

## **Supporting Statement, A for Paperwork Reduction Act Submissions**

### **FHA Lender Approval, Annual Renewal, Periodic Updates and Required Reports by FHA Approved Lenders**

**OMB Control Number 2502-0005**

**Form HUD-92001-A**

#### **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 information collection clearance package seeks a revision to OMB's approval of 2502-0005 that expires on August 31, 2019. The Federal Housing Administration (FHA) of the Department of Housing and Urban Development approves entities to participate as FHA-approved lenders. Specific information must be obtained and reviewed to determine if an entity meets the criteria to obtain the requested approval. This submission covers subsequent information required by FHA in order for entities to renew and maintain their approval, make periodic updates to their approval, submit required reports to FHA and submit requests to voluntarily terminate their FHA approval.

Title I and Title II of the National Housing Act, as amended, 12 U.S.C. 1703, 1709, and 1715b, 42 U.S.C. 1436(a) 3535(d), authorizes the Secretary of the Department of Housing and Urban Development to prescribe terms and conditions with respect to mortgage insurance under the above act. Criteria for approval to become a Title I lender and/or Title II mortgagee, as well as requirements to maintain that approval, are specified in 24 CFR 202, 24 CFR 203.433, 24 CFR 203.434 and HUD Handbook 4000.1, which became effective on September 14, 2015. The requirements in HUD Handbook 4000.1 represent the consolidation of those previously set forth in HUD Handbooks 4700.2 & 4060.1 and various Title I Letters and Mortgagee Letters.

31 U.S.C. § 7701, the Debt Collection Improvement Act of 1986, authorizes "the head of an agency administering an included Federal loan program" to collect taxpayer identifying numbers for "a lender or servicer in a Federal guaranteed or insured loan program administered by the agency." Executive Order 9397, as amended by E.O. 13478, also authorizes federal departments and agencies to collect and use Social Security Numbers "as a system to organize and identify individual persons."

The proposed revisions align the recertification statements with the National Housing Act (12 U.S.C § 1701, et seq) and clarify HUD requirements. The revisions combine multiple statements to reflect statute, regulations and Handbook. The revisions remove inapplicable language in statements for Government and Investing lenders or mortgagees.

## Revision of Number of Responses and Burden Hours

The number of respondents and responses were adjusted based on Fiscal Year 2018 post-approval lender submissions<sup>1</sup> to the Lender Electronic Assessment Portal. This collection and statement include burden hour estimates specifically related to annual recertification and unable to certify responses and respondents.

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.

The information is required by FHA for entities to renew and maintain their approval, make periodic updates to their approval, submit required reports to FHA or submit requests to voluntarily terminate their FHA approval.

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.

### **Online Annual Recertification Report/Unable to Certify Report**

Each lender must submit its annual recertification online via the Lender Electronic Assessment Portal. This annual recertification consists of several statements to which the lender must certify indicating that they have met and continue to meet the approval eligibility criteria specified in 24 CFR 202 and HUD Handbook 4000.1 for the period since the prior year certification. If a lender cannot certify compliance with any of the requirements in the certification, the lender must submit an explanation of the reasons why it cannot certify. Lenders must provide supporting documentation electronically with the unable to certify explanation.

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.

This information is not available from other sources.

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.

This collection does not impact small businesses or other small entities, therefore there is no burden to minimize.

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.

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<sup>1</sup>Fiscal Year 2018 post-approval submissions referenced in Section 1 A of this document include annual recertification and unable to certify submissions.

The information collected is required to achieve program objectives. It is used to determine whether an applicant remains qualified for participation in FHA programs. FHA-approved lenders must certify they meet the approval eligibility criteria specified in 24 CFR 202 and HUD Handbook 4000.1. The information collected after approval is critical to monitor each mortgagee's activities.

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; Respondents may report incidents of non-compliance with FHA requirements whenever they occur.

\* requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it; There are no circumstances requiring a respondent to prepare a written response in fewer than 30 days.

\* requiring respondents to submit more than an original and two copies of any document; \* requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records, for more than three years; There are no circumstances where respondents are required to submit multiple copies of documents, retain records of any of the aforementioned types—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; There are no circumstances where a respondent is required to submit a statistical survey.

\* requiring the use of a statistical data classification that has not been reviewed and approved by OMB; There are no circumstances where a respondent is required to use statistical data classification.

\* 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 There are no circumstances where respondents are required to make a pledge of confidentiality which is not supported by authority established in statute or regulation, 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.

\* 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.

There are no circumstances requiring respondents to submit proprietary trade secrets, or other confidential information. There are no circumstances as described above that would require special handling.

8. If applicable, provide a copy and identify the date and page number of publication 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), a 60-day notice soliciting public comments on this collection was published in the *Federal Register* on Tuesday, March 12, 2019 (FR-7014-N-03 page 8888; Vol: 84;

A copy of the *Federal Register* notice is attached. HUD received 2 comments in response to this notice.

A Summary of Public Comments document is attached. This document presents the main questions and concerns raised by the commenters, as well as HUD's response to each comment. HUD has implemented the suggestions made by the commenters.

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

There have been no payments or gifts to respondents.

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

During the annual recertification process, FHA collects and validates the lender's corporate officer's name and Social Security Number.

31 U.S.C. § 7701, the Debt Collection Improvement Act of 1986, authorizes "the head of an agency administering an included Federal loan program" to collect taxpayer identifying numbers for "a lender or servicer in a Federal guaranteed or insured loan program administered by the agency." Executive Order 9397, as amended by E.O. 13478, also authorizes federal departments and agencies to Social Security Numbers "as a system to organize and identify individual persons."

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 on the form.

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 following table reflects the estimated information collection burden, cost per hour and total costs associated with online annual recertification and unable to certify submissions. The estimated burden for collection of information includes additional submission of specific forms, entering information into HUD systems, and/or duplicative efforts to attach the necessary documents.

<b>Information Collection Burden</b>							
Item No.	Information Collection	No. of Respondents	Total Annual Responses	Hours Per Response	Total Annual Hours	Cost per Hour	Total Annual Cost
A	Online submission of Application for FHA Lender Approval	221	221	1.75	386.75	\$34.39	\$13,300.33
B	Online Registration of New Branches		221	0.25	55.25	\$34.39	\$1,900.05
C	Online FHA Lender Approval Application Fee		221	0.05	11.05	\$34.39	\$380.01
D	Online Branch Registration Fee		221	0.05	11.05	\$34.39	\$380.01
E	Online Annual Certification Report/Unable to Certify Report <sup>2</sup>	2,312	2,422	1	2,422	\$34.39	\$83,292.58
F	Online Annual Financial Statements and Reports		2,312	3	6,936	\$34.39	\$238,529.0

<sup>2</sup>Each year of the 2,312 respondents approximately 110 are expected to not meet all eligibility requirements. These respondents must also submit an “unable to certify” report which requires further review before they may proceed. The result is 2,422 total responses from 2,310 respondents.

G	Online Payment of Annual Renewal Fee		2,312	0.25	578	\$34.39	\$19,877.42
H	Online Termination of a Branch		200	0.25	50	\$34.39	\$1,719.50
I	Online Business Changes of a Lender		1,200	0.25	300	\$34.39	\$10,317.00
J	Non-online Declaration of Trusts		10	5	50	\$34.39	\$1,719.50
K	Non-online Submission of HUD-92001-C Reporting of Title I Loan Non-Compliances	10	50	1	50	\$34.39	\$1,719.50
L	Online Submission of Reporting of Title II Loan Non-Compliance	307	9,500	0.25	2375	\$34.39	\$81,676.25
M	Online Credit Watch Termination Reinstatement Requests	2	2	3	6	\$34.39	\$206.34
<b>Totals</b>		<b>2,852</b>	<b>18,892</b>	<b>16</b>	<b>13,231</b>	<b>\$34.39</b>	<b>\$455,014</b>

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 respondents based on increased hours per response for any items.

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.

The estimated cost to the Federal government is \$83,292.58 computed at \$34.39 per hour (GS13) for approximately 2,422 hours of review and processing. Overhead, including systems operations and maintenance, is estimated at \$250,000. The total estimated cost to the Federal government is \$333,292.58.

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. FHA is proposing changes to its annual lender certifications to better align them with National Housing Act standards while continuing to hold lenders accountable for compliance with HUD eligibility requirements. HUD received comments that the annual certification statements require overly broad attestation of regulatory and Handbook provisions which already require strict compliance with all HUD regulations and requirements necessary to maintain the Mortgagee's FHA approval as codified in 24 CFR 202.5. Generally, the commenters recommended that HUD: (1) rescind the annual certification statements since the National Housing Act does not require certification of compliance with FHA eligibility requirements or completion of an annual certification; or (2) revise the annual certification statements to a general acknowledgement of the existence of policies and procedures that are reasonably designed to ensure material compliance. In response to the feedback and recommendations, HUD developed a streamlined FHA Annual Lender Certification, attached to this document.

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.

Only summary information will be forwarded to other Departmental offices for statistical purposes and possible publication.

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 OMB 83-I.

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

The agency should be prepared to justify its decision not to use statistical methods in any case where such methods might reduce burden or improve accuracy of results. When Item 17 on the Form OMB 83-I is checked, "Yes," the following documentation should be included in the Supporting Statement to the extent that it applies to the methods proposed:

1. Describe (including a numerical estimate) the potential respondent universe and any sampling or other respondent selection methods to be used. Data on the number of entities (e.g., establishments, State and local government units, households, or persons) in the universe covered by the collection and in the corresponding sample are to be provided in tabular form for the universe as a whole and for each of the strata in the proposed sample. Indicate expected response rates for the collection as a whole. If the collection had been conducted previously, include the actual response rate achieved during the last collection.

2. Describe the procedures for the collection of information including:

\* Statistical methodology for stratification and sample selection,

\* Estimation procedure,

\* Degree of accuracy needed for the purpose described in the justification,

\* Unusual problems requiring specialized sampling procedures, and

\* Any use of periodic (less frequent than annual) data collection cycles to reduce burden.

3. Describe methods to maximize response rates and to deal with issues of non-response. The accuracy and reliability of information collected must be shown to be adequate for intended uses. For collections based on sampling, a special justification must be provided for any collection that will not yield "reliable" data that can be generalized to the universe studied.

4. Describe any tests of procedures or methods to be undertaken. Testing is encouraged as an effective means of refining collections of information to minimize burden and improve utility. Tests must be approved if they call for answers to identical questions from 10 or more respondents. A proposed test or set of test may be submitted for approval separately or in combination with the main collection of information.

5. Provide the name and telephone number of individuals consulted on statistical aspects of the design and the name of the agency unit, contractor(s), grantee(s), or other person(s) who will actually collect and/or analyze the information for the agency.

This information collection does not employ statistical methods (for questions 1-5).