

# Supporting Statement for Paperwork Reduction Act Submissions 2502-0118 - Previous Participation Certification

## A. Justification

1. The regulations governing the Previous Participation Certification (HUD-2530) review and clearance procedures are set forth at 24 CFR 200.210 - 200.245, 24 CFR 200.300, and 24 CFR 200.400 – 200.430. Copies of these authorities are attached. The HUD-2530 form is used to protect HUD's Multifamily Housing programs by comprehensively assessing industry participants. The information on this form needs to be collected by the Department in order to evaluate participants' performance and compliance with contracts, regulations, and directives. The information from this form is used to determine if their participation poses a significant risk to the Department. It is the Department's policy that participants in its housing programs honor their legal, financial, and contractual obligations. Accordingly, uniform standards are established for approvals, disapprovals, or withholding actions on principals in projects based upon their past performances as well as other aspects of their records. Respondents such as owners, managers, consultants, general contractors, and nursing home operators and administrators will be subject to review.
2. HUD multifamily housing projects usually involve millions of federal government dollars that has been obligated in subsidized mortgages, rents, grants, construction contracts, and loans. Accordingly, principals are evaluated through the HUD-2530 process in order to protect the public interest and minimize risk. The HUD-2530 process extends to individuals or entities participating in the ownership and/or management of projects. As a result of their decision making abilities, the individuals and entities have a direct impact on a project's viability. As an insurer, the Department can apply the HUD-2530 process to any management official. Additionally, the Department reviews the information provided by participants to ensure federal monies will be handled by individuals/entities with a history and track record of compliance.

Applicants must file a form HUD-2530 upon initial participation for HUD's multifamily programs or when notifying HUD of a proposed substitution or addition of a principal. The form HUD-2530 must also be filed when or if there are changes in roles or proposed participation in a different capacity from what has been previously approved. Respondents can include owners, managers, consultants, general contractors, and nursing home operators and administrators.

The HUD-2530 process provides review and clearance for participants in HUD's multifamily insured and non-insured projects. The information collected (participants' previous participation record) is reviewed to determine if they have carried out their past financial, legal, and administrative obligations in a satisfactory and timely manner. The HUD-2530 process requires a principal to certify to their prior participation in multifamily projects, and to disclose other information which could affect the approval for the proposed participation.

3. The collection of this information has been automated through Active Partners Performance System ("APPS"). Participants were notified through publications in the Federal Register and other HUD directives that the Department was phasing out the paper HUD-2530 form. In June 2006, the Department no longer accepted the HUD 2530 paper form and all industry participants were required to use APPS to submit previous participation information. However in July 2007, industry participants lobbied congress and successfully resurrected the paper HUD-2530 form as an alternative to APPS when providing previous participation certification.
4. No duplication exists. Applicants have the choice to submit 2530 electronically or in paper.
5. This collection will not have a significant economic impact on small businesses or entities.

6. The information collected by the Form HUD-2530 is the minimum needed to achieve program objectives. The information collected and the frequency with which it is collected is necessary for the Department to manage the risk to the mortgage insurance fund.

7. There is no frequency for information collection. Information is collected when the multifamily participants propose to participate in projects. Based on HUD's review, if information provided is not in compliance with 24CFR part 200, the respondents will be requested to modify the information to comply with the regulations, in about two weeks of receipt of information. Respondents are required to submit just the original (if paper) and just one electronic submission of all required information. No copies are needed. Respondents shall keep the records as long as they are actively participating in HUD projects. No statistical survey is involved with this information collection and no statistical data classification is conducted. Confidentiality of the information collected is covered in system of records notice (SORN) that is published in the Federal Register. The information collected does not contain any trade secret.

8. Information collected is conducted in a manner consistent with the guidelines of 5 CFR 1320.6. HUD conducted a meeting of industry partners to identify issues with 2530 submission process and ways to improve the process. The recommendations included designing a new system to improve the submission and review process, resolving flags in a timely manner, revising the regulations for clarity and populating inspections scores and management and occupancy review ratings more efficiently. Based on the recommendations, HUD drafted revised regulations and completed the design of a new system.

In accordance with 5CFR 1320.8(d), this information collection soliciting public comments was announced in the Federal Register on **November 17, 2015**, Volume **80**, No. **221**, Pages **71818**. (N/A) Comments received.

9. There will be no gifts or payments given to respondents.

10. Assurance of confidentiality is provided by respondents under the Privacy Act of 1974. In addition, a Privacy Act Statement is included on the HUD-2530.

11. No questions of a sensitive nature are part of the HUD-2530 application procedures.

12. Annual Burden Estimate:

| Information Collection                      | Number of Respondents | Frequency of Response | Total Annual Responses | Burden Hours per Response | Total Annual Burden Hrs | Hourly Cost | Total Annual Cost |
|---|-----------------------|-----------------------|------------------------|---------------------------|-------------------------|-------------|-------------------|
| <b>Previous Participation Certification</b> |                       |                       |                        |                           |                         |             |                   |
| 1. HUD-2530 (Paper)                         | 4,000                 | 1                     | 4,000                  | 3                         | 12,000                  | \$20        | \$240,000         |
| 2. HUD-2530 (Electronic)                    | 5,900                 | 1                     | 5,900                  | 1                         | 5,900                   | \$20        | \$118,000         |
| <b>TOTAL</b>                                | <b>9,900</b>          |                       | <b>9,900</b>           |                           | <b>17,900</b>           |             | <b>\$358,000</b>  |

**All Items:**

- Number of estimated respondents based on information in HUD systems. Burden hours were estimated from information obtained from respondents who submit 2530.
- Hourly cost is based on hourly salary of a paralegal obtained from an employer. The cost per hour could vary, based on the locality of the project.

**Item 1**

- Number of estimated total annual responses based on owner/agent submissions using the paper form HUD-2530 tracked through HUD systems. Increase in burden hours for paper 2530 is due to participation of multitier entities with complex tier structures, large number of participants in various tiers and increased number of projects.

**Item 2**

- Number of estimated total annual responses based on owner/agent electronic submissions of HUD-2530 tracked through APPS. Increase in burden hours for electronic 2530 is due to participation of multitier entities with complex tier structures, large number of participants in various tiers and increased number of projects.

13. Increase in burden hours for paper 2530 is due to participation of multitier entities with complex tier structures, large number of participants in various tiers and increased number of projects that requires update of inspection scores and management and occupancy review ratings while submitting 2530.

**14. Annual Cost to the Federal Government:**

| Information Collection        | Number of Responses | Hours per Response | Total Annual Hours | Hourly Cost | Total Annual Cost |
|-------------------------------|---------------------|--------------------|--------------------|-------------|-------------------|
| HUD-2530                      | 9,900               | 2                  | 19,800             | \$29        | \$574,200         |
| Review of other documentation | 9,900               | 1                  | 9,900              | \$29        | \$287,100         |
| <b>Totals</b>                 | <b>19,800</b>       | <b>3</b>           | <b>29,700</b>      | <b>\$29</b> | <b>\$861,300</b>  |

\*Estimated annual cost to the Federal Government assuming that a GS-12 Project Manager to review the information.

15. This is a revision of a currently approved collection. The 10,400 hr. increase in annual hour burden for respondents compared to current OMB inventory is because of the participation of multi-tiered organizations with participants in various tiers that substantially increases the effort to prepare the 2530 form, create organization chart and provide previous participation in multifamily projects for the previous 10 years. A \$426,300 (\$861300-435,000=426000) increase in cost to federal government is due to the increase in the hours for review of responses including analysis of organization chart, non-compliance flags and previous participation.

16. HUD is not seeking approval not to display the expiration date for OMB approval of the information collection.

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18. There are no exceptions to the Certification Statement identified in item 19 of the OMB 83-I.

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

There are no statistical methods used in this collection.