

Supporting Statement for Paperwork Reduction Act Submissions

Builder's Certification of Plans, Specifications, & Site OMB Control Number 2502-0496 (Form HUD-92541)

PART A. Justification

1. Executive Order 11988 (Flood Plain Management) and HUD environmental regulations at 24 CFR 51 and 24 CFR 55 require builders of newly constructed properties to assure that the property is not affected by flood hazards, and newly constructed single-family housing is not affected by (1) noise; (2) runway clear zones; (3) explosive/flammable materials storage hazards; (4) toxic waste hazards; and (5) other foreseeable hazards that may affect the site (i.e., ground water level, surface drainage, sinkholes, excessive slopes, expansive/collapsible/erosional soils and inadequate fill materials).
2. The builder or the builder's agent completes the site analysis and submits it to the lender using the pdf fillable form. The site analysis includes noting the proximity of the property to sites that might affect the value or marketability of the property. The builder also must indicate that the dwelling was constructed according to certain building codes and indicate which building code the builder adhered to in a different section. The information must be collected on each case submitted for mortgage insurance that involves new construction, so HUD is assured that no site/location factors will adversely affect the dwelling or homeowner. The information will be shared with the appraiser in order to ensure the appraiser has adequate information regarding the site to perform a proper appraisal analysis. For condominiums, the form will be used to determine the eligibility of the project. HUD may review the information on the builder certification on a sampling of cases to assure that the lender has properly considered the siting/location factors during the underwriting of the loan. Borrower and their attorneys who have complaints against builders for not properly mitigating the problems of a site can also use the form.
3. The collection of the requested information is 95% automated through the use of the fillable form.

Builders submit a pdf fillable to an approved FHA Direct Endorsement (DE) lender. Under FHA-Single Family's current insurance endorsement policy, a (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 establish and update a case, log the appraisal, 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.

Direct Endorsement Mortgage Lenders who elect to participate in Business-to-Government (B2G) electronically submit the data to HUD using the Electronic Case Binder. 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.

The collected information is reviewed by the builder and lender. After lender endorsement, it is provided to HUD either electronically or in a paper format for HUD Endorsement and electronically preserved in the lender's loan file.

For addition information or questions please call Cheryl Walker, Director, Home Valuation Policy Division, 202-402-6880.

4. There is no duplication of information. The information is not collected elsewhere by HUD for the specific property involved.
5. The information may have some impact on small businesses or other small entities. The certification is required of all builders seeking FHA mortgage insurance for newly constructed homes. According to 2012 statistics from the National Association of Homebuilders, it shows that there were more than 552,000 non-employer firms in residential building construction, more than 12,000 in land subdivision, and close to 1.7 million in specialty trade contracting. Most of these companies were self-employed mom-and-pop firms with annual receipts averaging under \$70,000 for residential building construction. Although some small businesses may be impacted by this collection, the impact is relatively minimal. For HUD, the information is critical to collect to ensure that builders are in compliance with all federal, state and local building codes and regulations. The burden hours are not compressing because the methods used to provide HUD with the required information have not changed since the last collection period.
6. If this form was not used and the collection of the information was not conducted, it could pose a health and/or safety risk to borrowers, increase the risk of borrower's default, adversely impacting the insurance fund.
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 often than quarterly;
 - The lender places the information in a loan case file once insured.
 - requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it;
 - The lender must maintain the case file for the duration of the insured mortgage loan, which could be more than 30 years.
 - requiring respondents to submit more than an original and two copies of any document;
 - Not applicable to this program.
 - requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records, for more than three years;
 - The lender must maintain the case file for the duration of the insured mortgage loan, which could be more than 30 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;
 - Not applicable to this program.
 - requiring the use of a statistical data classification that has not been reviewed and approved by OMB; 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 to this program.
 - 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.
 - The builder provides the information to the lender.
8. In accordance with 5 CFR 1320.8(d), the agency's notice soliciting public comments was announced in the *Federal Register on Tuesday, August 21, 2018 (Vol:83; No.: 162; Page no.: 43212)* Comments were received.
9. HUD consulted with HUD staff from the HUD's Homeownership Centers on the Builder's Certification availability of data and frequency of collection.
 - a. Malcolm Jefferson, Branch Chief, of the Atlanta, GA Homeownership Center (678) 732-2668;

- b. Krish Raja, Branch Chief of the Philadelphia, PA Homeownership Center (215) 861-7539; and
- c. Briyanna Talley, Management Analyst from the Santa Ana, CA Homeownership Center (714) 796-1200 ext. 0763
- d. Simon Willis, Supervisory Review Appraiser, Denver Homeownership Center (800) 225-5342 Ext. 2664

All HUD staff concurred that the Builder’s Certification forms are reviewed on post technical reviews in endorsed case binders for new properties.

- 10. There have not been any decisions to provide any payment or gifts to respondents.
- 11. The information is part of the underwriting package and is not confidential.
- 12. There are no questions of a sensitive nature involved in this collection.
- 13. 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 | Annual Cost |
|------------------------|-----------------------|-----------------------|---------------------|--------------------------|---------------------|-------------|------------------|
| HUD-92541 | | | | | | | |
| Builder's submission | 35,000 | 1.29 avg. | 45,000 | .10 | 4500 | \$35.43 | \$159,435 |
| Lender's review | 2,579 | 17.45 avg. | 45,000 | .05 | 2,300 | \$25.05 | \$57,615 |
| Totals | 37,579 | | 90,000 | | 6,800 | | \$217,050 |

The hourly rate is based on estimates of the average annual salaries of builder and lender staff.

- 14. There are no capital/start-up costs or ongoing operation/maintenance costs associated with this information collection. To submit forms, lenders utilize existing systems to communicate with HUD systems based on other requirements, particularly those of collection 2502-0059.
- 15. The costs to the Federal government are minimal. The primary cost is with ensuring the document is in the loan file, but HUD only reviews the document in a random sampling of cases (approximately 2.5% of those received.)

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|------------------------|-----------------------|-----------------------|---------------------|--------------------------|---------------------|-------------|------------------|
| HUD-92541 | | | | | | | |
| HUD check | N/A | | 90,000 | .05 | 4500 | \$26.94 | \$121,230 |
| HUD review | N/A | | 3,000 | .10 | 300 | \$39.07 | \$11,721 |
| Totals | N/A | | 93,000 | | 4,800 | | \$132,951 |

The hourly cost to check that the form is in the package is based on the OPM 2017 pay scale of a GS-9 equivalent contractor and the cost of a review is based on the OPM 2017 pay scale of a GS-12 HUD staff reviewer.

- 16. This is a revision of a currently approved collection. There are approximately 35,000 builders and 2,579 lenders involved in this information collection. The builder will take about 6 minutes to complete the Builder’s Certification (form HUD-92541) based on information and data the builder gets from its engineers prior to the property being developed.

The lender should be able to review the builder’s entries in about 3 minutes. Accordingly, HUD estimates that the entire information collection burden will be 9 minutes per case. Based upon an average of approximately 90,000 new construction cases per year, the total burden hours will be 6,800. While the information collected regarding floodplains may (at the option of the builder) be different, there are no expected changes in the burden hours. The decrease in the number burden hours results from fewer new construction loans being insured and expected to be insured during the collection period.

Although most lenders now submit the case file electronically after the builders and lenders reviews the collected information to HUD, when requested, other lenders are on test case bases and mail case file to the Homeownership Centers, the burden hours for the lenders remains the same.

17. The results from this collection will not be published.
18. HUD does not request approval not to display the expiration date.
19. The agency is able to certify compliance with all provisions under item 19 of OMB Form 83-I

B. Collections of Information Employing Statistical Methods

This information collection does not employ statistical methods.