

Supporting Statement for Paperwork Reduction Act Submissions

Personal Financial and Credit Statement OMB Control Number 2502-0097 (HUD-92403)

A. Justification

1. Under Section 207 (b)(1) and (2) of the National Housing Act (Public Law 479, 48 Stat. 1246, 12 U.S.C. 1713 et seq.) the applicable portion of which are attached for references, the Secretary is authorized to insure mortgages on property held by (1) Federal or State instrumentalities, municipal corporate instrumentalities of one or more States, or limited dividend or redevelopment or housing corporations restricted by Federal or State laws or regulations of State banking or insurance departments as to rents, charges, capital structure, rate of return, or methods of operations; or (2) any mortgagor approved by the Secretary. The Secretary may at his discretion, require any such mortgagor to be regulated or restricted as to rents, sales, charges, capital structure, rate of return, and methods of operation so as to provide reasonable rentals to tenants and a reasonable return on investment.

The Department in accordance with regulations cited in 24 CFR 200.54, is legally required to collect Information to evaluate the requirement that funds provided ...must be disbursed in full for project work, Material and incidental charges and expenses before disbursement of any mortgagee proceeds for mortgage insurance. Form HUD-92403 is initiated by the mortgagor through the mortgagee (or mortgagor/contractor) and completed by a mortgage credit person to request the advance of mortgage proceeds to reimburse the mortgagor for funds expended or obligated for construction related items.
Agency form numbers, if applicable: Form HUD-92403.

The development of a multifamily rental property is subject to certain inherent risks that the Department must assess. A project may be subject to costly construction delays, incompetent management, and a probability that income may not cover project expenditures if a comprehensive analysis is not conducted. Therefore, the Department is legally obligated to review the mortgagor's fund advance and other appropriate forms such as Form HUD-92403 in order to minimize the risk to the insurance fund.

2. FHA-approved lenders submit Form HUD-92403, Application for Insurance of Advance of Mortgage Proceeds, to HUD to determine if the project requires periodic continued resources to development and manage a successful project. Form HUD-92403 is used only in individual projects. This information collection is a part of the construction during the initial and final advances and submitted to HUD for approval. HUD-92403 is completed in conjunction with Form HUD 92448 Contractor's Requisition, (OMB Control Number 2502-0028) as a required exhibit.

Form HUD-92403, Application for Insurance of Advance of Mortgage Proceeds request for payment, is listed as an item of the required exhibits in handbook HUD-4470.1. The information obtained is to insure the continued flow of funds to the project until finally endorsed. The respondents are individuals of business entities and non-profit entities, corporations, and general contractors. The Privacy Act Notice Statement, therefore, is applicable.

3. The collection of information does not involve the use of automation. 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 and use 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
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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. A review of multifamily housing forms confirms that no other form provides this particular information. Mortgagor/sponsors are required to submit information during all phases of construction. There are no known methods to reduce the collection burden; this form is only submitted whenever project construction funds are needed.
5. By requiring the submission of this form each time only as needed, during the construction phases, the Department minimizes the burden on small businesses or other small entities.
6. This information is only submitted as needed which tracks the cumulative total of all advances made to the mortgagor including the advance for which approval is being requested. The consequence of less frequent collection would inhibit the Department from making sound conclusions and the ability to obtain adequate information regarding the actual progress of the construction of the project. The Form provides the means to track the already expended and future necessary funds to complete certain portions of the project. As a result, if the collections were conducted less frequently at each step of construction, the Department would be exposed to increased risk in fraud, waste, and mismanagement.
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
 - including 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. The collection of information occurs as needed. The form is all-inclusive and an applicant will not have to provide further information unless the application has to be re-processed due to missing or incomplete information, or the change in their financial status.

8. In accordance with 5CFR 1320.8(d), this information collection soliciting public comments was announced in the Federal Register on **August 31, 2016**, Volume **81**, No. **169**, Pages **60015**. **(No)** Comment received.

Consultation was provided by mortgage credit staff in Regional Offices and private industry 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 submissions. The following knowledgeable individuals were contacted:

JoAnne Sonberg, Senior Underwriter
 Northeast Regional Office
 U.S. Department of HUD
 10 South Howard Street
 Baltimore, MD 21201-2505
 410-209-6601

Elizabeth Arteaga, Branch Chief
 Southwest Regional Office
 U.S. Department of HUD
 801 Cherry Street, Unit #45
 Suite 2500
 Fort Worth, TX 76102
 817-978-5498

Ken Buchanan
 Walker and Dunlop, LLC
 7501 Wisconsin Ave, Ste. 1200
 Bethesda, MD 20814
 410-500-4302

- 9. There are no payments or gifts of any kind provided to respondents.
- 10. Each respondent who completes the form will read the Privacy Act Statement. The Department’s policy requires the collection of information, and failure to do so will result in disapproval of participation in the HUD program and/or delayed action on the proposal.

We assure confidentiality to respondents in accordance with the Freedom of Information Act (FOIA). If this information collection was not collected, it could have an impact on the ability of the Department’s mission to provide safe and sanitary housing units.

- 11. This form does not request information that is considered sensitive in nature.
- 12. Estimates of public burden and costs to respondents:

Information Collection	Number of Respondents	Frequency of Response	Responses Per Annum	Burden Hour Per Response	Annual Burden Hours	Hourly Cost Per Response	Annual Cost
HUD-92403	873	30	26,190	2	52,380	\$31.00	\$1,623,780

- 13. There are no additional costs to respondents.
- 14. Estimate annualized costs to the Federal government:

Information Collection	Number of Respondents	Frequency of Response	Responses Per Annum	Burden Hour Per	Annual Burden	*Hourly Cost Per	Annual Cost
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				Response	Hours	Response	
HUD-92403	873	30	26,190	2	52,380	\$43.32	\$2,269,102

*The hourly rate is based on the 2016 Federal salary of GS level 12, step 6, at \$43.32 per hour.

15. This is an extension of a currently approved collection. The number of respondents has increased from the previous information collection due to economic demand. However, an Elderly Program has since been transferred to another HUD Department not under Development Jurisdiction. Individual mortgagors and principals are required to submit form HUD-92403. A majority of the applications submitted to HUD for mortgage insurance are from corporations or partnerships. Only a small percentage of applications are from individual mortgagors.
16. Collection of this information will not be published. Each form will be maintained with the HUD Program Office in individual case files.
17. OMB expiration date will be displayed on the appropriate form.
18. There are no exceptions to the “Certification for Paperwork Reduction Act Submission”, item 19 of the OMB 83-I.

B. Collections of Information Employing Statistical Methods.

There are no plans to use statistical methods of collection of this information. Collection for this information occurs at least once for each multifamily processing submitted.