

Supporting Statement for Paperwork Reduction Act Submissions

Request for Acceptance of Changes in Approved Drawings and Specifications

OMB Control Number 2502-0117
(Form HUD-92577)

A. Justification

1. Explain the circumstances that make the collection of information necessary. Identify any legal or administrative requirements that necessitate the collection. Attach a copy of the appropriate section of each statute and regulation mandating or authorizing the collection of information.

This request seeks OMB approval on information collected based on a builder/contractor's request for Acceptance of Changes in Approved Drawings and Specifications. The mortgagee submits Form HUD-92577 (OMB 2502-0117) to HUD requesting changes to an accepted set of construction documents (plans and specifications). In the administration of HUD's Single-Family Home Mortgage insurance programs, FHA evaluates acceptability of both the property and the homebuyer to make certain that FHA's risk is adequately protected before home mortgage insurance is provided. An integral part of the mortgage insurance process is the determination of the eligibility of a property for a conditional commitment. An appraisal is made to evaluate the acceptability of the property for mortgage security and, if the property is found acceptable, to determine the maximum insurable mortgage amount or mortgage limit. This program is authorized under Section 203, National Housing Act (12 U.S.C. 1709 (b)). The Program regulations are in 24 CFR Part 203. If the Builder/Contractor decides to change the plans and specifications after the borrower has closed on the loan, those changes must be documented on the HUD-92577 under Section 203(b) program. To be eligible for insurance, a mortgage must contain such terms as and provisions with respect to insurance, repairs, alterations, payment of taxes, default, reserves, delinquency charges, foreclosure proceedings, anticipation of maturity, additional and secondary liens, and other matters as the Secretary may in his discretion prescribe. (12 U.S.C. 1709(b)(7)). See also 24 CFR 203.17.

Section 203(k) of the National Housing Act authorizes the Secretary to insure rehabilitation loans made upon such terms and conditions the Secretary may prescribe. The attached regulation is found at 24 CFR 203.50.

Enterprising homebuyers and homeowners purchasing or refinancing a one-to-four-unit property requiring repair or modernization, may finance these improvements utilizing an FHA insured 203(k) Rehabilitation Mortgage (FHA 203(k)). The program is designed to enable the purchase or refinance of a property using a loan that includes the cost of repairs and improvements. The FHA 203(k) loan is provided through approved mortgage lenders nationwide that meet the requirements of 24 CFR 203.50. HUD requires these lenders to approve the necessary home improvements through an approved 203(k) Consultant.

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

Utilizing the form HUD-92577 (OMB 2502-0117), a Builder/Contractor submits form HUD-92577 under Section 203(b) to the lender to document all requested changes to the approved drawings and specifications; or the 203(k) Consultant submits form HUD-92577 under HUD's 203(k) program to the lender for the necessary rehabilitation project. The lender submits the form to HUD. The information collection describes the required changes or rehabilitation and indicates the cost of each proposed change or repair. The borrower, builder or sponsor, and mortgagee certify the changes involved. The information is only collected when the insured loan is a rehabilitation loan that was approved and since the approval requires changes either because the contractor discovered additional repairs during the rehabilitation or the borrower decided he/she wanted a change in the rehabilitation plan.

Builder or Consultant can fill in the form electronically and submit it to the lender electronically or can deliver a hard copy. A paper copy of the form must be included in the loan file if the loan file is paper and if the lender submits e-binders then an electronic copy of the form would be included in the e-binder.

The form is also a record of HUD's approval. The acceptance of the requested changes amends the approved exhibits and may affect the value shown on the HUD commitment.

HUD does not have any alternative procedure to expedite processing.

Informational data is generally not shared with any other organization inside or outside of HUD, except as required through an official request under the Freedom of Information Act (FOIA).

In the past, HUD required that all plans for new construction and rehabilitation construction be approved by a HUD employee. This form was required for approval if any element of the construction plan changed. HUD has since reduced its requirement for approval of new constructions because almost all states have building codes and building departments that perform inspections on new construction and issue building permits and occupancy permits. HUD relies on the occupancy permit to establish that the construction is habitable and meets HUD Minimum Property Standards (MPS). This form is now only used for properties that are being rehabilitated because once the loan has been made, the amount available for the rehabilitation is fixed and lender must approve any changes to ensure that the borrower has enough money to ensure the property is safe, secure and sound.

The form may be used for Section 203(k) rehabilitation loans.

On the form HUD-92577, the following false claims and statements warning have been inserted above the signature lines at the request of OIG.

"I, the undersigned, certify that under penalty of perjury that the information provided above is true and correct. WARNING: Anyone who knowingly submits a false claim, or makes false statements is subject to criminal and civil penalties, including confinement for up to 5 years, fines, and civil penalties. (18 U.S.C. §§287, 1001 and 31 U.S.C. §3729)"

The signature of the Consultant will be included in the signature line for the Builder and Sponsor.

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 collection of the requested information can be submitted electronically through FHA's interactive real-time internet system named FHA Connection (FHAC), while other supporting documentation is submitted and retained within a standard case binder. Automation of that process will be managed under the basic FHA mortgage management process.

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.

There is no duplication of information. The information is not collected elsewhere by HUD.

5. If the collection of information impacts small businesses or other small entities (Item 5 of OMB Form 83-I), describe any methods used to minimize burden.

Some contractors and consultants may be considered small businesses. However, there is no adverse impact on them because of this collection. The information collection describes the changes and indicates the cost of each change, and is the minimum needed to prevent risk to the insurance fund. Similar information would be required with loans that are not FHA-insured.

6. Describe the consequence 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.

The information requested from the mortgagee is the only means of obtaining a legal agreement that consistently provides the HUD reviewer with the necessary facts and evidence of compliance with HUD's requirements. There exists no other feasible method to protect the Department from risk. Failure to require an agreement between HUD and the mortgagee would create considerable problems for the Department from risk perspective and for the homebuying public.

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: No, the information is reported to the agency only when there is a request for acceptance of changes in approved drawing and specification of proposed or new construction under Section 203(b) (7) of the National Housing Act; or for a rehabilitation loan which meets the requirements of 24 CFR 203.50, except as modified by the section, shall be eligible for insurance under Section 203(k) of the National Housing Act ;

- requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it: No, it is when the mortgagor, builder or consultant requires changes approved plan and specification or rehabilitation loan, the form is completed, signed and submitted to the mortgagee, and the mortgagee processes it and submits it to HUD;
- requiring respondents to submit more than an original and two copies of any document: It involves the submission of only one form HUD-92577 and no duplications or copies; * requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records, for more than three years: No;
- 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: There is no statistical survey;
- requiring the use of a statistical data classification that has not been reviewed and approved by OMB: No;
- 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: No; or
- 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.

8. If applicable, provide a copy and identify the date and page number of publications in the Federal Register of the agency'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 agency in response to these comments. Specifically address comments received on cost and hour burden. Describe efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and recordkeeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported. Consultation with representatives of those from whom information is to be obtained or those who must compile records should occur at least once every 3 years - even if the collection of information activity is the same as in prior periods. There may be circumstances that may preclude consultation in a specific situation. These circumstances should be explained.

In accordance with 5 CFR 1320.8(d), the agency's notice soliciting public comments was announced in the *Federal Register* on Friday, October 12, 2018 (Vol. 83, No. 198, Page 51694).

Consulted with HUD staff from HUD's Homeownership Centers (HOC) on the Request for Acceptance of Changes in Approved Drawings and Specifications, and availability of data and frequency of collection. The following staff at the HOCs provided responses when inquiries were sent out to all four HOCs for information regarding the collection of data for the renewal of OMB 2502-0117 form HUD-92577.

- i. **Atlanta Homeownership Center (AHOC):** Malcolm Jefferson
Phone #: (678) 732-2668
email: Malcolm.Jefferson@hud.gov
- ii. **Denver Homeownership Center (DHOC):** Amy Trujillo

Phone #: (303) 672-5058
email: Amy.K.Trujillo@hud.gov

iii. Philadelphia Homeownership Center (PHOC): Andrew Cianci
Phone #: (215) 861-7687
email: Andrew.Cianci@hud.gov

iv. Santa Ana Homeownership Center (SHOC): Briyanna Tally
Phone # (714) 796-1200
email: Briyanna.L.Talley@hud.gov

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

There are no payments or gifts to respondents involved.

10. Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or agency policy.

The information is part of the underwriting package and is not confidential. Personal identifiable information is covered under the Freedom of Information Act, 5 U.S.C § 552. The Privacy Threshold Analysis was approved by the Privacy Branch.

11. Provide additional justification for any questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private. This justification should include the reasons why the agency considers the questions necessary, the 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 involved in this collection.

12. Provide estimates of the hour burden of the collection of information. The statement should:

* Indicate the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated. Unless directed to do so, agencies should not conduct special surveys to obtain information on which to base hour burden estimates.

Consultation with a sample (fewer than

10) of potential respondents is desirable. If the hour burden on respondents is expected to vary widely because of differences in activity, size, or complexity, show the range of estimated hour burden, and explain the reasons for the variance. Generally, estimates should not include burden hours for customary and usual business practices.

* If this request for approval covers more than one form, provide separate hour burden estimates for each form and aggregate the hour burdens in Item 13 of OMB Form 83-I.

* Provide estimates of annualized cost to respondents for the hour burdens for collections of information, identifying and using appropriate wage rate categories. The cost of contracting out or

paying outside parties for information collection activities should not be included here. Instead, this cost should be included in Item 13.

The consultant will average about 20 minutes to complete the Request for Acceptance of Changes in Approved Drawings and Specifications (form HUD-92577) using information and data the contractor provides at the start of construction. The lender's review of the information is estimated to require approximately 10 minutes.

Information Collection	Number of Respondents	Frequency of Response	Responses Per Annum	Burden Hour Per Response	Annual Burden Hours	Hourly Cost Per Response	Annual Cost
HUD-92577	15,871.00	1.00	15,871.00	.50	7,935.50	\$40.00	\$317,420.00

*The hourly cost is based on the builder and lender's completion and review of form HUD-92577

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

* The cost estimate should be split into two components: (a) a total capital and start-up cost component (annualized over its expected useful life) and (b) a total operation and maintenance and purchase of services component. The estimates should take into account costs associated with generating, maintaining, and disclosing or providing the information. Include descriptions of methods used to estimate major cost factors including system and technology acquisition, expected useful life of capital equipment, the discount rate(s), and the time period over which costs will be incurred. Capital and start-up costs include, among other items, preparations for collecting information such as purchasing computers and software; monitoring, sampling, drilling and testing equipment; and record storage facilities.

* If cost estimates are expected to vary widely, agencies should present ranges of cost burdens and explain the reasons for the variance. The cost of purchasing or contracting out information collections services should be a part of this cost burden estimate. In developing cost burden estimates, agencies may consult with a sample of respondents (fewer than 10), utilize the 60-day pre-OMB submission public comment process and use existing economic or regulatory impact analysis associated with the rulemaking containing the information collection, as appropriate.

* Generally, estimates should not include purchases of equipment or services, or portions thereof, made: (1) prior to October 1, 1995, (2) to achieve regulatory compliance with requirements not associated with the information collection, (3) for reasons other than to provide information or keep records for the government, or (4) as part of customary and usual business or private practices.

There are no additional costs to the respondents.

14. Provide estimates of annualized costs to the Federal government. Also, provide a description of the method used to estimate cost, which should include quantification of hours, operational 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 may also aggregate cost estimates from Items 12, 13, and 14 in a single table.

There are minimal costs to the Federal Government because the lender is responsible for reviewing the information. HUD's review/approval takes only a few minutes.

Information Collection	Number of Respondents	Frequency of Response	Responses Per Annum	Burden Hour Per Response	Annual Burden Hours	Hourly Cost Per Response	Annual Cost
HUD-92577	15,871.00	1.00	15,871.00	.03	476.13	\$37.28	\$17,750.12

*Estimated annual cost to the Federal Government based on a GS-12/Housing Program Specialist's review and processing of this information.

15. Explain the reasons for any program changes or adjustments reported in Items 13 or 14 of the OMB Form 83-I.

This is a revision of a currently approved information collection and OIG required changes to the form HUD-92577 as detailed under Question 2 response with addition of false claims and statement warning and requiring signature of the consultant. The form may be used for rehabilitation loan that meets the requirements of 24 CFR 203.50, except as modified by this section, shall be eligible for insurance under Section 203(k) of the National Housing Act.

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 results from this collection will not be published.

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.

HUD is not seeking approval to avoid displaying the OMB expiration date.

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

There are no exceptions to the certification statement identified in Item#19 of the "Certification for Paperwork Reduction Act Submissions," of OMB Form 83-I.

B. Collections of Information Employing Statistical Methods

The information collection does not employ statistical methods.