

Supporting Statement for Paperwork Reduction Act Submissions
Title: Project Approval for Single-Family Condominiums

OMB Control Number: 2502-0610

(HUD-9991, FHA Condominium Loan Level/Single-Unit Approval Questionnaire; HUD-9992, FHA Condominium Project Approval Questionnaire; HUD-92544, Warranty of Completion of Construction; HUD-92541, Builder's Certification of Plans, Specifications, & Site; HUD-96029, Condominium Rider)

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 is needed to conform with the provisions and requirements associated with the Project Approval for Single-Family Condominiums Final Rule. This regulation implements the Department of Housing and Urban Development's (HUD) authority under the single-family mortgage insurance provisions of the National Housing Act to insure one-family units in a multifamily project, including a project in which the dwelling units are attached, or are manufactured housing units, semi-detached, or detached, and an undivided interest in the common areas and facilities which serve the project (24 CFR Parts 203).

The rule establishes parameters regarding which kind of condominium projects are eligible for approval by the HUD and allows approvals on individual units that are not in approved projects provided the project meets a set of standards (Single-Unit Approval).

This collection package includes two new collection forms, HUD-9992, *FHA Condominium Project Approval Questionnaire*, to process condominium project approval applications and the HUD-9991, *FHA Condominium Loan Level/Single-Unit Approval Questionnaire* to process single-unit approvals.

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.

FHA Condominium Project Approval Questionnaire

Project approval can be processed by HUD staff through the HUD Review and Approval Process (HRAP) or by approved lenders through the Direct Endorsement Lender Review and Approval Process (DELRAP). Application packages for approval can be submitted by condominium associations, management companies, mortgagees, project consultants and others. The *HUD-9992, FHA Condominium Project Approval Questionnaire* will be used for project approval application packages under these two review processes. To be approvable, the condominium project would have to meet the eligibility requirements of §203.43b(d) of the regulation. Requirements for approval of a project include concentration of FHA-insured units, owner-occupied units, the amount of commercial/non-residential space, project financials, insurance, quality of management and other factors. The information will be used to determine if the condominium project meets the eligibility

requirements for HUD approval. An approved condominium project will be placed in the FHA-approved condominium list for three years unless removal is warranted during that time.

FHA Condominium Loan Level/Single-Unit Approval Questionnaire

Direct Endorsement lenders in good standing will use the *HUD-9991, FHA Condominium Loan Level/Single-Unit Approval Questionnaire* to collect project information at the time the condominium loan is being originated. Under § 203.43b(i) of the Final Rule, a process has been established to allow approvals on individual units that are not in approved projects and not in projects that have been subject to adverse determination for significant issues that affect the viability of the project. A subset of the project approval requirements is needed to process single-unit approvals. Under single-unit approval, a project is considered as part of the underwriting review of a condominium loan. In addition, loan level verifications on units located in approved projects are performed at the time a condominium loan is being made. Because both loan level verifications and single-unit approvals are underwriting functions, the *HUD-9991, FHA Condominium Loan Level/Single-Unit Approval Questionnaire* will be used by DE lenders to obtain the information needed to conduct the required verifications for making an underwriting decision on the condominium loan.

New Construction or Gut Rehab. The Condominium Project, or Legal Phase, as applicable, must be either a Complete Condominium Project or a Complete Legal Phase. The following documentation is required for New Construction and Gut Rehab under the guidance in New Construction (see the New Construction Product Sheet in the Origination through Post-Closing/Endorsement section of the SF Handbook II.A.8.i.iii — Required Documentation for Maximum Financing). The Mortgagee must obtain and include the following documents in the case binder:

- *form HUD-92541*, Builder's Certification of Plans, Specifications, and Site;
- *form HUD-92544*, Warranty of Completion of Construction;
- evidence that the Property was pre-approved, with an Early Start Letter or copy of building permit issued by local authority prior to start of construction;
- *form HUD-96029, Condominium Rider*. The Condominium Rider is a required document that contains standard language that is incorporated into, and amends and supplements, the Mortgage, Deed of Trust or Security Deed (Security Instrument). This document is a required document for each condominium loan submitted for insurance endorsement.

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 information collection forms were set up to collect the data and perform the analysis in a standardized format so that it can be easily converted into a scalable system to collect data electronically.

Condominium Project Approval. Under HRAP, the condominium approval package must be submitted to the Jurisdictional Homeownership Center (HOC) as a single Portable Document Format (PDF) file on a CD-ROM or USB flash drive. The application package is submitted to the Jurisdictional HOC, which is determined by the project's location and can be found at https://www.hud.gov/program_offices/housing/sfh/sfhhocs.

Under DELRAP, FHAC is the system used to record, list and track all data for Condominium Projects that have been processed. FHAC is used for data entry, processing and reporting. Mortgagees must use FHAC to: determine the existing approval status of a Condominium Project; enter the Condominium Project information; assign the approval status after the Condominium Project has been reviewed; and upload required Condominium Project documents in a PDF.

Single-Unit Approval. FHA plans to make the necessary changes to fully automate single-unit approvals. Mortgagees will be required to use FHAC to determine the existing approval status of a Condominium Project in FHA systems and order an FHA case number. The questionnaire will be in a fillable format and lenders will be able to submit it by e-mail to the FHA Resource Center for processing.

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.

No duplication in the collection of information for condominium project approval, loan level approval and Single-Unit Approval exists. Each condominium project and its units have their own combination of features and are distinctive. In addition, the financial and operational data are dynamic. Extending the approval of condominium projects from two to three years reduces the collection burden.

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.

The rule associated with this collection codifies requirements for DELRAP lenders, many of which are small entities. However, it is worth noting that many of these lenders are likely affiliated with much larger financial institutions, based on the names associated with the IDs. Of the few thousand unique originating mortgagee IDs in each year from 2001 to 2018, the median number of mortgagees is always under 100. Additionally, for originating mortgages from 2012 through 2018, the median number of condo mortgages is exactly 1 in each year. While this data may seem to make a strong case for the prevalence of small entities, these entities likely have resources at their disposal that are not available to a typical small entity in other industries.

Other elements of the rule lift collection burdens. First, allowing Single-Unit Approval enables small lenders business opportunities without the collection burden of seeking approval for an entire condominium project. Second, by providing that only completed projects may be approved, this rule eliminates the need for HUD to require collection items with proposed construction and under construction.

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.

FHA considers this information to be critical to implement the provisions in the final rule for the insurance of single condominium units within FHA-approved projects and non-FHA-approved projects and to manage risk to the MMI fund. Without sufficient information about individual condominium projects and the total number of FHA-insured units in a project, FHA will be unable to determine the risk that FHA insured units within the project might pose to the MMI insurance fund.

FHA would not be able to properly examine the risk of individual units to the insurance fund and would not be able to continue insuring loans for borrowers who wish to purchase or refinance condominium units.

7. Explain any special circumstances that would cause an information collection to be conducted in a manner: (PLEASE ANSWER EACH BULLET SEPARATELY)

* requiring respondents to report information to the agency more often than quarterly;

- This collection requires the lender to make a one-time certification.

* requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it;

- This collection does not request a written response to a collection of information in fewer than 30 days.

* requiring respondents to submit more than an original and two copies of any document;

- This collection does not require 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;

- This collection does not require any of the respondents except DELRAP lenders to retain records for more than three years. DELRAP lenders must retain all documentation related to the Condominium Project's DELRAP review for a period of seven years and must provide the Condominium Project information and documentation to HUD/FHA upon request

* 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;

- This collection does not require a statistical survey.

* requiring the use of a statistical data classification that has not been reviewed and approved by OMB;

- This collection does not require the use of a 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

- This collection does not include a pledge of confidentiality that is not supported by authority established in a statute or regulation.

* 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.

- This collection does not require respondents to submit proprietary trade secrets or other confidential information.

Some of the documents required as a result of this collection are time sensitive and will need to be updated every 30 (thirty) days. A report of delinquent association fees is required to be updated every 30 days because

these fees are collected monthly. Income and expense statements, balance sheets, and percentage of units that are owner occupied also change with enough frequency to warrant their collection more often than once a quarter. The viability of a condominium project is based on the financial stability of the project and that information changes monthly based on dues collected, expenses incurred and the resolution or commencement of legal activities. The volatility of condominium projects makes it prudent for FHA to require the most up-to-date information when issuing an approval that will make units in the project eligible for FHA insurance for three years.

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 Federal Register Notice soliciting public comments was announced in the Federal Register along with the Project Approval for Single family Condominium Proposed Rule on September 28, 2016, Volume 81, No. 188, Page 66569. The agency received 91 comments on the Proposed Rule and no comments on the information collection.

The agency consulted with Fannie Mae and Freddie Mac regarding requirements for condominium project and loan level approval at the GSEs. Additionally, FHA contacted lenders, industry consultants and representatives from trade associations representing builders, developers, condominium associations and condominium management companies.

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

HUD does not provide payments or gifts to respondents in exchange for a benefit sought.

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

No assurances of confidentiality are provided to respondents.

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.

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

Package preparation for condominium project approval can be performed by condominium associations, management companies, independent project consultants, attorneys or mortgagees. Project review can only be performed by FHA staff or participating mortgagees with DELRAP authority. The burdens to those mortgagees who complete DELRAP reviews are noted above, as is the preparation burden for other parties.

FHA Condominium Project Approval Questionnaire and FHA Condominium Loan Level/Single-Unit Approval Questionnaire

Information Collection	Number of respondents	Frequency of Response	Responses per Annum	Burden Hour per Response	Annual Burden Hours	Hourly Cost per Response	Annual Cost
Package Preparation - Project Approval	5,000	1	5,000	1	5,000	\$53.10	\$265,500.00
Package Review - Project Approval	5,000	1	5,000	1	5,000	\$53.10	\$265,500.00
Form HUD-92541 (OMB 2502-0496) Builders Certification of Plans, Specifications	2,500	1	2,500	0.03	75	\$53.10	\$3,982.50
Form HUD-92544 (OMB 2502-0059) Warranty of Completion of Construction	2,500	1	2,500	0.1	250	\$53.10	\$13,275.00
Form HUD-9992, FHA Condominium Project Approval Questionnaire	5,000	1	5,000	1	5,000	\$53.10	\$265,500.00
Package Review - Single-Unit Approval	20,000	1	20,000	0.75	15,000	\$40.95	\$614,250.00
Form HUD-96029, Condominium Rider	40,000	1	40,000	0.1	4,000	\$53.10	\$212,400.00
Form HUD-9991, FHA Condominium Loan Level/Single-Unit Approval Questionnaire	40,000	1	40,000	0.75	30,000	\$40.95	\$1,228,500.00
TOTAL	120,000		120,000	0.54	64,325		\$2,868,907.50

Estimated cost for respondents is calculated from the July 2019 U.S. Department of Labor, Bureau of Labor Statistics website (https://www.bls.gov/oes/current/oes_nat.htm) determined that the hourly rate of a loan officer completing this type of survey averaged \$36.37 plus \$16.73 per hour for a fully loaded rate of \$53.10. Estimated cost for the community association staff completing the questionnaire at loan level is \$28.05 per hour for a fully loaded rate of \$40.95.

The following table was published in the Final Rule and shows the difference between the burden hours for the current and new collection. During the preparation of this OMB PRA revision package, additional adjustments were made to reduce the new burden hours including the removal of Form HUD-935.2c, Affirmative Fair Housing Plan.

Consolidated Burden Hours for Condominium Package – Net Change

Current information collection (OMB Approval No. 2502-0610)	New Information Collection	Burden hours (current)	Burden hours (new)	Net change
Package preparation		2.00	1.00	-1.00
Package review		1.00	1.00	0.00
Form HUD-935.2c, AFFH Plan		6.00	3.00	-3.00
Form HUD-92541, Builder's Certification		0.10	0.10	0.00
Form HUD-92544, Warranty of Completion of Construction		0.03	0.03	0.00
Form HUD-96029, Condominium Rider		0.10	0.10	0.00
Form HUD-96017, Program Certification/ Project Certification		0.10	0.00	-0.10
Loan level certification		0.30	0.00	-0.30
Pre-sale certification		1.00	0.00	-1.00
Form HUD-96027, Condominium Project Approval Cover Document/Checklist		1.00	0.00	-1.00
Form HUD-96028, Condominium Project Annexation Checklist		0.30	0.00	-0.30
	HUD-9991, FHA Condominium Loan Level/Single-Unit Approval Questionnaire		.75	.75
	HUD-9992, FHA Condominium Project Approval Questionnaire		1	1
Total		11.93	6.98	- 4.95

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).

There are no recordkeeping, capital, start-up or maintenance costs associated with this information collection.

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 cost to the Federal Government is based on a \$42.60 per hour estimate, which includes overhead, staff preparation time, review time, etc. The estimate is based on the work being performed by the equivalent of GS-12, Step 4, staff as reviews are performed by individuals at this level. This cost involves the time it takes to review the submitted packages, complete the reviews and enter the required data into the database. FHA staff performs quality assurance reviews on 30% of project approval packages that are processed by mortgagees who are authorized to perform complete reviews and approvals of projects under DELRAP authority. The total cost to the government is \$1,337,080.

Staff Salaries: $\$91,582 \times 1.46$ (wage rate multiplier) = $\$133,709$ (fully-loaded) $\times .50$ (50% of time spent) = $\$66,854 \times 20$ (total HOC) = $\$1,337,080$.

15. Explain the reasons for any program changes or adjustments reported in Items 13 or 14 of the OMB Form 83-I. All revisions or changes to the collection should be described here.

This revision to the existing Information Collection allows HUD to remain compliant with the Paperwork Reduction Act and implement key provisions of the Condominium Project Approval Final Rule (FR-5715-F-02) including:

- Introduction of the Single Unit Approval process for insuring units in unapproved condominium projects, provided the project meets certain minimum requirements for Single Unit Approval.
- Compliance with Executive Order 13878, by removing barriers to affordable homeownership and expanding the pool of properties that may be eligible for FHA-insured financing
- Providing more opportunities for credit worthy homebuyers and
- Aligning with the Administration's priority to reduce regulatory burden and meet the growing needs of the housing industry.

Changes in #13 and #14 on form 83i are due to a new regulation, Condominium Project Approval Final Rule (FR-5715-F-02), that requires information to process the following:

- Condominium project approval applications;
- Verification of loan level requirements for units in approved condominium projects; and
- Single-Unit Approval applications.

Condominium project applications require the information in the *HUD-9992, FHA Project Approval Questionnaire*. Verification of loan level requirements for units in approved condominium projects and Single-Unit Approval applications require the information in the *HUD-9992, FHA Project Approval Questionnaire and HUD-9991, FHA Loan Level / Single-Unit Approval Questionnaire*.

Description of the Collection Changes

Current Approved Form	Form Title	Corresponding Forms	Current Status
Form HUD-96027	Condominium Project Approval Cover Document Checklist	Sample form	Remove form. Model document no longer required. New <i>HUD-9992, FHA Project Approval Questionnaire</i> replaces this document.
Form HUD-96028	Condominium Project -- Annexation Checklist	Sample form	Remove form. Model document no longer required. New <i>HUD-9992, FHA Project Approval Questionnaire</i> replaces this document.
Form HUD-96017	Program Certification (Project Certification)	Sample form	Remove form. Model document no longer required. New <i>HUD-9992, FHA Project Approval Questionnaire</i> and <i>HUD-9991, FHA Loan Level / Single-Unit Approval Questionnaire</i> replace this model document accordingly.
Form HUD-935.2c	Affirmative Fair Housing Marketing Plan	Existing Document	Remove form. Form is not specific to the Condominium Project Approval program and not required because Proposed and Under Construction are no longer eligible. Covered under 2529-0013.
Form HUD-96018	Loan Level Certification	Sample Form	Remove form. Model document no longer required. New <i>HUD-9991, FHA Loan Level / Single-Unit Approval Questionnaire</i> replaces this model document.
Form HUD-92544	Warranty of Completion of Construction	Active Form; Burden hours covered OMB 2502-0059	Form is still being used covered OMB 2502-0059. It is no longer being used in the Condo Project Approval program because proposed and Under Construction are no longer eligible.
Form HUD-92541	Builder's Certification of Plans, Specifications, & Site	Existing Document	Form is still being used and is covered under OMB 2502-0496.
Form HUD-96029	Condominium Rider	Condominium Rider	Template with required FHA language to be incorporated into the security instrument.

As a result of the regulation, the burden hours per response is expected to decrease but the number of responses is expected to increase due to the introduction of the single-unit approval process and streamlining of project approval.

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 of the information collected 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 will display the expiration date for OMB approval of this information collection.

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

HUD does not request an exception to the certification of this information collection.

B. Collections of Information Employing Statistical Methods.

There is no statistical methodology involved in this collection.