Supporting Statement for Paperwork Reduction Act Submissions

Title: Technical Processing Requirements for Multifamily Project Mortgage Insurance
OMB Control Number 2502-0594

A. Justification

1. The eligibility requirements set forth in 24 CFR 200, subpart A, apply to multifamily project mortgages insured under Sections 207, 213, 220, 221, 223, 231, 241 of the National Housing Act (Public Law 479, 48, 1246, 12 U.S.C. 1701 et. seq.), applicable portions of which are attached for reference, authorizes the Secretary of the Department of Housing and Urban Development (HUD) to insure mortgages made by private lending institutions to finance the construction, rehabilitation, acquisition, improvements or repairs of multifamily rental housing. The Secretary is authorized to determine eligibility of a proposed project with respect to compliance with FHA statutory and regulatory requirements with regard to the mortgagor's ability to carry and pay the proposed mortgage debt.

2. During each stage of an application for mortgage insurance, HUD is required to undertake a series of technical steps. The technical process is to assure the financial, physical and environmental soundness of the project, as well as the potential insurance risk. Sponsors, mortgagors and contractors must undergo a thorough examination to determine their solvency, reliability, past experience, and dependability to develop, build, and operate the type of project they propose. There are four simultaneous elements to technical processing which applications go through during each phase of Traditional Application Processing (TAP) or Multifamily Accelerated Processing (MAP). During the underwriting processing, HUD is required to review various forms and data regarding the operating expenses, taxes, occupancy, rent-up and other information relevant in the determination of project feasibility. The valuation analysis of the technical processing is performed for the purpose of evaluating the property as security for a long-term insured mortgage. When conducting the valuation analysis, HUD develops conclusions with respect to the market need, location, taxes, earning capacity, and other features having a bearing on the economic soundness of the project. HUD's objective is to have a properly designed project in the right location, capable of the highest loan-to value ratio allowed by law. HUD must ensure that the project mortgage meets the needs of the rental market at rents which pay all expenses of operation, debt service, and return on equity where permitted. During the architectural analysis, HUD is required to determine the acceptability of the physical improvements; to provide architectural conclusions necessary to minimize the mortgage risk; and to improve the quality of housing. The mortgage credit analysis involves an assessment of the mortgagor's financial capability and credit worthiness to complete and operate the project. HUD is required to determine the degree of risk that a mortgagor is undertaking to complete the project satisfactorily and provide competent management of the project; and whether the income will provide for all operating expenses, amortization payments, and permitted return on investment. During the mortgage credit analysis, HUD is required to perform a thorough credit investigation of the project sponsor and the general contractor. HUD conducts an investigation based on current information of the sponsor's, mortgagor's and general contractor's bank references, commercial credit reports for businesses, financial statements, and other necessary financial support information. HUD determines the maximum insurable mortgage prior to final endorsement based upon the actual cost of the completed project and the amount of reduction or increase of the original mortgage amount. The following forms are used during each phase of technical processing for multifamily mortgage insurance:

a. **Form HUD-2283- Financial Requirements for Closing:** HUD-2283 is prepared by the underwriter to provide details of the financial requirements during the issuance of a firm commitment for insured advances. This is a standard business practice.

b. **Form HUD-92433 – Mortgagor's Certificate:** In Form HUD-92433, the mortgagor agrees to be bound by the applicable regulations and contract instruments. The mortgagor also acknowledges the contents of the mortgagee's certificate and agrees to be bound by it.

c. **Form HUD-92403.1 – Mortgagor's & Architect Certificate of Payment:** Form HUD-92403.1 are used by the mortgagor to certify the amount paid to the architect.

3. HUD has re-evaluated this collection and determined that it is not appropriate to collect this information electronically. HUD must be able to authenticate the source and accuracy of the information submitted with original signatures. Loans for multifamily projects are frequently in the hundreds of millions of dollars, and the level of risk for financial loss is very high. Based on the above re-evaluation, we have determined that this information collection is high risk and has low usage; therefore, it not be considered for automation. The Department will assess potential risks for all transactions using electronic signatures and identify measures to minimize their impact. The nature of each transaction will determine whether electronic signatures should be or legally can be offered as an alternative.

4. This information is not collected elsewhere. A review of Multifamily Housing information collections confirms that no other information collection provides this particular information.

5. This collection of information will not have a significant impact on small business or other small entities. Multifamily housing project owners/sponsors are rarely small businesses.

6. If the information were not collected, the HUD would have no record of completion to provide to the satisfaction of all parties of the contract and responsible local government officials.

7.Explain any special circumstances that would cause an information collection to be collected 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**

8.In accordance with 5 CFR 1320.8(d), the agency's notice soliciting public comments was announced in the Federal Register on **January 20, 2017**, Vol. **82**, No. **117**, page **28085**. No comments have been received.

The following mortgage lenders were solicited:

(1) AmeriSphere Multifamily Finance, LLC
1900 Grant Street, Suite 750
Denver, CO 80203-4357
(303) 831-6004
jbeck@amerisphere.net

(2) D. Ansely Co, Inc.
70 NE Loop 410
Suite 880
San Antonio, TX 78216
(210) 366-3344

(3) M&T Realty Capital Corporation
25 S. Charles Street, 17th Floor
Baltimore, MD 21201
1-800-737-2344

9. No payments or gifts of any kind are provided to respondents.

10. The current information collection does not describe any assurance of confidentiality. This information collection does not ask any information about individuals other than name, address, telephone number, and association with the proposed project. The Privacy Act Statement covers exhibits, which do ask for personal data.

11. The forms do not include questions of a sensitive nature.

12. Estimated burden hours and costs to the respondents:

Information Collection	Number of Respondents	Frequency of Response	Responses Per Annum	Burden Hours Per Response	Annual Burden Hours	Hourly Cost	Total Annual Cost
HUD-92283	520	1	520	Standard Business Practice			
HUD-92433	520	1	520	.5	260	$40	$10,400
HUD-9403.1	520	1	520	.5	260	$40	$10,400
Totals	**520**		**1,560**		**520**		**$20,800**

*The hourly rate is an estimate based on an average annual salary of $104,000 for developers and mortgagees.
*Standard Business Practice (SBP)

13. There are no additional costs to respondents.

14. Annualized burden and cost to the Federal government:

Information Collection	Number of Respondents	Frequency of Response	Responses Per Annum	Burden Hours Per Response	Annual Burden Hours	Hourly Cost	Total Annual Cost
HUD-92283	520	1	520	Standard Business Practice			
HUD-92433	520	1	520	.5	260	$39.19	$10,189
HUD-92403.1	520	1	520	.5	260	$39.19	$10,189
Totals	**520**		**1,560**		**520**		**$20,378**

Hourly cost is based on a GS 12/5of $39.19
*Standard Business Practice (SBP)

15. This is an extension of a currently approved collection.

16. Collection of this information will not be published. Each form will be maintained with the HUD Program Office in individual case files.

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 Form OMB 83-I.

B. Collections of Information Employing Statistical Methods

This collection does not involve statistical methods.