

# **Display Supporting Statement for Paperwork Reduction Act Submissions**

## **Title I Property Improvement and Manufactured Home Loan Programs**

**OMB Control Number 2502-0328**

**(List of form numbers)**

(HUD-637, 27030, 55013, 55014, 56001, 56001-MH, 56002, 56002-MH, & SF 3881)

### **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 to renew the OMB approval of 2502-0328.

Title I, Section 2 of the National Housing Act (12 U.S.C. 1703) authorizes the Secretary of Housing and Urban Development, through its Federal Housing Administration (FHA) to insure qualified financial institutions against losses caused by borrower defaults on loans made under Title I. The regulations implementing the Title I program, including requirements for information collection and reporting, are found in 24 CFR Part 201. A list of these regulations is shown in Attachment A, which can be found on pages 12-14 of this document.

In compliance with the statute and regulations, specific guidance is issued through Title I Letters, for all Title I lending institutions, and other program stakeholders. The Department is presently developing a handbook it intends to publish, which lays out the program standards and requirements in clear, consistent and more direct language. The handbook will serve as a single, authoritative source of policy, consolidating existing guidance from Title I Letters and federal regulations.

Title I forms and other information collected are used to determine eligibility of a loan for FHA insurance, including claim payments. Guidance to lenders are provided through regulations at 24 Code of Federal Regulations Part 201, and through Title I Letters available on HUD Clips. HUD has developed a Draft Title I Handbook that would consolidate and make program information easier to find.

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 respondents are lenders. Others with a role in Title I loans are administered by the lenders, including dealers (sellers, contractors, or supplier of goods or services), manufacturers, appraisers, inspectors and borrowers. The collection contains the information under which an approved financial institution may obtain insurance on loans made for the alteration, repair, or improvement of property; for the purchase of a manufactured home and/or the lot on which to place such a home; for the purchase and installation of fire safety equipment in existing health

care facilities; and for the preservation of historic structures. The insurance granted by HUD shall be available only for loans involving property located within United States and its territories. The insurance can cover up to 10 percent of the amount of all Title I loans in the financial institution's portfolio, as reflected in the total amount of insurance coverage contained at any time in an insurance coverage reserve account established by HUD. As limited by the amount of insurance coverage in such a reserve amount, the insurance can cover up to 90 percent of the loss on any individual loan. Property improvement loan amounts are limited from \$7,500 for manufactured homes to \$60,000 for multifamily properties.

As part of managing Title I risk to its insurance fund, the Department requires lenders to collect data on their Title I loans. However, lenders are required to electronically transmit only a small subset of their data to HUD, and most loan data is retained by lenders on paper documents assembled in a physical case binder. To receive claim payment, the lender mails a full paper binder to HUD. The Department continuously seeks ways to reduce public burden, including the potential for a data system that would convert paper data collection to an electronic version.

On a monthly basis, the Department provides premium billing statements to each Title I lender. Each lender accesses their premium bill online, through FHA's system called FHA Connection (FHAC). Each lender can use the system to reconcile premiums charged based on information about active loans and terminated loans. Once reconciled, lenders submit their bill which triggers a payment to HUD through an electronic debit from their bank account.

The Department is removing from the 83i its form HUD-646 *Worksheet for Reconciliation of Insurance Charges from the Title I Monthly Statement*. This form has been offered to lender respondents as an optional worksheet; however, lenders have opted to reconcile their loans using their own systems and reporting any differences to HUD through its FHAC system. The reconciliation process is a standard function of loan servicing, and is used for all taxes, insurance, fees, and charges associated with loans. During reconciliation, lenders may report loan changes that would terminate FHA insurance charges, such as loans that have been paid off.

Some of the HUD requirements are considered standard business practices, and HUD ascribes no burden hours to their use. These requirements are listed at Attachment B.

Below is a discussion of the various information requirements that Lenders collect under the Title I Property Improvement and Manufactured Home Loan Programs:

**Wholesale (Base) Price List.** The manufacturer of manufactured homes publishes price lists and distributes them to all retail dealers in a given marketing area, quoting the actual wholesale (base) prices at the factory for specific models or series of manufactured homes and itemized options offered for sale to such dealers during a specified period of time. The wholesale (base) prices may include the manufacturer's projected costs of providing volume incentives and special benefits related to sales to dealers during the period. All such wholesale (base) prices shall exclude any costs of trade association fees or charges, discounts, bonuses, refunds, rebates, prizes, loan discount points or other financing charges, or anything else of more than nominal value which will inure to the benefit of a dealer and/or home purchaser at any date.

Each price list and amendment shall be retained by the manufacturer for a minimum period of six years from the date of publication in order to be available to HUD and other Federal agencies upon request.

**Manufacturer's Invoice.** A manufacturer of manufactured homes must provide an invoice for each manufactured home to be sold by a retail dealer. That invoice must separately detail the wholesale prices at the factory for specific models or series of manufactured homes, itemized options, actual itemized charges for freight, and any sales taxes to be paid by the dealer. The manufacturer must certify on the invoice, or on an attachment to the invoice, that:

- the prices are accurate and reflect actual dealer costs, and
- that the manufacturer has not made any payments, to the dealer or manufactured home purchaser as an inducement to purchase.

The manufacturer's certification is a standard business practice.

**Form HUD-56001, Credit Application for Property Improvement Loans, and Form HUD-56001-MH, Credit Application for Manufactured (Mobile) Home.** Lenders are responsible for establishing the eligibility of the borrower and the use of loan proceeds. These forms are used to collect information necessary to establish the creditworthiness of loan applicants and to assist HUD in accounting for and monitoring the use of the Title I insurance fund. General information about sex, race, and ethnic background is requested (but not required) to determine the characteristics of Title I program beneficiaries.

The selling retailer or dealer of manufactured home or contractor for property improvements must also sign this form to certify compliance with Title I regulations. If someone other than the borrower(s) prepares the form, that person must also sign.

**Eligibility of the Borrower** - Documentation is required to make certain the borrowers have the capability to repay the debt, including, but not limited to, credit reports and credit scores; verification of income and employment; payment history on other obligations, alimony, child support or maintenance; subsidy for mortgage payments; VA benefits; IRS form 2106; and/or trust agreements. [Reference 24 CFR 201.22] Lenders collect and retain borrower income and credit information for all loan types (including conventional) as part of standard business and lending practice. Transmitting that data to HUD is generally only required for income. Transmitting to HUD other borrower data, such as a credit score and debt-to-income ratio, is generally not required. This reduced collection allows lenders to control their risk of loss, recognizing the co-insurance structure that limits HUD's claim payment amounts.

**Eligibility for Property Improvement Loan.** Where the proceeds are to be used for a property improvement loan, the proposed improvements shall be reviewed by the lender to verify eligibility, that the improvements will be permanently attached and owned by the property and will improve the livability and usability of the property. Title I's insurance structure does not require a property appraisal, or for the borrower to have equity in the property being improved.

**Eligibility for Historic Preservation Loan.** Where the proceeds are to be used for an historic preservation loan, the proposed improvements shall be reviewed and approved by the State Historic Preservation Officer (or other person authorized by the Secretary of the Interior to make

such reviews) prior to making application for a loan. Lenders have little interest in this loan type; HUD is limited in estimating associated costs.

**Eligibility for Fire Safety Equipment Loan.** Where the proceeds are to be used for a fire safety equipment loan, the proposed improvements shall be reviewed and approved by the State or local agency having primary jurisdiction over the fire safety requirements of health care facilities prior to making application for a loan. Lenders have little interest in this loan type; HUD is limited in estimating associated costs.

**Refinancing of Property Improvement Loans.** Lenders must obtain HUD approval to release any co-makers or co-signers on the original note from liability on the refinance note.

**Refinancing of Assumed Loans.** Lenders must also obtain HUD approval to refinance an assumed loan if the original borrower and any intervening assumptors were not released from liability for repayment at the time the loan was assumed. Lenders must require the execution of an assumption agreement that is satisfactory to the lender and is signed by the assumptor and the original borrower or previous assumptor at the time of assumption. Prior to the execution of the assumption agreement the lender shall provide the assumptor with a written notice to be signed by the assumptor and retained in the loan file, that states that the loan being assumed is insured by HUD and describes the actions the Secretary may take to recover the debt if the assumptor defaults on the loan and an insurance claim is paid and that constitutes the assumptor's agreement to pay penalties and administrative costs imposed by HUD.

**Substitution or subordination of security.** Lenders wishing to substitute or subordinate security where the security value will not be impaired or reduced must obtain prior HUD approval.

**Release of liability or lien.** The lender shall not release the borrower or any co-maker or co-signer from any liability under a note or from any lien securing a loan insured under this part without the prior approval of the Secretary.

**Form HUD-55013, Dealer/Contractor Application.** Dealers of manufactured homes apply to and are approved by Title I lenders using this form. In addition to the form, dealers furnish a current financial statement. The following sentence on HUD-55013 has been deleted "Attach a separate sheet with name, address, Social Security Number and 5-year employment history for each salesperson". Information about salespersons is not required in HUD's published policies, and thus was not reflected on the Title I program's 83i, OMB Approval 2502-0328. The form continues to require name, address, social security number and 5-year employment history for owners, principals and/or officers. This information allows the lender to evaluate the Dealer/Contractor for a business relationship where the Dealer/Contractor will collect and present Title I credit applications to the lender for approval and funding. Responsible lenders typically collect this information from Dealers as part of standard and prudent business practices. This form sets a standard on HUD's expectation in establishing business relationships with Dealers/Contractors. HUD does not receive the information that lenders collect on their Dealer/Contractors.

**Notification of Dealer Changes.** Dealers must provide written notification to lenders of any material change in a dealer's trade name, place of business, ownership, etc.

**Dealer Oversight by Lenders.** Upon receipt of a dealer application, the lender obtains a commercial credit report on the dealer and consumer credit reports on the dealer's owners, principals, and officers. Lenders perform semi-annual inspections and maintain files to monitor performance.

**Termination of a Dealer.** Lenders may terminate a dealer's approval and must provide notification to HUD.

**Form HUD-55014, Warranty for New Manufactured Home.** Manufacturers of Manufactured Homes use this form to provide a one-year warranty against defects in materials and workmanship. Borrowers sign the form to acknowledge receipt of the warranty.

**Notification of Warranty Problems.** The lender must maintain information in the loan file as to whether the home manufacturer is substantially complying with its warranty obligations on other homes financed by the lender under any program. If the lender concludes that a manufacturer may not be honoring its warranties, the lender shall immediately notify the Secretary in writing with documentation of the facts and circumstances.

**Certification of Manufactured Home Site Standards.** When a manufactured home is to be placed on a new lot, the lender must verify and where possible, obtain certifications from the appropriate State or local government officials that the site complies with local minimum standards relating to vehicular access, water supply, sewage disposal, utility connections, and other aspects of park development. Where minimum State and local standards for park development are not established or enforced, the lender must obtain a certification from a registered civil engineer that the park meets minimum standards for park development prescribed by the Secretary.

**Notice of HUD's Role.** For both property improvement loans and manufactured home loans, the lender shall provide the borrower with a written notice, to be signed by the borrower and retained in the loan file, that (i) states that the loan will be insured by the HUD and describes the actions the Secretary may take to recover the debt if the borrower defaults on the loan and an insurance claim is paid; and (ii) constitutes the borrower's agreement to pay penalties and administrative costs imposed by HUD as authorized by 31 U.S.C. 3717 and 24 CFR 201.26(a)(8). In the case of a direct loan, the notice must also constitute an acknowledgement of the borrower's post-disbursement obligation to furnish a completion certificate and to permit an on-site inspection by the lender or its agent in accordance with Section 201.40.

**Form HUD-27030, Transfer of Note Report.** This form is completed by both the selling and buying institutions, signed by both institutions, and submitted to HUD within 31 days after the date of transfer. The selling institution certifies that all notes to be transferred have previously been accepted for insurance by HUD. In addition, the selling institution authorizes HUD to transfer its insurance coverage reserve account to the insurance coverage reserve account of the buying institution, the lesser of a 10 percent of the unpaid balance or 10 percent of the net selling price of each loan. If the insurance charges on the transferred loans have already been paid, any

adjustment of such charges shall be between the selling and buying institutions. The buying institution is responsible for paying any unpaid insurance charges.

**Discovery of Misstatements of Fact.** If, after a loan has been made, the lender discovers any material misstatement of fact or that the loan proceeds have been misused by the borrower, dealer, or any other party, it shall promptly report this to the Secretary. (Reference: 24 CFR 201.40(a))

**Form HUD-56002, Completion Certificate for Property Improvements – Direct or Dealer Loans.**

Borrowers sign this form certifying that loan proceeds were spent properly, property improvements have been completed, and they have received no inducements from the dealer to enter into the transaction. Dealers or contractors sign the form certifying that the property improvements are eligible under Title I, the property improvements have been completed, the borrowers have received no inducements other than payment of discount points to enter into the transaction, and that any discount points will not be reimbursed by the borrowers. (Reference: 24 CFR 201.40(b))

**Report of Uncooperative Borrower.** If the borrower fails to submit a form HUD-56002 and will not cooperate in permitting an on-site inspection, the lender shall report this fact to the Secretary. (Reference: 201.40(c))

**Form HUD-56002-MH, Placement Certificate for Manufactured Home – Direct or Dealer Loans.**

Borrowers sign this form certifying that the loan meets all Title I requirements and that the home will not be moved until the loan is paid unless the lender agrees and the new site meets Title I regulations. Dealers sign this form certifying that the loan meets all Title I requirements, the manufactured home has been installed and erected as required, and any permanent foundation meets HUD requirements.

**Inspection of Manufactured Home Placement.** For any manufactured home purchase loan or combination loan involving the sale of a manufactured home by a dealer, the lender (or an agent of the lender that is not a manufactured home dealer) shall conduct a site-of-placement inspection within 60 days after the date of disbursement to verify that:

- The terms and conditions of the purchase contract have been met.
- The manufactured home and any itemized options and appurtenances included in the purchase price of the home or financed with the loan proceeds have been delivered and installed.
- The Placement Certificate executed by the borrower(s) and the dealer is in order.
- The manufactured home has been properly installed on the home site without any apparent structural damage or other serious defects resulting from the transportation or installation of the unit, and that all plumbing, mechanical and electrical systems are fully operational.

**Administrative Reports and Examinations.** The Secretary may call upon a lender for any reports deemed necessary in connection with regulations and may inspect the loan files, records, books, and accounts of the lender as they pertain to the loans reported for insurance.

**Proceeding against the Loan Security – Property Improvement Loans.** After acceleration of maturity on a secured property improvement loan, the lender may either make claim under its contract of insurance or proceed against the loan security under its Title I security instrument. In proceeding against the secured property, the lender shall comply with all applicable State and local laws and shall take all actions necessary to preserve its rights, if any, to obtain a valid and enforceable deficiency judgment against the borrower. Proceeding against the security requires prior HUD approval.

**Proceeding against the Loan Security – Manufactured Home Loans.** After acceleration of the maturity on a Defaulted Loan, the Lender must proceed against the loan security by repossession or foreclosure of the collateral. Any action must be in compliance with all applicable state and local laws, and the Lender must acquire proper marketable title to the Manufactured Home securing the Loan. The Lender must also take all actions necessary under federal, state and local law to preserve its rights to obtain an enforceable deficiency against the Borrower.

**Appraisal.** For a claim on a Manufactured Home loan, the lender must obtain an appraisal of the secured property. The appraisal must reflect the current value of comparable Manufactured Homes in similar condition and in the same geographic area where the repossession occurred. The appraised value on a manufactured home is part of the calculation of the insurance claim payment. An appraisal is generally not required in an origination of or claim on a Property Improvement loan.

**Disposition of Manufactured Home Loan Property.** The lender may accept voluntary surrender of the property without satisfaction of the borrower's obligation, but the lender must dispose of or sell the property for the best price possible prior to filing a claim. In the case of a combination loan, the manufactured home and lot shall be sold in a single transaction and the manufactured home may not be removed from the lot, unless HUD gives prior approval for a different procedure.

**Form HUD-637, Title I Claim for Loss.** This is a two-part form. Part I is the Transmittal, on which the lender indicates the documents that will be submitted to support the claim. Part II is the Application Voucher, which the lender provides an accounting for the claim and certifies to its accuracy. Part II also Serves as the Claim Calculation Worksheet that the lender uses to calculate some of the amounts on Part II.

The claim must include all original notes, security instruments, assumption agreements, releases of liability for repayment of the loan, judgments obtained by the lender against the borrower, and any related documents and forms, unless otherwise required by law.

**Form SF 3881, ACH Vendor/Miscellaneous Payment Enrollment Form.** This form is required to be completed by the lender if a Title I claim has been approved. The form sets up

Electronic Funds Transfer (EFT), which enables HUD to pay the lender for the claim using the electronic transfer.

**Request to Exceed the Maximum Claim Period.** Claims for property improvement loans must be filed not more than nine months after the date of default. Claims for manufactured home loans must be filed not more than three months from the sale of the property but may not be more than 18 months after the date of default. If a borrower is a person in military service, any period of military service after the date of default shall be excluded in computing the maximum time period for filing an insurance claim. HUD may extend the claim filing period if the lender shows clear evidence that the delay in claim filing was in the interest of the Secretary or was caused by litigation related to the loan; management control of the lender or the Title I loan portfolio having been assumed by a Federal or State agency; or the borrower had experienced a loss of income or other financial difficulties directly attributable to a major disaster declared by the President, and additional time was needed to provide forbearance on a property improvement loan.

**Assignment of Lender's Rights to the United States.** Upon the filing of the insurance claim, the lender shall assign to HUD its entire interest in the loan note, any judgment in lieu of the note, any security held, and any claim filed in probate, bankruptcy, or insolvency proceedings. If the assignment does not appear on the note or other instrument that is assigned, it must be executed on an allonge attached to such note or other instrument, using the format shown below or a format generally acceptable in the jurisdiction where the judgment or security was taken shall be used.

<p><b>All right, title, and interest of the undersigned is hereby assigned (without warranty, except that the loan qualifies for insurance) to the United States of America (HUD).</b></p> <p><b>(Financial Institution)</b> _____</p> <p><b>By:</b> _____</p> <p><b>Title:</b> _____</p> <p><b>Date:</b> _____</p>
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**Site Lease Requirements.** If a manufactured home will be set on a lot that is leased to the homeowner, lenders must ensure that the lease (1) does not expire before three (3) years after the



origination date of the obligation; (2) is renewable upon the expiration of the original 3-year term by successive one (1) year terms; (3) requires the lessor to provide the lessee written notice of termination of the lease not less than 180 days prior to the expiration of the current lease term in the event the lessee is required to move due to the closing the manufactured home community, and further provides that failure to provide such notice to the borrower in a timely manner will cause the lease term, at its expiration, to automatically renew for an additional one (1) year term.

**Resubmitted and Supplemental Claims.** The Secretary may deny a claim for insurance in whole or in part based upon a violation of Title I regulations, unless a waiver of compliance with the regulations is granted. Any insurance claim that is resubmitted with an appeal of a claim denial or a request for a waiver of the regulations must be filed within six months after the date of the claim denial. Any supplemental insurance claim shall be filed within six months after the date of payment on the initial claim.

**Form HUD-646 Worksheet for Reconciliation of Insurance Charges from the Title I Monthly Statement.** The Department is removing this form from the 83i. This form has been offered to lender respondents as an optional worksheet; however, lenders have opted to reconcile their loans using their own systems and reporting any differences to HUD through its FHAC system. The reconciliation process is a standard function of loan servicing, and is used for all taxes, insurance, fees, and charges associated with loans. During reconciliation, lenders may report loan changes within FHAC that would terminate FHA insurance charges, such as loans that have been paid off.

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 Department's overall goal is to automate the collection of loan data for its loan insurance programs. Currently, respondents collect most information using paper, and transmit only a small subset of data to HUD. Most of the data is collected and retained only by the lender. Paper documents submitted to HUD are received and stored at HUD's Financial Operations Center in Albany, NY. The Department estimates that approximately 30-40% of the required data is transmitted electronically when lenders report the loan for insurance using HUD's FHA Connection system. The FHA Connection is an interactive system on the Internet that gives approved FHA lenders and other HUD-approved business partners real-time access to data residing in a number of HUD FHA systems. The FHA Connection is a cost-effective, secure electronic means for the lending community to do business with HUD, supporting the entire loan processing life cycle. The Department continuously seeks ways to reduce public burden, including the potential for a data system that would convert a paper process to an electronic collection.

In 2011, FHA made significant progress in streamlining the flow of information through a new batch upload process. This process enables lenders to upload data for multiple loans to FHA Connection. While this new feature does not impact paperwork, it reduces time burden for lenders to report required data. Lenders are no longer required to enter data in FHA systems for loans one at a time.

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.

Information collected is unique to each Title I loan and therefore not duplicative.

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 dealers and contractors may be small businesses. The burden is the minimum required to conduct the program.

The Department seeks to reduce burdens where possible. Lender feedback is solicited as part of rulemaking. In 2015, the Department solicited comments on its Title I handbook draft. Approximately 200 comments were received and analyzed for adoption into the final document.

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 subject information is necessary for applicants to receive the benefits of the program. In addition, it ensures efficient risk management of its loan insurance portfolio, monitoring individual loan and lender performance, to safeguard the FHA 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;
- Much of the information collected for the Title I program is one-time or “on occasion.”
- The reporting burden is loan-specific and, thus, cannot be conducted less frequently than on every single loan submitted to FHA for insurance endorsement.
- the Department transmits monthly billing statements to Title I lenders. The lenders electronically transmit their reconciliation of that billing statement and authorize payment to HUD, which is then accomplished by an electronic debit of their bank account.

- \* requiring respondents to prepare a written response to a collection of 30 days after receipt of it;
- respondents are not required to prepare a written response in less than 30 days;

- \* requiring respondents to information in fewer than submit more than an original and two copies of any document;
- respondents are not required 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;

- Respondents are required to retain records for the duration of the mortgage (24 CFR 201.11), the duration in which FHA insurance benefits are provided.

\* 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;

- respondents are not required to provide a statistical survey;

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

- respondents are not required to use statistical data not 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

- respondents are not required to submit information that includes a pledge of confidentiality that is not supported by authority established in a 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

\* 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.

- respondents are not required 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.

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), the agency's notice soliciting public comments was announced in the *Federal Register* on Tuesday, April 9, 2019 (Vol. 84, page 14128). No comments were received. Link provided below:

<http://www.gpo.gov/.....>

On April 20, 2016, Info #16-26 was broadcasted to stakeholders of Title I lenders, servicers and other FHA stakeholders. The publication announced FHA had posted a draft Title I

handbook and invited comments and feedback from stakeholders on the proposed guidance. Approximately 200 comments were received and considered in a final version of the Title I guidance.

[https://www.hud.gov/sites/documents/SFH\\_FHA\\_INFO\\_16-26.PDF](https://www.hud.gov/sites/documents/SFH_FHA_INFO_16-26.PDF)

In effort to receive additional input, external and internal consultations were conducted by the Department.

- A representative from Admirals Bank stated that the small number of hours for review of most forms was not burdensome.
- Representatives from Home Loan Investment Bank commented on the Property Improvement Credit Application form and stated that the burden of information collected should be reduced for unsecured loans and small amounts that are less than \$7,500.
- Recently, FHA requested feedback from Citi, and stands ready for any input that this stakeholder may offer.

According to a HUD Credit Policy Specialist, the activity from manufactured home manufacturers continues to increase. Census.gov reports shipments of new manufactured homes in 2017 were 92,900 and in 2016 were 81,100. Activity of Title I loans declined in the same time period because lenders have other options from private lenders that finance this home type, without a need for FHA insurance.

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

There are no payments or gifts to respondents involved in this collection.

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

The Privacy Act of 1974 protects respondents meeting these reporting requirements.

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.

Information about the age, sex, marital status, and minority group category of Title I borrowers enables the Department to determine which population segments are participating, to identify underserved communities, and to evaluate whether discriminatory practices may be occurring. These information requirements comply with the Equal Credit Opportunity and Fair Housing Acts. Responses are voluntary. The Privacy Act Statement provided in forms HUD-56001, HUD-5600-MH, and HUD-55013 furnishes the authority for the collection of the information requested and the assurance of confidentiality as established by

law. Information regarding the borrower's financial status and income data are only used to determine eligibility. HUD is authorized to collect this information by Title I, section 2 of the National Housing Act (12 U.S.C. 1703), and to obtain and verify the Social Security Number (SSN) by section 165 of the Housing and Community Development Act of 1967 (42 U.S.C. 3543), and 24 CFR 201.6. Verification of social security number is also covered by OMB 2502-0059, which links 24 CFR 201.6 with 24 CFR 201.35. Collecting social security number is a standard business practice for all lenders.

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 estimated public burden is calculated below. FHA's system records show that there are **455 lenders** that are approved to originate Title I loans. The total number of FHA endorsed Title I loans (2-yr average 4,016) was used to reflect a more accurate picture of the collection activity.

The total number of respondents is as follows:

<b>Total Number of Respondents Calculated Based on 2016-2017 Data</b>	
Lenders Approved to Originate TI Loans	455
Dealers/Contractors (Avg Loan Count) (Average CYs 2016/2017: 439/MH + 3,577/PI)	4,016
Manufacturers of manufactured homes	222
Estimated applicants for Property Improvement loans – of these, an estimated 4,000 will become borrowers (Average PI loans insured CYs 2016/2017: 3,577)	8,000

Estimated applicants for Manufactured Home loans – of these, an estimated 450 will become borrowers  (Average MH loans insured CY 2016 - 17 = 439)	900
<b>Total</b>	<b>13,593</b>

	Information Collection	Number of Respondents  (Estimated number of lenders)	Frequency of Response	Responses per Annum (see description below this chart for count basis)	Burden Hours per Response (expressed as percentage of hour for calculating burden hours)	Annual Burden Hours	Hourly Cost	Total Annual Cost
1	Wholesale Base Price List	222	1	500	0.25	\$125	\$34	\$4,250
2	Manufacturer's Invoice	222	1	500	0.25	\$125	\$34	\$4,875
4	HUD-56001 Credit App. PI loan	455	1	8,000	0.5	\$4,000	\$34	\$136,000
5	HUD-56001-MH Credit App. MH loan	222	1	900	0.5	\$450	\$34	\$17,000
6	Appraisal requirement	222	1	500	1	\$500	\$34	\$4,876
7	Eligibility of Borrower	455	1	8,900	2	\$17,800	\$34	\$605,200
8	Eligibility - Property Improvement	455	1	8,000	0.5	\$4,000	\$34	\$850
9	Eligibility— Historic Preservation Loan	50	1	50	0.5	\$25	\$34	\$4,877
10	Eligibility— Fire Safety Equipment Loan	25	1	25	0.5	\$13	\$34	\$425

11	Release obligors on refinance	455	1	50	0.25	\$13	\$34	\$425
12	Refinance if debtors not released	455	1	50	0.25	\$13	\$34	\$4,878
13	Assumption Agreement	455	1	1,000	0.5	\$500	\$34	\$17,000
14	Notify assumptor of HUD requirements	455	1	1,000	0.08	\$80	\$34	\$1,700
15	Approval to substitute/subordinate security	455	1	100	0.5	\$50	\$34	\$4,879
16	Release any current obligors	455	1	50	0.25	\$13	\$34	\$425
17	HUD-55013 Dealer/Contractor Approval	455	1	2,600	1	\$2,600	\$34	\$1,700
18	Dealer notification to lender of changes	455	1	100	0.5	\$50	\$34	\$4,880
19	Lender oversight of dealer	455	1	4,000	2	\$8,000	\$34	\$272,000
20	Notify HUD if dealer terminated	455	1	50	0.5	\$25	\$34	\$1,530
21	HUD-55014 Warranty for new MH	222	1	900	0.05	\$45	\$34	\$4,881
22	Notification of warranty problems	222	1	15	0.25	\$4	\$34	\$128
23	Certification of MH park standards	222	1	500	0.5	\$250	\$34	\$13,600
24	Notice of HUD's role-PI Loan	455	1	8,000	0.05	\$400	\$34	\$4,882
25	Notice of HUD's role MH Loan	222	1	900	0.05	\$45	\$34	\$1,530
26	HUD-27030 Transfer of Note Report	50	1	100	0.1	\$10	\$34	\$8,500
27	Report misstatements of fact	455	1	1,000	0.25	\$250	\$34	\$4,883
28	HUD-56002 Completion Certificate	455	1	5,700	0.1	\$570	\$34	\$19,380

29	Report uncooperative borrower	455	1	4,500	0.25	\$1,125	\$34	\$1,700
30	HUD-56002-MH Placement Certificate	455	1	500	0.1	\$50	\$34	\$4,884
31	Manufactured home placement inspection	222	1	500	1	\$500	\$34	\$17,000
32	Admin reports and examinations	455	1	4,500	0.1	\$450	\$34	\$17,000
33	Approval to proceed against security	455	1	1,000	0.5	\$500	\$34	\$4,885
34	Approval not to sell home/lot in 1 trans	222	1	200	0.25	\$50	\$34	\$1,700
35	HUD-637 Title I Claim for Loss App	455	1	3,000	1	\$3,000	\$34	\$2,550
36	Approval for add'l time to file claim	455	1	300	0.25	\$75	\$34	\$4,886
37	SF 3881, ACH Vendor/Misc. Payment	455	1	4,500	0.05	\$225	\$34	\$7,650
38	Assignment of lender's rights to USA	455	1	450	0.1	\$45	\$34	\$4,250
39	Site Lease Requirements	222	1	500	0.25	\$125	\$34	\$4,887
						\$0		
	<b>TOTALS</b>			<b>73,440</b>	<b>17.3</b>	<b>\$1,270,512</b>		<b>\$1,797,851</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.

Operation and maintenance (O \* & M) and purchase of services: Traditionally, lenders bear the burden costs for activities required to create paper loan files - such as copiers, ink paper, and shipping files. Lenders commonly mail or ship paper documents to borrowers, local authorities, and others. These activities have been standard business practices, but more businesses take advantage of today's technology to transfer documents electronically. The Department is evaluating the costs to develop an electronic system for receiving and the recordkeeping of FHA loans. The chart below provides information about the burden costs requested For Title I loans.

<b>Annual Reporting and Recordkeeping Cost Burden - See Note 1</b>					
Description Of O & M Events	Total Lenders	Frequency of Description Response	Estimated Events per Annum	Burden Cost per Event (Note 2)	Annual Cost (In Thousands)
Est Endorsements TI MH Note 3	455	1	450	\$120.00	\$54,000.00
Est Claims TI MH Note 4	455	1	68	\$120.00	\$8,160.00
Est Claims TI PI Note 5	455	1	250	\$120.00	\$30,000.00

Totals			768	\$120.00	\$92,160.00
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Notes:

1. Estimated O & M cost of copying/copier/supplies and shipping (includes data from carriers such as FedEx, UPS, USPS)
2. Estimated average cost per loan: \$120
3. Estimated claim percentage 15% for Title I Manufactured Home Loans (TI MH) based on a 2-Yr average.
4. Estimated claim percentage 7% for Title I Property Improvements loans (TI PI) based on 10-year historical average
5. Estimated average TI PI loans insured CYs 2016/2017: 3,577

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.

The annualized cost to the Federal government is estimated at 20% of the total burden hours or 9,220 hours. The Federal burden includes data analyses and compliance reviews related to Title I loan and lender performance and claim eligibility. The annualized cost to the Federal government also assumes a \$39 per hour estimate and is calculated at \$359,572. As of 3/1/2018, the hourly pay for GS-12 Step 1 in the DC-MD-VA-WV-PA localities is \$39.

15. Explain the reasons for any program changes or adjustments reported in Items 13 or 14 of the O This is a revision of a currently approved collection. There were no changes to either of the two Title I Loan programs. The responses and burden hours for annual reporting and recordkeeping have increased, reflecting an increase in number of:

- lender-respondents that are approved to participate in the Title I programs. Newly approved lenders have communicated their intent to support financing needs of low-to-moderate income borrowers, who seek low-cost opportunities to improve their properties.
- Dealer-respondents, who support property improvements as local tradesmen, laborers, manufacturers, and suppliers of goods.

This higher level of respondents would, in turn, increase the estimated total annual responses and its calculated burden hours. Burden hours did not increase from reporting requirements, but only for a higher number of respondents and their responses.

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 to avoid displaying the 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 will be no exceptions to the certification statement identified in Item 19 of the OMB 83-I, "Certification for Paperwork Reduction Act Submissions."

## **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:

This information collection does not employ statistical methods.

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.

This information collection does not employ statistical methods, there is no potential respondent universe, or any sampling or other respondent selection methods.

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.

Since this information collection does not employ statistical methods, there are no procedures for the collection that involve:

- \* 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.

Since this information collection does not employ statistical methods, there are no methods to maximize response rates and to deal with issues of non-response.

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.

Since this information collection does not employ statistical methods, there are no tests of procedures or methods to be undertaken.

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.

Attachment A  
Attachment B

**Attachment A**  
**TITLE I INFORMATION COLLECTION**  
**REQUIREMENTS IN 24 CFR PART 201**

<b>24 CFR Section</b>	<b>Description &amp; Need</b>
201.2	Manufacturer's Wholesale Price List, to provide a basis for the wholesale invoice used in calculating the maximum loan amount for a new manufactured home.
201.2	Manufacturer's Invoice outlining the actual costs of the manufactured home.
201.6	Verification of borrower's Social Security Number (a customary and usual practice).
201.10(a)(1)	Establishes maximum amounts for different types of loans. Lenders must request prior approval of HUD to exceed loan limits.
201.10(b)(2)	Application for Manufactured Home Appraisal, HUD-92802, to establish maximum loan amount for an existing manufactured home. [Note: While an appraisal is required for an existing manufactured home, HUD eliminated this form.]
201.15	Permits late charges to be assessed by the lender to ensure that loan payments are made when due (a customary and usual industry practice). Record of paid late charges must be in file if an insurance claim is submitted.
201.20(c)(1)	Requires that, to eligible for a historic preservation loan, the proposed improvements must be reviewed and approved by the State Historic Preservation Officer or other person authorized by the Secretary of the

	Interior to make such reviews.
201.21(d)	Warranty for New Manufactured Home, HUD-55014
201.21(d)(4)	Requires that the lender notify HUD if it finds that a manufacturer is not honoring its warranties.
201.21(e)	Requires that lenders obtain certifications from local governmental officials for manufactured home park standards.
201.22(a)(2)	Credit application for Property Improvement Loan, HUD-56001. Credit application for Manufactured Home Loan, HUD-MH.
201.22(a)(3)	Request for Verification of Employment, FM-1005 (a customary and usual industry practice).
201.22(a)(5)	Requires that the lender obtain a consumer credit report on the borrower (a customary and usual industry practice).
201.22(a)(8)	Request for Verification of Deposit, FM-1006, to verify the source of funds for the borrower's initial payment in specified circumstances (a customary and usual industry practice).
201.26(a)(1)	Requires that the lender assure that the borrower is eligible and the borrower's interest in the property is valid (a customary and usual industry practice).
201.26(a)(2)	Requires that the borrower furnish either a detailed contract proposal or a detailed statement of work and the estimated cost (a customary and usual industry practice).
201.26(a)(5)	Completion Certificate for Property Improvements, HUD-56002, to be completed for all dealer property improvement loans prior to disbursement.
201.26(a)(8)	Requires that the lender provide the borrower with a written notice of HUD's role in the property improvement loan and the actions HUD may take if a claim is paid.
201.26(b)(1)	Requires that the lender ensure that the borrower is eligible, and the loan file is complete, with copies of the purchase contract, manufacturer's invoice, and itemized statements of other costs (a customary and usual industry practice).
201.26(b)(4)	Placement Certificate for Manufactured Home, HUD-56002-MH.
201.26(b)(7)	Requires that the lender provide the borrower with a written notice of HUD's role in the manufactured home loan and the actions HUD may take if a claim is paid.

201.26(b)(8)	Requires that, if a manufactured home is to be located on Indian lands, the lender must obtain written permission from the trustee or tribal authority to repossess the home in the event of default (a customary and usual industry practice).
201.27(a)(2)	Dealer/Contractor Application, HUD-55013, to be used for all property improvement and manufactured home dealer approvals.
201.27(a)(5)	Requires that the lender provide HUD with written notification upon termination of a dealer.
201.27(a)(6)	Requires written notification to the lender of any material change in a dealer's trade name, place of business, ownership, etc.
201.30	Title I New Loan Reporting Manifest, HUD-56004 Title I Refinancing Report, HUD 27029 Title I Transfer of Note Report, HUD-27030.
201.40(a)	Requires that the lender report to HUD any material misstatements of fact or misuse of loan proceeds.
201.40(b)	Completion Certificate for Property Improvements, HUD-56002, to be completed for all direct property improvement loans after completion of improvements.
201.40(c)	Requires that the lender conduct an on-site inspection on all property improvement loans over \$7,500 to verify that the improvements are eligible, and the work is completed (a customary and usual industry practice).
201.40(d)	Requires that the lender conduct an on-site inspection on all manufactured home loans involving a dealer, to determine that the home has been satisfactorily delivered and installed.
201.41	Requires that the lender conduct diligent and prudent loan servicing, including organized methods for identifying delinquent loans and pursuing collection activities (a customary and usual industry practice.)
201.42	Requires that the lender file a proof of claim in any bankruptcy, insolvency or probate hearing, and take all steps necessary to protect the interests of the holder of the note (a customary and usual industry practice).
201.50(b)	Requires that the lender provide the borrower with a written notice of default and acceleration (a customary and usual industry practice).

201.51(b)(2)	Requires that, prior to repossession, the lender shall make a visual inspection of the property and prepare a report on its condition (a customary and usual industry practice).
201.51(b)(3)	Application for Manufactured Home Appraisal, HUD-92802, to establish the best price obtainable for the repossessed manufactured home. [Note: HUD has eliminated this form, but the appraisal requirement is retained.]
201.54(a)	Title I Claim for Loss Application, HUD-637.
201.54(b)(2)	Requires that, for HUD to extend the claim filing period, the lender must furnish clear evidence that the delay in claim filing was in HUD's interest or was beyond the lender's control.
Housing Economic Recovery Act Section 2150 (Appendix 5 in TI-481)	<p>Requires that if a manufactured home loan is for the purpose of financing a manufactured home unit to be situated in a manufactured home community pursuant to a lease, the lease must:</p> <ul style="list-style-type: none"> <li>• not expire before three (3) years after the origination date of the obligation;</li> <li>• be renewable upon the expiration of the original 3-year term by successive one (1) year terms;</li> <li>• requires the lessor to provide the lessee written notice of termination of the lease not less than 180 days prior to the expiration of the current lease term in the event the lessee is required to move due to the closing the manufactured home community, and further provides that failure to provide such notice to the borrower in a timely manner will cause the lease term, at its expiration, to automatically renew for an additional one (1) year term.</li> </ul>



**Attachment B**  
**HUD-REQUIRED INFORMATION COLLECTIONS**  
**CONSIDERED STANDARD BUSINESS PRACTICE**

**Loan Application Review.** As a part of the reviewing the borrower's credit application prior to loan approval, the lender must verify many of the facts that the borrower has presented, including his/her Social Security Number. The lender must also assure that the borrower's income is adequate to support the debt payments.

**Security requirements.** The lender is responsible for obtaining appropriate security for Title I loans and for recording them in accordance with the laws of the jurisdiction in which they operate.

**Flood Insurance.** For properties located in a special flood hazard area, the borrower is required to obtain flood insurance, with the lender named as loss payee, and maintain such insurance for the term of the loan or until such time as the property is no longer in a flood hazard area.

**Hazard Insurance.** Borrowers must obtain appropriate hazard insurance, with the lender named as loss payee, for any manufactured home purchase loan or combination loan. The borrower must maintain such insurance for the full term of the loan or until the property is repossessed or foreclosed by the lender. If the borrower fails to maintain such insurance, the lender shall obtain it at the borrower's expense. Upon acquiring title to the property through repossession or foreclosure, the lender shall maintain hazard insurance upon the property in the amount prescribed above until its disposition and sale.

**Inspection Requirement on Property Improvement Loans.** The lender must conduct an on-site inspection on any property improvement loan where the principal obligation is \$7,500 or more and on any direct property improvement loan where the borrower fails to submit a form HUD-56002. On a dealer loan, the inspection shall be completed within 60 days after the date of disbursement. On a direct loan, the inspection shall be completed within 60 days after receipt of the completion certificate, or as soon as the lender determines that the borrower is unwilling to cooperate in submitting the completion certificate. The purpose of the inspection is to verify the eligibility of the improvements and whether the work has been completed.

**Inspection Requirement on Dealer Manufactured Home Loans.** For any manufactured home purchase loan or combination loan involving the sale of a manufactured home by a dealer, the lender must conduct a site-of-placement inspection within 60 days after

the date of disbursement to verify that the terms and conditions of the purchase contract have been met; the manufactured home and any itemized options and appurtenances included in the purchase price of the home or financed with the loan proceeds have been delivered and installed; and the placement certificate executed by the borrower and the dealer is in order.

**Loan Servicing.** The lender must service loans in accordance with accepted practices of prudent lending institutions. It shall have adequate facilities for contacting the borrower in the event of default and shall otherwise exercise diligence in collecting the amount due. The lender shall remain responsible to the Secretary for proper collection efforts, even though actual loan servicing and collection may be performed by an agent of the lender. The lender shall have an organized means of identifying, on a periodic basis, the payment status of delinquent loans to enable collection personnel to initiate and follow-up on collection activities and shall document its records to reflect its collection activities on delinquent loans.

**Modification Agreement.** A written but unrecorded modification agreement acceptable to the lender and executed by the borrower may be used in lieu of refinancing of a delinquent or defaulted loan to reduce or increase the monthly payment, but not to increase the term or the interest rate, so as to assure that the delinquent or defaulted loan is brought current before or by the end of the loan term. A modification agreement may also be used in lieu of refinancing in connection with a loan that is current to effect a reduction in the interest rate, and in the monthly payment, for the remainder of the loan term.

**Repayment Plan.** The lender may elect to negotiate an informal repayment plan with the borrower to enable a temporary delinquency to be cured within a short period of time. The lender may document the terms of the repayment plan by sending a letter to the borrower reciting the terms of their agreement.

**Partial Payments.** The lender shall accept any partial payment (inclusive of late charges) under an executed modification agreement or an acceptable repayment plan, and either apply it to the borrower's account or hold it in a trust account pending disposition. When partial payments held for disposition aggregate a full monthly installment, they shall be applied to the borrower's account, thus advancing the date of the oldest unpaid installment. If a partial payment is received more than 60 days after the date of default and was not submitted under a repayment plan or a modification agreement, the partial payment may be returned to the borrower, with a letter of explanation.

**Bankruptcy or Insolvency.** The lender shall file a proof of claim with the court having jurisdiction when the lender has timely information that a borrower is involved in bankruptcy or insolvency proceedings, except that a proof of claim need not be filed if the court notifies the lender that the borrower has no assets and a proof of claim should not be filed. The notice of bankruptcy and a copy of the proof of claim (or the notice from the court that a proof of claim is not required) shall be retained in the loan file. HUD views this as a standard business practice and ascribes no burden hours to it.

**Death of a Borrower.** The lender shall file a proof of claim with the court having jurisdiction when the lender has timely information that a borrower is deceased, unless

the lender determines that there will not be a probate proceeding. A copy of the proof of claim (or documentation as to why a proof of claim was not filed) shall be retained in the loan file.

**Responsibility of the Lender after Insurance Claim Is Filed.** After the Secretary pays an insurance claim, the Secretary will notify the bankruptcy or probate court, as appropriate, that the loan has been assigned to the United States and will request substitution as the party to whom the claim is owed. Until the insurance claim is paid, the lender shall take all steps necessary to protect the interest of the holder of the note in any bankruptcy or probate proceeding.

**Lender Efforts to Cure Defaults.** The lender shall undertake foreclosure or repossession of the property securing a Title I loan that is in default only after the lender has serviced the loan in a timely manner and with diligence and has taken all reasonable and prudent measures to induce the borrower to bring the loan account current. The lender must document all such actions in the loan file.

**Personal contact with the borrower before acceleration and foreclosure or repossession.** Before taking action to accelerate the maturity of the loan, the lender or its agent shall contact the borrower and any co-maker or co-signer, either in a face-to-face meeting or by telephone, to discuss the reasons for the default and to seek its cure.

**Notice of default and acceleration.** Unless the borrower cures the default or agrees to a modification agreement or repayment plan, the lender shall provide the borrower with written notice that the loan is in default and that the loan maturity is to be accelerated. In addition to complying with applicable State or local notice requirements, the notice shall be sent by certified mail and shall contain

- a description of the obligation or security interest held by the lender;
- a statement of the nature of the default and of the amount due to the lender as unpaid principal and earned interest on the note as of the date 30 days from the date of the notice;
- a demand upon the borrower either to cure the default (by bringing the loan current or by refinancing the loan) or to agree to a modification agreement or a repayment plan, by not later than the date 30 days from the date of the notice;
- a statement that if the borrower fails either to cure the default or to agree to a modification agreement or a repayment plan by the date 30 days from the date of the notice, then, as of the date 30 days from the date of the notice, the maturity of the loan is accelerated and full payment of all amounts due under the loan is required;
- a statement that if the default persists the lender will report the default to an appropriate credit reporting agency; and
- any other requirements prescribed by the Secretary.

**Reinstatement of the loan.** The lender may rescind the acceleration of maturity after full payment is due and reinstate the loan only if the borrower brings the loan current, executes a modification agreement, or agrees to an acceptable repayment plan.

**Notice to credit reporting agency.** If the loan maturity is accelerated and the loan is not reinstated, the lender shall report the default to an appropriate credit reporting agency.

**Proceeding against the Loan Security – Manufactured Home Loans.** After acceleration of maturity on a defaulted manufactured home loan, the lender shall proceed against the loan security by foreclosure or repossession, as appropriate. The lender or its agent shall make a visual inspection of the property and prepare a report on its condition for placement in the loan file. The lender shall obtain a HUD-approved appraisal of the property as soon after repossession as possible, or earlier with the permission of the borrower.

**Acquisition by Voluntary Conveyance or Surrender – Manufactured Home Loans.** The lender may accept a voluntary conveyance of property securing a defaulted loan for a manufactured home loan provided that the lender accepts the conveyance in full satisfaction of the borrower's obligation and no claim is submitted under its contract of insurance.

**Disposition of Manufactured Home Loan Property.** The lender may accept voluntary surrender of the property without satisfaction of the borrower's obligation, but the lender must dispose of or sell the property for the best price possible prior to filing a claim, so that it can assign a valid and enforceable obligation, including any deficiency against the borrower, to the Secretary when submitting its claim.

**Recordation of Assignment.** If the security interest has been assigned to the United States, the assignment shall be recorded in that jurisdiction prior to filing the insurance claim, unless the Secretary determines that recordation by the lender in that jurisdiction is impractical.

**Form HUD-646, Worksheet for Reconciliation of Insurance Charges from the Title I Monthly Statement.** Lenders are notified electronically each month of their monthly charges for Title I loans. The lenders then submit their payment through the Automated Clearing House (ACH). This payment is approved under OMB Control Number 2502-0512. The form HUD-646 is provided as a convenient worksheet for lenders to reconcile their charges. The form does not transmit information to HUD. HUD has found that lenders do not opt to use this worksheet and is therefore removing it from its Information Collection Reporting.