

Supporting Statement for Paperwork Reduction Act Submissions

Quality Control Requirements for Direct Endorsement Lenders OMB Control Number 2502-0600

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 package provides an estimate of the burden for Direct Endorsement (DE) lenders to perform quality control reviews of loans originated by sponsored third-party originators (TPOs) and to self-report findings of fraud, material misrepresentation, and other material findings to FHA. Per 24 CFR 202.8(3), a DE lender that sponsors TPOs is “responsible to the Secretary for the actions of its sponsored third-party originators or mortgagees in originating loans or mortgages, unless applicable law or regulation requires specific knowledge on the part of the party to be held responsible.” As a result, DE lenders are responsible for conducting quality control reviews on TPO originations of FHA-insured mortgage loans and ensuring that their Quality Control Plans contain this oversight provision. This creates an information collection burden on DE lenders since these institutions must also conduct quality control on loans they originate and underwrite.

DE lenders must conduct quality control reviews on a sample of loans that they originate or underwrite, including loans originated by TPOs. For the purposes of this information collection, it is assumed that the number of loans reviewed by each DE lender will comply with the Sample Size Standard and Sample Composition Standard described in HUD Handbook 4000.1, section V.A.3.a.

In addition, under 24 CFR 203.255(c) and (e), HUD conducts both pre- and post-endorsement reviews of loans submitted for FHA insurance by DE lenders. As part of those reviews, the Secretary is authorized to determine if there is any information indicating that any certification or required document is false, misleading, or constitutes fraud or misrepresentation on the part of any party, or that the mortgage fails to meet a statutory or regulatory requirement. In order to assist the Secretary with this directive, FHA requires that lenders self-report all findings of fraud and material misrepresentation, as well any material findings concerning the origination, underwriting, or servicing of the loan that the lender is unable to mitigate or otherwise resolve. The obligation to self-report these findings creates an additional information collection burden.

There are no regulatory changes associated with this request.

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.

This information will be used to monitor DE lender performance for potential risk to FHA insurance funds. The information collected will also be used to determine DE lender compliance with FHA program requirements.

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 burden associated with the approval process is the minimum required to achieve program objectives. Consideration for small business is not a factor. Each lender's quality control plan is uniquely customized to fit the institution's business model. Consequently, the creation of a blanket automated system to process responses would not be practical.

4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in Item 2 above.

There are no duplicate methods in place to collect and monitor this information.

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 information collected does not have a significant economic impact on a substantial number of small entities.

6. Describe the consequence to Federal program or policy activities if the collection is not conducted or is conducted less frequently, as well as any technical or legal obstacles to reducing burden.

The information collection frequency is the minimum consistent with program objectives.

7. Explain any special circumstances that would cause an information collection to be conducted in a manner:

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

No special circumstances are noted that would cause this information collection to be conducted in an unusual manner that would require respondents to report information to the agency more often than quarterly.

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

No special circumstances are noted that would cause this information collection to be conducted in an unusual manner that would require respondents to prepare and submit a written response in less than 30 days after receipt of the information obtained on the

forms. Both forms are directly related to the processing of mortgages for homes that require FHA mortgage insurance. Therefore, the forms are likely to be completed within 30 days to minimize any delay in processing.

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

No special circumstances are noted that would 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;**

No special circumstances are noted that would require respondents to retain records for more than three years.

- **in connection with a statistical survey, that is not designed to produce valid and reliable results that can be generalized to the universe of study;**

No special circumstances are noted 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.

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

No special circumstances are noted requiring the use of a statistical data classification that has not been reviewed and 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**

No special circumstances are noted that include 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.

- **requiring respondents to submit proprietary trade secrets, or other confidential information unless the agency can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law.**

No special circumstances are noted that would require respondents to submit proprietary trade secrets, or other confidential information.

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 the guidelines in 5 CFR 1320.8(d), HUD published a notice comments for in the Federal Register on: Wednesday, April 15, 2020, (Volume 85, Number 73, Page 21018).

The agency contacted the four Home Ownership Centers to ascertain how often certain sections on the forms were used. The following individuals were contacted:

Carl Heckman, Atlanta Homeownership Center, Carl.E.Heckman@hud.gov
Amy Trujillo, Denver Homeownership Center, Amy.K.Trujillo@hud.gov
Donald Doan, Santa Ana Homeownership Center, Donald.D.Doan@hud.gov
Michael McArdle, Philadelphia Homeownership Center, Michael.H.McArdle@hud.gov

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

There have been no payments or gifts to respondents.

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

The information collected is not of a confidential nature. HUD does not assure confidentiality 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.

This collection requirement does not request information that is sensitive in nature.

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. Please use

https://www.bls.gov/oes/current/oes_nat.htm#13-0000. 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.

Information Collection	No. of Respondents ¹	Frequency of Response ²	Total Annual Responses ₃	Burden Hours Per Response	Total Annual Burden Hours	Hourly Cost ⁴	Total Annual Cost
Quality control of early payment defaults (EPD)	1,550	1	13,839	.25	3,459.75	\$34.86	\$120,606.89
Quality control of loan originations	1,550	1	97,385	.25	24,346.25	\$34.86	\$848,710.28
Quality control through lender self-reports	276	28	7,728	.25	1,932	\$34.86	\$67,349.52
Total	3,641	-	118,952	-	29,738	\$34.86	\$1,036,666.69

¹The number of respondents for quality control of EPDs and loan originations was defined as the total number of active Title II lenders with unconditional DE authority granted on or before September 30, 2019. This number was obtained from the Single Family Housing Enterprise Data Warehouse (SFHEDW) and the Office of Lender Activities and Program Compliance. The number of respondents for quality control through lender self-reports was estimated based on the number of FHA-approved Title II lenders submitting self-reports to HUD during FY 2019. The data was obtained from the Loan Review System (LRS) administered by Single Family Housing's Office of Lender Activities and Program Compliance.

²It is anticipated that each DE lender will respond to the information collection once per year, except for lender self-reports which happen sporadically. The frequency of response for lender self-reports was estimated based on the number of self-reports submitted by FHA-approved Title II lenders to HUD during FY 2019 divided by the number of lenders submitting those reports. The data was obtained from the LRS

administered by Single Family Housing's Office of Lender Activities and Program Compliance.

³ The total annual response for EPDs was based on the total number of EPDs for the 2019 fiscal year. This data was obtained from the SFHEDW. The total annual response for quality control on loan originations was based on a 10 percent sample of the 973,849 FHA-insured single-family mortgage loans originated in the 2019 fiscal year. The total annual response for lender self-reports was estimated based on the number of lender self-reports submitted by FHA-approved Title II mortgagees to the LRS during FY 2019. The data for these information collection categories was obtained from Single Family Housing's Office of Lender Activities and Program Compliance and the SFHEDW.

⁴ The estimated hourly cost per response is based on the May 2018 private sector hourly rate of a Compliance Officer with a national average annual salary of \$72,520. This information was obtained from https://www.bls.gov/oes/current/oes_nat.htm.

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

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

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

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

There are no additional costs to the respondents.

14. Provide estimates of annualized costs to the Federal government. Also, provide a description of the method used to estimate cost, which should include quantification of hours, operational expenses (such as equipment, overhead, printing, and support staff), and any other expense that would not have been incurred without this collection of information. Agencies may also aggregate cost estimates from Items 12, 13, and 14 in a single table. 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.

Information Collection	No. of Respondents ¹	Frequency of Response ²	Total Annual Responses ³	Burden Hours Per Response ⁴	Total Annual Burden Hours	Hourly Cost ⁵	Total Annual Cost
Review of DE Lender QC of EPD	1,550	1	13,839	.25	3,459.75	\$30.90	\$106,906.28
Review of DE Lender QC plans	1,550	1	1,550	.25	387.50	\$30.90	\$11,973.75
Review of DE Lender Self-Reports	276	28	7,728	.25	1,932	\$30.90	\$59,698.80
Total	3,376	-	23,117	-	5,779.25	\$30.90	\$178,578.83

¹ See explanation in item 12.

² See explanation in item 12.

³ See explanation in item 12.

⁴ The burden hour per response is based on the estimated time required for a Quality Assurance Division Housing Program Specialist to review a DE lender QC plan and its provisions for quality control review of EPDs in order to evaluate compliance with HUD's third party originator oversight requirements.

⁵ The estimated hourly cost per response is based on the 2019 hourly rate for a GS-12, Step 1 employee on the non-locality pay scale. Data was obtained from www.opm.gov.

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

This is a revision of an existing submission to cover information collection required to meet the Department's regulatory and programmatic requirements for quality control of DE lenders and oversight of TPOs. FHA has revised its estimates from the previous submission with real data collected from the SFHEDW and the LRS, which was implemented in May 2017 as the primary compliance review workload management system for the Office of Lender Activities and Program Compliance. LRS is the primary system of record on the number of lender self-reports submitted to HUD. This new data has been used to revise the information collection burden associated with OMB Control Number 2502-0600.

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.

This information collection does not include results that will be published.

17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.

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

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

There are no exceptions to the certification statement identified in item 19 of the OMB 83-I.

B. Collections of Information Employing Statistical Methods

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

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

This information collection does not employ statistical 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.

There are no procedures for the collection of information that utilize a statistical methodology.

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.

There are no statistical methods to maximize response rates or 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.

There were no tests of statistical methods or procedures 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.

There were no individuals consulted on the statistical aspects of information collection. The information collected does not rely on statistical methods.