepers.

14. The following provides estimated annualized costs to the Federal government include staff time needed to coordinate the review and approval of applications, and to monitor housing related activities of participating nonprofit organizations. There is no measurable burden associated with the individual paper being placed in the case binder along with other required documents.

Description of Info. Collection	Total Annual Responses	Hours per Response	Total Hours	Hourly Rate	Total Annual Cost
Application	59	12	708.00	\$34.42	\$24,369.36
Agency Reporting	112	2	224.00	\$34.42	7710.08
Agency Recertification	112	8	896.00	\$34.42	30840.32
Credit Evaluation of Nonprofit	448	2	896.00	\$34.42	30840.32
<b>Totals</b>	<b>731</b>		<b>2724.00</b>		<b>\$93760.08</b>

The hourly rate is a blended rate based on the estimated average annual salaries of both administrative and professional personnel.

15. This is an extension of a currently approved collection. There are adjustments that cause a decrease in the burden. Due to the reduction in estimated applications and recertifications. The new estimates are based on the FY 2015 actual numbers and averaged with previous estimates.

16. There is no anticipated publication of the information gathered through this collection.

17. HUD is not requesting approval to avoid displaying the 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 collection of information does not employ statistical methods.

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