

SUPPORTING STATEMENT FOR VA FORMS 26-1820, 26-8497, 26-8497a
COMPLIANCE INSPECTION REPORT
(2900-0521)

A. JUSTIFICATION

1. Explain the circumstances that make the collection of information necessary. Identify legal or administrative requirements that necessitate the collection of information.

Under 38 U.S.C. 3710, a loan may not be guaranteed unless the veteran is a satisfactory credit risk. The statute also requires that VA set forth in regulatory form standards to be used by lenders in underwriting VA-guaranteed loans and obtaining credit information. These standards are set forth at 38 CFR 36.4340. They require lenders to collect certain specific information concerning the veteran and the veteran's credit history (and spouse or other co-borrower, as applicable), in order to properly underwrite the veteran's loan. Collection of this information is normal business practice for mortgage lenders.

2. Indicate how, by whom, and for what purposes the information is to be used; indicate actual use the agency has made of the information received from current collection.

VA requires the lender to provide the Department with the credit information to ensure that applications for VA-guaranteed loans are underwritten in a reasonable and prudent manner.

a. VA Form 26-1820 is used for loans closed on the prior approval and automatic basis. This form serves as a common use form. It is used by lenders closing VA loans under 38 U.S.C. 3710 and thereby complies with the provisions of 38 U.S.C. 3702(c) (exhibit C) which requires lenders to report to the Secretary on loans guaranteed or insured.

b. VA Forms 26-8497 and 26-8497a are used to collect data necessary for VA compliance with the requirements of 3710(b)(2) and (3). These requirements prohibit VA from guaranteeing or making any loan unless the contemplated terms of payment required in any mortgage to be given in part payment of the purchase price or the construction cost bear a proper relation to the veteran's present and anticipated income and expenses and that the veteran is a satisfactory credit risk.

VA Form 26-8497 is used by lenders to verify a loan applicant's income and employment information when making guaranteed and insured loans. However, VA does not require the exclusive use of this form for verification purposes; any comprehensible form of independent verification would be acceptable, provided all information presently shown on VA Form 26-8497 is provided. VA Form 26-8497(a) is primarily used by lenders making guaranteed and insured loans to verify deposits of applicants in banks and other savings institutions.

3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g. permitting electronic submission of responses, and the basis for the decision for adopting this means of collection. Also describe any consideration of using information technology to reduce burden.

VA Forms 26-1820, 26-8497, and 26-8497a are currently available on the One-VA website in a fillable electronic format. VBA is currently hosting this form on a secure server. These forms are part of the loan package lenders prepare in a loan closing. Presently, when VA requests a loan package for an audit, the lender uploads file images to a secure VA system (webLGY). VA audits approximately 5.5% percent of VA-guaranteed loans.

4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in Item 2 above.

This information collection does not duplicate any existing information collection. Insofar as VA is potentially liable to the extent of the guarantee for each loan, the Department has an interest in ensuring that each application for a VA-guaranteed home loan is underwritten in a reasonable and prudent manner, taking into account all the factors present for each veteran-applicant.

5. If the collection of information impacts small businesses or other small entities, describe any methods used to minimize burden.

There is no additional burden on small business and other small entities. The collections of information are consistent with prevailing industry practices.

6. Describe the consequences to Federal program or policy activities if the collection is not conducted or is conducted less frequently as well as any technical or legal obstacles to reducing burden.

Collecting credit information is standard business practice for lenders underwriting loans. The information collections are consistent with prevailing industry practices and are not unique to VA.

7. Explain any special circumstances that would cause an information collection to be conducted more often than quarterly or require respondents to prepare written responses to a collection of information in fewer than 30 days after receipt of it; submit more than an original and two copies of any document; retain records, other than health, medical, government contract, grant-in-aid, or tax records for more than three years; 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 and require the use of a statistical data classification that has not been reviewed and approved by OMB.

There are no special circumstances that require the collection to be conducted in a manner inconsistent with the guidelines in 5 CFR 1320.6.

8. If applicable, provide a copy and identify the date and page number of publication in the Federal Register of the sponsor's notice, required by 5 CFR 1320.8(d), soliciting comments on the information collection prior to submission to OMB. Summarize public comments received in response to that notice and describe actions taken by the sponsor in responses to these comments. Specifically address comments received on cost and hour burden.

The 60-day notice was published in the Federal Register on April 5, 2017, and the 30-day notice was posted on June 30, 2017. A public comment was received during the 30-day notice with a suggestion to amend the demographic questions on blocks 28a -29d of VA Form 26-1820 to mirror Fannie Mae's redesigned Uniform Residential Loan Application (URLA), which will be deployed on January 1, 2018. The demographic questions asked on the current VA form are used for statistical analysis and align to how VA reports this information. Therefore, VA will continue to collect the demographic information on the VA Form 26-1820.

9. Explain any decision to provide any payment or gift to respondents, other than remuneration of contractors or grantees.

No payments or gifts to respondents have been made under this collection of information.

10. Describe any assurance of privacy, to the extent permitted by law, provided to respondents and the basis for the assurance in statute, regulation, or agency policy.

Loan Guaranty Home, Condominium and Manufactured Home Loan Applicant Records, Specially Adapted Housing Applicant Records, and Vendee Loan Applicant Records - VA (55VA26) contained in the Privacy Act Issuances, 2001 Compilation.

11. Provide additional justification for any questions of a sensitive nature (Information that, with a reasonable degree of medical certainty, is likely to have a serious adverse effect on an individual's mental or physical health if revealed to him or her), such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private; include specific uses to be made of the information, the explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their consent.

No sensitive questions appear on this form.

12. Estimate of the hour burden of the collection of information:

Estimate of Information Collection Burden

- a. Number of respondents is estimated at 900,000 per year.

VA Form 26-1820	600,000
VA Form 26-8497	150,000
VA Form 26-8497a	150,000
- b. Frequency of response is generally one-time.
- c. Annual burden is 187,500 hours.

VA Form 26-1820	150,000 hours
VA Form 26-8497	25,000 hours
VA Form 26-8497a	12,500 hours
- d. The estimated response time is 15 minutes per response.

VA Form 26-1820	15 minutes
VA Form 26-8497	10 minutes
VA Form 26-8497a	5 minutes

e. The respondent population is composed of anyone assuming veterans' guaranteed, insured, and direct home loans. VBA cannot make further assumptions about the population of respondents because of the variability of factors such as the educational background and wage potential of respondents. Therefore, VBA used general wage data to estimate the respondents' costs associated with completing the information collection.

The Bureau of Labor Statistics (BLS) gathers information on full-time wage and salary workers. According to the latest available BLS data, the median weekly earnings of full-time wage and salary workers are \$929.20. Assuming a forty (40) hour work week, the median hourly wage is \$23.23 based on the BLS wage code – "00-0000 All Occupations". This information is taken from the following website: (http://www.bls.gov/oes/current/oes_nat.htm, May 2015).

Legally, respondents may not pay a person or business for assistance in completing the information collection and a person or business may not accept payment for assisting a respondent in completing the information collection. Therefore, there are no expected overhead costs for completing the information collection. VBA estimates the total cost to all respondents to be \$4,355,625.

VA Form 26-1820 (150,000 burden hours X \$23.23)	\$ 3,484,500
VA Form 26-8497 (25,000 burden hours X \$23.23)	\$ 580,750
VA Form 26-8497a (12,500 burden hours X \$23.23)	\$ 290,375
Total Cost to all respondents:	\$ 4,355,625

13. Provide an estimate of the total annual cost burden to respondents or record keepers resulting from the collection of information. (Do not include the cost of any hour burden shown in Items 12 and 14).

This submission does not involve any record keeping costs.

14. Provide estimates of annual cost to the Federal Government. Also, provide a description of the method used to estimate cost, which should include quantification of hours, operation expenses (such as equipment, overhead, printing, and support staff), and any other expense that would not have been incurred without this collection of information. Agencies also may aggregate cost estimates from Items 12, 13, and 14 in a single table.

VA audits approximately 5.5% percent of VA-guaranteed loans that are sent to lenders. Lenders are separate entities from the federal government. Cost below represents the 5.5% percent of VA-guaranteed loans that are reviewed by VA employees.

Estimated Costs to the Federal Government:

VA Form #	Grade	Step	Burden Time (minutes)	Hourly Rate	Cost Per Response	Audited applications (5.5% of respondents)	Total
26-1820	10	5	15	\$25.87	\$ 6.46	33,000	\$ 213,180
	Overhead at 100% Salary						\$ 213,180
26-8497	10	5	10	\$25.87	\$ 4.31	8,250	\$ 35,558
	Overhead at 100% Salary						\$ 35,558

26-8497a	10	5	5	\$25.87	\$ 2.15	8,250	\$ 17,738
	Overhead at 100% Salary						\$ 17,738
	Overhead costs are 100% of salary and are same as the wage listed above and the amounts are included in the total.						
	Printing and Production Cost						\$0
	Total Cost to Government						\$266,476

Note: the hourly wage information above is based on the hourly 2017 General Schedule (Base) Pay (<https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/2017/general-schedule/>). This rate does not include any locality adjustment as applicable.

The average grade level for employees who audit VA-guaranteed loans is GS-10 step 5.

15. Explain the reason for any burden hour changes since the last submission.

There is no change in burden hours.

16. For collections of information whose results will be published, outline plans for tabulation and publication. Address any complex analytical techniques that will be used. Provide the time schedule for the entire project, including beginning and ending dates of the collection of information, completion of report, publication dates, and other actions.

The information collection is not for tabulation or publication use.

17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.

We are not seeking approval to omit the expiration date for OMB approval.

18. Explain each exception to the certification statement identified in Item 19, “Certification for Paperwork Reduction Act Submissions,” of OMB 83-I.

This submission does not contain any exceptions to the certification statement.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

The data collection does not employ statistical methods.