

## VA-Guaranteed Home Loan Cash-out Refinance Loan Comparison Disclosure

### A. Justification

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

Section 309 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (the Act), Public Law 115-174 requires VA to promulgate regulations for cash-out refinance home loans within 180 days after the date of the enactment of the Act. Section 309 of the Act was codified at 38 U.S.C. 3709. VA's regulation governing refinancing cash-out loans is found at 38 CFR 36.4306. Section 309 requires that a refinanced VA home loan may not be guaranteed by the Department of Veterans Affairs, unless, a specified minimum time period has passed between the original loan and the refinancing loan; and the lender complies with provisions related to fee recoupment, mortgage interest rates, and net tangible benefit tests. These provisions ensure that the refinancing loan is in the financial interest of the Veteran.

**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.**

Non-Federal entities (state and local governments) and private entities (non-bank mortgage lenders, mortgage originators, mortgage brokers, banks, loan servicers, and issuers) will be required to collect information from Veteran borrowers and other applicants to comply with the provisions of the Act and VA's regulation. The information collected by the entities will be promulgated into a disclosure that compares the terms of the current loan product the Veteran holds, and the newly refinanced cash-out loan to which the Veteran is applying for. This comparison disclosure will be provided to the Veteran and other applicants to assist the Veteran in making a financial decision that is in their best interest. This disclosure will be contained in the lender's loan file, and provided to VA in the electronic loan guaranty and/or file audit process. All information collected from the entities will be used by VA to determine whether the provisions of the law were met by the lender.

**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.**

The entities described above collect Veteran and applicant information during the loan application process. The information used to promulgate the disclosure is information already collected by the entities as part of the loan application process. The entities use "loan origination systems (LOS)" which automate the loan application process. The LOS is the electronic environment in which an entity will provide Veterans and applicants electronic copies of loan applications, lending disclosures, and closing documents. LOS are either

proprietary or off the shelf software products, by which the information collected by the entities is displayed in a disclosure format by the entity. Veterans and applicants will acknowledge the disclosure electronically or by printing and returning to the entity.

**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.**

The information needed to comply with the provisions of the Act is information that lenders currently collect in the loan application process. It is not duplicated in other agencies' records or in other VA records.

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

The collection of information does involve lending entities of all sizes. However, it is standard industry practice for entities, whether large or small, to use LOS to process, disclose and close VA loans.

**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.**

In the loan application process, this information will be disclosure will be generated twice, once at the initial loan application and again at the loan closing. To ensure that the refinancing is in the financial interest of the Veteran the lender must provide the disclosure no later than three business days from the initial application and, again not later than the loan closing. Should the disclosure not be presented within three business days of the loan application, Veterans and applicants may not have the necessary information to make a sound financial decision. Failing to provide the disclosure at loan closing prevents the Veteran from understanding the final loan terms, and may impair VA from ensuring that the lender complies with the provisions of the Act.

**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 Department notice was published in the Federal Register on December 17, 2018, Volume 83, No. 241, pages 64459 - 64470. No comments were received in response to this notice.

**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 Fee Personnel and Program Participant Records—VA. (17VA26) contained in the Privacy Act Issuances, 2013 Compilation, as posted in the Federal Register on November 29, 2013, Volume 78, Number 230, pages 71727 - 71729.

**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.**

There are no questions of a sensitive nature.

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

VA estimates an ongoing hour burden associated with loan officers who must generate and issue the disclosure to Veteran borrowers twice during the refinance loan process. VA also estimates a one-time start-up hour burden associated with the rule. This one-time burden represents the time required to provide training to current loan officers on the new disclosure requirements, as required by the final regulation.<sup>1</sup>

a. Number of Respondents:

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<sup>1</sup> VBA estimates 16,000 loan officers will require training on the new disclosure requirements. This estimate was derived from the 2017 Nationwide Mortgage Licensing System & Registry (NMLS) Industry Report showing 158,199 mortgage loan originators and the July 2018 Ellie Mae Origination Insight Report indicating that VA represents 10 percent of the national mortgage market. VA assumes that loan officers will learn about this new disclosure through annual NMLS TRID/TILA training.

*Ongoing burden to generate/provide disclosure:* 156,000 (the 3-year average of VA-guaranteed refinance loans)

*One-time training burden:* 16,000

b. Frequency of response:

*Ongoing burden to generate/provide disclosure:* two times per loan

*One-time training burden:* once

c. Annual burden Hours: 12,480 (156,000 x 0.08 hours)

*Ongoing burden to generate/provide disclosure:* 12,480 (156,000 x 0.08 hours)

*One-time training burden:* 426 ((16,000 x 0.08 hours)/3)

d. Estimated Completion Time:

*Ongoing burden to generate/provide disclosure:* 5 minutes (total for both instances of generation and disclosure)

*One-time training burden:* 5 minutes

e. The respondent population is composed of mortgage issuing entities, in particular, the loan officers who must generate and issue the disclosure to Veteran borrowers twice during the refinance loan process. The Bureau of Labor Statistics (BLS) gathers information on full-time wage and salary workers. According to the latest available BLS data, the mean hourly wage is \$37.46 based on the BLS wage code – “13-2072 Loan Officers.” This information was taken from the following website: ([https://www.bls.gov/oes/2017/may/oes\\_nat.htm](https://www.bls.gov/oes/2017/may/oes_nat.htm), May 2017).

Legally, respondents may not pay a person or business for assistance in completing the information collection. Therefore, there are no expected overhead costs for completing the information collection. VBA estimates the total annual cost to all respondents to be as follows:

*Ongoing:* \$467,500.80 (12,480 burden hours x \$37.46 per hour)

*One-time:* \$15,957.96 (426 burden hours x \$37.46 per hour)

*Total annual burden hour cost is \$483,458.76.*

**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 recordkeeping costs. However, VA assumes a one-time startup cost associated with required software or information technology upgrades necessary to generate the disclosure. As previously noted, lending entities use loan origination systems (LOS) which automate the loan application process. LOS are either proprietary or off the shelf software products, by which the information collected by the entities is displayed in a disclosure format by the entity. VBA internal data reflects that approximately 1,200 active VA lenders made at least one cash-out refinance loan during the last three fiscal years. As this information collection is mandated by regulation, each of these lenders will need to modify their LOS to include this disclosure.

VA notes that the cost to lenders for this technology upgrade is dependent on two factors. First, whether the lending entity utilizes a LOS developed by a company with a large market share of LOS software. VA assumes that these companies will modify their product document libraries to include the disclosure covered by this information collection, thereby eliminating the need for lending entities who utilize that software to make any technology upgrades associated with this information collection. VA assumes that 80 percent of VA’s active lenders (i.e., 960 lenders) utilize a LOS provided by one of these larger software companies.

The second factor relevant to VA’s estimate is whether these LOS software companies will update their products by the time lenders must comply with this regulatory information collection. If not, then lenders will be forced to generate their own disclosure forms consistent with this information collection. VA acknowledges that some lenders’ LOS includes an option to create custom forms; lenders whose LOS does not provide such option must contract with a third-party to customize their LOS. VA did not consider this to be a significant factor in calculating the cost of completing this one-time technology upgrade.

Considering these two factors, VA has provided a high/low estimate of the one-time technology costs associated with this information collection. The low estimate assumes that 80 percent of affected lending entities will not be required to complete any technology upgrades as the LOS software companies will update their products in time to enable lenders to comply with the regulatory requirements. The costs therefore represent the costs to the remaining 20 percent of lenders that will need to complete a technology upgrade to generate the disclosure in their LOS. The high estimate assumes that no LOS product updates will be in place on time and all 1,200 lenders will be required to assume the costs of completing a technology upgrade to generate their disclosure.

Estimated One-Time Technology Costs:<sup>2</sup>

	<i>Lending Entities</i>	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>	<i>Annual Average Cost</i>
<i>High</i>	1,200	\$2,110,560	\$0	\$0	\$703,520
<i>Low</i>	240	\$422,112	\$0	\$0	\$140,704
<i>Average Cost</i>	---	---	---	---	<b><u>\$422,122</u></b>

<sup>2</sup> VA calculated one-time technology costs utilizing the amount of time estimated to develop a custom disclosure form (either through existing LOS software or via a third-party contract). VA assumed 40 hours of planning, development, testing, and deployment to add the disclosure form to a lender’s existing LOS. The wage burden was calculated as a composite wage, with weighting based on information provided by various industry professionals. Mean values from the BLS Occupational Employment and Wages data were used to estimate a composite wage as 5% Compliance Officer (occupation code 13-1041) at \$34.39/hour, 5% Lawyer (occupation code 23-1011) at \$68.22/hour, and 90% Computer Occupations (occupation code 15-1100) at \$43.16/hour, for a composite wage of \$43.97.

**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.**

Estimated Costs to the Federal Government:

Grade	Step	Burden Time	Fraction of Hour	Hourly Rate	Cost Per Response	Total Responses	Total
11	5	5 mins	.083	\$33.24	\$2.77	12,000	\$ 33,240
Overhead at 100% Salary							\$ 33,240
Processing / Analyzing Costs							\$ 0
Printing and Production Cost							\$ 0
Total Cost to Government							\$ 33,240

Overhead costs are 100% of salary and are same as the wage listed above and the amounts are included in the total.

Note: the hourly wage information above is based on the hourly 2018 General Schedule (Base) Pay ([https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/18Tables/html/RUS\\_h.aspx](https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/18Tables/html/RUS_h.aspx)).

The processing time estimates above are based on the actual amount of time employees of that grade level spend reviewing this disclosure as part of a full-file loan review. The within-grade step (5) of each employee represents the average experience of employees within each grade. Of the 156,000 cash-out refinance loans closed each fiscal year, around 12,000 loans are subjected to a full-file loan review as an oversight measure.

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

This is a new collection and there is no burden hour change.

**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.**

Information collection is not for tabulation or publication purposes.

**17. If seeking approval to omit 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 Veterans Benefits Administration does not collect information employing statistical methods.