

## Supporting Statement for Paperwork Reduction Act Submissions

### Application for Fee or Roster Personnel (Appraisers and Inspectors) Designation and Appraisal Reports

OMB 2502-0538

(Form HUD-92563A, Form HUD 92563I, Form HUD-92564-CN, and Fannie Mae Forms: 1004, 1004c, 1025, 1073, 1075, 2055)

#### A. Justification

1. This information collection clearance package seeks to renew the OMB approval of 2502-0538. Section 203 (b) of the National Housing Act (P.L.479, 48 Stat.1246, 12 U.S.C. 1702 et seq.) authorizes the Secretary of HUD, upon application by the lender, to insure mortgages offered to HUD that are eligible for insurance. The Housing and Community Development Act of 1987, 42 U.S.C. 3543 authorizes HUD to collect the SSN on form 92563A and 92563I. Regulations codified at 24 CFR 203.15 require valuations pertinent to eligibility for HUDs single family mortgage insurance programs.

Accurate and thorough appraisal reporting is critical to the accuracy of underwriting for the mortgage insurance process. The need for accuracy is increased for FHA insured mortgages since buyers tend to have more limited income and lower equity in the properties. This collection of information provides a more thorough and complete appraisal of prospective HUD-insured single-family properties ensuring that mortgages are acceptable for FHA insurance and thereby protect the interest of HUD, the taxpayers, and the FHA insurance fund. Policies and procedures for governing the national FHA Appraiser Roster are set forth in Title 24 of the CFR: 24 CFR 200.200-200.206.

2. **FHA Appraiser Roster collection on Form HUD-92563A.** Section 202(e) of the National Housing Act authorizes the Secretary to prescribe standards for the appraisal of property to be insured by the Federal Housing Administration. Such appraisals shall be performed in accordance with the FHA valuation policy- appraisal protocol, which includes the Uniform Standards of Professional Appraisal Practice.

The form requires the appraiser to scan print, sign, scan and resend the document and all the certifications that the appraiser makes are included above the appraiser's signature. Until electronic signature capability is possible, HUD will require a scan of an "ink" signature. Qualified applicants are then placed on rosters/registers from which FHA approved mortgagees select appraisers. Appraisers seeking renewal to the Roster submit copies of state certification/license only. This information is collected when the appraiser applies to be on the Roster and is stored electronically in FHA Connection but is only available to be displayed by certain HUD employees with special clearance. The information will not be shared with any other government agency.

**FHA Inspector Roster collection on Form HUD-92563I.** FHA approved inspectors are used by participating mortgage lenders to assess the quality of the construction of homes before the

homes can be accepted as security for FHA insured loans. Construction standards must be acceptable to FHA, including minimum property standards (MPS), and model codes set forth in 24 CFR 200.925 and 24 CFR 200.926. Applicants must certify that they are familiar with the local codes, State codes, or International Residential Code (IRC) or Council of American Building Official (CABO) codes, in addition to HUD's MPS. This information collection is necessary to identify the qualifications and skills of individuals seeking to function as FHA approved inspectors. Policies and procedures for governing the national FHA Inspector Roster are set forth in Title 24 of the CFR: 24 CFR 200.170-200.172.

The information collected is used by HUD staff to evaluate the qualifications and skills of inspectors seeking to be placed on the Department's roster of approved inspectors. The information collection is essential to the Department's efforts to ensure that compliance inspectors, who determine the quality of the construction of properties before they can be accepted as security for FHA insured loans, possess the prerequisite knowledge and skills to make those determinations. Inspectors seeking to be placed on FHA's Inspection Roster must submit applications to be considered as inspectors in HUD's single family housing programs. The uses of qualified compliance inspectors are viewed as critical to minimizing the placement of FHA mortgage insurance on poorly constructed dwellings. This information is collected when the inspector applies to be on the Roster and is stored electronically in FHA Connection but is only available to be displayed by certain HUD employees with special clearance. The information will not be shared with any other government agency.

The number of inspector applications expected is smaller than in previous submissions because the estimate is based on the actual number of inspector applications expected. The number actually expected is significantly smaller as HUD has published a proposed rule in the Federal Register to eliminate the Inspector Roster. The number of inspectors expected to apply for the roster is significantly lower as inspectors anticipate the elimination of the roster and see no reason to submit an application.

If HUD removes either an appraiser or an inspector from the roster, HUD must provide them written notice. Appraisers and inspectors wishing to be reinstated must send HUD a written response appealing the proposed removal and send a written request for a conference. If there has been a state sanction for appraisers, HUD requires evidence demonstrating that the state-imposed sanction has been lifted. There are approximately 1,711 proposed actions/sanctions per year among the four Homeownership Centers. The average time to prepare a response to the notification of sanction is approximately 90 minutes.

**Fannie Mae Forms: 1004, 1004c, 1025, 1073, 1075, 2090, 2055, 1004MC, and 1004D.** Section 202(e)(3) of the National Housing Act (12 U.S.C. 1708) requires the Secretary to prescribe standards for the appraisal of all property to be insured by the Federal Housing Administration (FHA). Appraisal requirements for FHA properties are set forth in Title 24 of the Code of Federal Regulations (CFR) at 24 CFR 200.145, 203.255(b)(1), 203.5 and 203.39. Form 1004MC is a new form, recently created by Fannie Mae to address the rapidly changing real estate market and is an industry standard form.

An appraisal is generally required for all single-family property mortgage transactions. It is a real estate/mortgage industry standard required by organizations such as the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie

Mac) and the Department of Veterans Affairs (VA). FHA requires the following type of Fannie Mae Report Forms for specific types of property. Lenders collect these forms with every loan through Electronic Appraisal Delivery (EAD). The information will not be shared with any other government agency.

Fannie Mae Form 1004 dated March 2005, “Uniform Residential Appraisal Report” required to report an appraisal of a one-unit property or a one-unit property with an accessory unit.

Fannie Mae Form 1004C dated March 2005, “Manufactured Home Appraisal Report” required to report an appraisal of a one-unit manufactured home.

Fannie Mae Form 1025 dated March 2005, “Small Residential Income Property Appraisal Report” required to report an appraisal of a two- to four-unit property.

Fannie Mae Form 1073 dated March 2005, “Individual Condominium Unit Appraisal Report” required to report an appraisal of a unit in a condominium project or a condominium unit in a planned unit development (PUD).

Fannie Mae Form 2090 dated March 2005, “Individual Cooperative Interest Appraisal Report” required to report an appraisal of an individual interest in a cooperative project or cooperative project in a planned unit development (PUD).

Fannie Mae Form 1075 dated March 2005, “Exterior-Only Inspection Individual Condominium Unit Appraisal Report” may be used to report an appraisal of a unit in a condominium project or a condominium unit in a planned unit development (PUD) in an FHA-to-FHA refinance transaction only.

Fannie Mae Form 2055 dated March 2005, “Exterior-Only Inspection Residential Appraisal Report” may be used to report an appraisal of a one-unit property or a one-unit property with an accessory unit in an FHA-to-FHA refinance transaction only.

Fannie Mae Form 1004MC dated March 2009, Market Conditions Addendum to the Appraisal Report” is required as an addendum to all appraisal forms. This form allows the appraiser to report the market conditions that were previously analyzed but not reported.

Fannie Mae Form 1004D dated March 2005, “Appraisal Update and/or Completion Report” is required as an addendum to update the appraisal or used to confirm that the requirements or conditions stated in the appraisal report have been met.

**Form HUD-92564-CN.** In addition to the industry standard appraisal forms, HUD requires the disclosure of the form HUD-92564-CN. This form is provided to every borrower obtaining an FHA insured mortgage. The form is not signed or collected by FHA and neither stored nor provided to any other agency.

Form HUD-92564-CN, “For Your Protection: Get A Home Inspection,” explains to the homebuyer the importance of independent home inspections and is available in both English and Spanish

## HUD-Real Estate Owned

HUD does require its appraisers to provide two additional information items for HUD-owned properties only. The first is a Statements of Insurability, which indicates whether or not the property meets minimum FHA property standards in its “as is” condition, with or without repairs costing \$10,000 or less. The second item is a list of possible buyer incentives, which may include suggestions for cosmetic enhancements such as new carpet or financial incentives like a discounted sales price. Neither of these requirements is considered to require much time on the part of the appraiser, and no burden hours are attributed to their requirement.

3. Form HUD-92563A and HUD-92563I, “Application for Appraiser Fee or Roster Personnel Designation,” and Form HUD-92564-CN, “For Your Protection: Get A Home Inspection,” are available online at HUD’s Client Information and Policy System (HUDClips) world wide web address, <http://www.hudclips.org> in PDF fillable file formats. New applicants are required to print the form, sign it and scan into a .pdf file and submit electronically the completed form HUD-92563A or HUD-92563I so that HUD will have original signatures on file. Pending the development of a Department-wide standard for electronic signatures the completed form HUD-92563A and form HUD-92563I are only automated for storage. Scanned copies of licenses and/or certifications are acceptable.

Fannie Mae forms are also available online at <http://www.hudclips.org>. Typically, appraisers submit soft copy appraisal documents for single family loans to lenders, who in turn enter the required information directly into HUD systems. Under FHA-Single Family’s current insurance endorsement policy, a Direct Endorsement (DE) lender may apply for FHA insurance based upon its internal underwriting of the loan. During the closing process, most lenders log on to a web-based application, FHA Connection (FHAC), to verify the information in the Appraisal Login Screen and complete the Insurance Application. The data entered are subsequently transferred to the Computerized Homes Underwriting Management System (CHUMS), the system of record for the endorsement process. Large lenders with Loan Origination Systems (LOS) transmit data from their LOS or use third party software to send data to CHUMS via a telecommunications method known as B2G (Business to Government). CHUMS is subsequently updated with the same data elements that other lenders enter into FHAC.

As of June 27, 2016, lenders are required to upload electronic appraisals directly into HUD’s new Electronic Appraisal Delivery (EAD) portal. The portal eliminates the need for lenders to print appraisals and include them in paper case binders. Lenders are required to automate the submission of appraisals or submit them in batches through the web portal.

4. A review of other collections did not identify duplication with other forms or processes.
5. There is no significant impact on small businesses or other small entities.
6. The appraisal of the property is a necessary underwriting requirement of FHA mortgage insurance, as well as a requirement for mortgages in the private sector or for other government agencies such as the VA. The FHA is not imposing an additional burden or a requirement that differs from the private sector.

A lack of an appraisal can result in the insurance of mortgages that are not acceptable (i.e., should not be insured) and thereby risk a financial loss to the FHA insurance fund. Additionally, an appraisal that is not performed by a qualified and knowledgeable appraiser presents a risk to the FHA insurance fund.

If the collection of information for the FHA Inspector roster is not conducted, the Department will be limited in its ability to ensure that new homes subject to FHA mortgage insurance were constructed in a manner to be adequate security for the mortgage loans involved.

7. There are no special circumstances required in this collection of information.
  - \* requiring respondents to report information to the agency more often than quarterly? does not apply
  - \* requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it? does not apply
  - \* requiring respondents to submit more than an original and two copies of any document; Does not apply
  - \* requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records, for more than three years? does not apply
  - \* 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? Does not apply
  - \* requiring the use of a statistical data classification that has not been reviewed and approved by OMB? Does not apply.
  - \* 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 No, does not apply
  - \* 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? No, does not apply
8. In accordance with 5 CFR 1320.8(d), the agency's notice soliciting comments was announced in the *Federal Register* on Wednesday, February 28, 2018 (Vol. 83, No.40, Page 8694). No comments were received.
9. Respondents are not provided payments or gifts for this information collection.
10. No assurance of confidentiality is provided for the information collection except as noted in the Privacy Act Statement on the forms HUD-92563A and HUD-92563I, which prohibits disclosure outside the agency without the individual's consent, except to verify the accuracy of the information; or if necessary, disclosing the information as part of an investigation. The Privacy Act of 1974 protects respondents who meet these information-reporting requirements for all other forms. The information collected is secured in the FHA Connection system with access limited to a few key HUD employees. The Housing and Community Development Act of 1987, 42 U.S.C. 3543 authorizes HUD to collect the SSN on form 92563A and 92563I.

11. This information collection contains questions of a sensitive nature. HUD Forms 92563A and 92563I collect personally identifiable information (PII). The information collected is required because 24 CFR §200.202 does not allow appraisers who have defaulted on a federal obligation as demonstrated by being listed in HUD’s Credit Alert Interactive Verification Response System (CAIVRS) to become Roster appraisers. 24 CFR § 200.172 requires that Roster Inspectors who appear on CAIVRS be removed from the roster. CAIVRS searches for matches to defaulted federal obligations by social security number. In order to comply with the requirements of the regulations, HUD must collect the social security numbers of potential appraisers and inspectors.

12. Estimated Burden and Cost to Respondents:

In the past year, HUD has received approximately **2,562** new applications from appraisers, **38** applications from inspectors and **7,504** continuing eligibility renewals from appraisers who submit copies of their state licenses, education and other documentation that total an estimated **10,104** combined respondents. HUD issues sanctions, removals, and proposed actions against approximately **1,711** appraisers and inspectors annually. This process requires those individuals to submit additional documentation for FHA Roster Staff to review. These figures represent only cumulative increases in market share, as the number of new appraiser applicants are forecasted to decline in the coming years. This unintended consequence of the Housing and Economic Recovery Act of 2008, imposed more stringent standards on FHA appraisers such as a new requirement to be State certified and listed on the Federal Financial Institutions Examination Council Appraisal Subcommittee (ASC) National Registry in order to be eligible to conduct appraisals on FHA related transactions. More reliable figures should be available for the next submission cycle reflecting stabilized estimates for this submission.

Information Collection	Number of Respondents	Frequency of Response	Responses Per Annum	Burden Hour Per Response	Annual Burden Hours	Hourly Cost	Annual Cost
Appraiser: HUD-92563A	2,562	1	2,562	0.30	768.60	\$30	23,058.00
Copy Appraiser State License	7,504	1	7,504	0.05	375.20	\$30	11,256.00
Copy State Inspector Certification: HUD-92563	38	1	38	0.50	19.00	\$30	\$570.00
Responses to sanctions / removals / proposed actions	1,711	1	1,711	1.50	2,566.50	\$30	76,995.00
Form HUD-92564-CN	9,500	54	513,000.00	0.05	25,650.00	\$25	641,250.00
Totals	21,315		524,815		29,379.30		<b>\$753,129.00</b>

The \$30.00 per hour cost is based on average hourly appraiser/inspector fees.

The \$25 fee is based on a lender’s staff estimate annual rate of \$52,000.

13. No additional costs are associated with this collection of information except for amount listed in Item 12.

14. Estimated Annualized Cost to the Federal government:

HUD requires the form HUD-92564-CN to be provided by lenders to potential home purchasers, but HUD does not review the individual forms.

	<b>Number of Responses</b>	<b>Hours Per Response</b>	<b>Annual Burden Hours</b>	<b>Hourly Cost Per Response</b>	<b>Total Cost</b>
All forms and responses submitted to HUD	9,250	.20	1,850.00	\$87.25	\$161,412.50

This cost involves the time it takes to conduct a review the information collected. Hourly cost is based on an estimate of \$87.25 (base cost of a 2018 GS-13 Step 1) in per hour including overhead, staff preparation time, etc.

15. This is an extension of a currently approved collection. The volume of respondents is increased based on actual responses received by HUD and appears to be due to continued interest in home ownership, combined with a low interest rate environment.

16. The results of this information collection will be published only to the extent that approved applicants will be listed on FHA's Appraiser and Inspector Roster. The list is available online at HUD's world wide website, web page address at <https://entp.hud.gov/idapp/html/apprlook.cfm> and [https://entp.hud.gov/idapp/html/insplook.cfm?in\\_fha=No](https://entp.hud.gov/idapp/html/insplook.cfm?in_fha=No). Newly approved inspectors will be added to the list periodically. No complex or analytical techniques will be used, and there is no termination date for this activity.

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 the OMB 83-I.