

Supporting Statement for Paperwork Reduction Act Submissions

Application for HUD/FHA INSURED MORTGAGE:

OMB Control Number: 2502-0059

(FORMS HUD-92900-A, HUD-92900-B, HUD-92900-LT, HUD-92544, HUD-92561, Model Notice Informed Consumer Choice Disclosure, Model Pre-Insurance Review Checklist for Lender Insurance Settlement Certification)

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 revise the OMB approval of 2502-0059 by replacing the Form HUD-92900-A. Section 203 of the National Housing Act (P.L. 479, 48 Stat. 1246, 12 U.S.C. 1702 et seq.) authorizes the Secretary of HUD, upon application by the lender, to insure mortgages offered to him, which are eligible for insurance. Regulations codified at 24 CFR 203.1 through 203.681 detail the requirements pertinent to HUD's single family mortgage insurance programs, i.e., the eligibility requirements and underwriting procedures, which are determined by the documents included in this clearance package. Section 225(a) of the Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1999 (HUD FY 1999 Appropriations Act) (Pub.L. No. 105-276; 112 Stat. 2461, approved October 21, 1998) amended section 203(b)(2) to the National Housing Act to add at the end of this section the following language:

“In conjunction with any loan insured under this section, an original lender shall provide to each prospective borrower a disclosure notice that provides a one page analysis of mortgage products offered by that lender and for which the borrower would qualify. This notice shall include: (i) a generic analysis comparing note rate (and associated interest payments), insurance premiums, and other costs and fees that would be due over the life of the loan for a loan insured by the Secretary under this subsection with note rates, insurance premiums (if applicable), and other costs and fees that would be expected to be due if the mortgagor obtained instead other mortgage products offered by the lender and for which the borrower would qualify with similar loan-to-value ratio in connection with a conventional mortgage, assuming prevailing interest rates; and (ii) a statement regarding when the mortgagor's requirement to pay mortgage insurance premiums for a mortgage insured under this section would terminate or a statement that the requirement will terminate only if the mortgage is refinanced, paid off, or otherwise terminated.”

Regulations at 24 CFR Part 203 entitled “Mutual Mortgage Insurance and Rehabilitation Loans” specify the requirements for making application and obtaining loan approval of a HUD-insured mortgage loan. The Uniform Residential Loan Application (URLA), and form HUD-92900-A together constitute the “standard application form” called for at 24 CFR 203.255 of the regulations. Every mortgage application for insurance is used to determine eligibility in three general areas: (1) the proposed loan under the statute, i.e., term, mortgage amount, and ratios of loan-to-value or replacement cost; (2) the property with respect to compliance with HUD/FHA statutory and regulatory requirements; (3) and the proposed mortgage debt, including the borrower's ability to repay. FHA relies on the information provided to determine eligibility of the mortgage for FHA's insurance endorsement.

Without the information provided by forms URLA, HUD-92900-A, HUD-92900-B, HUD-

92544, and HUD-92900-LT, HUD would have difficulty in determining eligibility and, consequently, the insurance fund for the single-family mortgage insurance programs would be placed in jeopardy. The HUD-92900-A form has been revised to reduce the amount of information collected and the amount of time required to complete it. The information in the Informed Consumer Choice Notice is used by prospective mortgagees to disclose if mortgage products, other than FHA mortgage insurance for which the mortgagor qualifies, result in lower costs to the mortgagor over the life of the mortgage. The Model Pre-Insurance Review is used by mortgagees participating in the Lender Insurance program to determine if the loan meets HUD's requirements for FHA insurance.

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.

Lenders obtain information from borrowers in the normal course of business. HUD does not ascribe burden hours to information provided by borrowers. Lenders then report information to FHA for the purpose of obtaining mortgage insurance. While borrowers must meet certain requirements established by FHA to qualify for the insurance, lenders bear less risk because FHA will pay the lender if a homeowner defaults on his or her loan.

The specific items of this information collection are as follows:

- a. The URLA and form HUD-92900-A (Addendum to the URLA) are used in every case by the lender to make application for FHA mortgage insurance. Together they describe the parties involved, the property, and the conditions and terms on which the mortgage insurance will be based. Form HUD 92900-A was streamlined and updated to: revise certifications to reflect regulations and other legal requirements; ensure accuracy of information provided to FHA; reduce uncertainty in the industry; maintain the ability to enforce FHA program requirements; and remove VA requirements and certifications from the form.
- b. Documentation 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; government assistance; rental income; housing and clothing allowances, hazard pay, rations and proficiency pay; alimony, child support or maintenance income; subsidy for mortgage payments; VA benefits; IRS form 2106; and/or trust agreements.
- c. Asset verification documents are required for every case and are used to make certain the borrowers have the capability to repay the debt and assets for the down payment and closing costs. Asset verification documents may include but are not limited to documents required for changes to property title; gift letters; bank account statements from borrowers and/or gift donors; attorney opinion letters; cancelled checks; bill of sale; proof of ownership and value; final HUD-1 for sale of property; receipt of earnest money deposit; evidence that a retirement account can be cashed at any time; sweat equity documentation; and/or lease-purchase agreement.
- d. For determining borrower eligibility for mortgage insurance for disaster victims [Section 203(h)], documentation is required evidencing a permanent residence in a disaster area as well as documentation evidencing that the property was damaged to such an extent that reconstruction is necessary.

- e. For determining eligibility for insurance under the Energy Efficient Mortgage program, documentation is required involving a home energy assessment as well as determining the cost effectiveness of eligible energy improvements.
- f. For purchase transactions where the sales contract does not contain a provision that there are no other agreements between the parties and that the terms of the sales contract constitute the entire agreement between the parties, a certification from the borrower, seller and the selling real estate agent or broker involved in the transaction must be obtained stating that the terms and conditions of the sales contract are true to the best of their knowledge and belief and that any other agreement entered into by any of the parties in connection with the real estate transaction is part of, or attached to, the sales agreement. A similar certification is obtained at closing, which also includes a certification from the settlement agent. These certifications are used to ensure that borrowers make the required cash investment from an acceptable source and not directly from a party with an interest in the transaction.
- g. **Form HUD-92900-B**, Important Notice to Homebuyers is a statement concerning the “Monthly Insurance Premiums (MIP).” If the homebuyer pays an upfront insurance premium, they will also be charged a monthly mortgage insurance premium. The MIP rate and duration of the MIP assessment period vary by mortgage term, Base Loan Amount, and LTV ratio for the Mortgage.
- h. **Form HUD-92561**, Mortgagor’s Contract with Respect to Hotel and Transient Use of Property is required on two, three, or four-unit properties to assure that dwellings are used in accordance with program objectives. The information is required when page 2, Section V, item 22e (Borrower’s Certification), on form HUD-92900-A is answered in the affirmative.
- i. **Form HUD-92544**, Warranty of Completion of Construction in Substantial Conformity with Approved Plans and Specifications is used in new construction cases only. The form is called for on page 3 of the form HUD-92900-A as an “additional condition” before FHA can insure the mortgage.
- j. **Form HUD-92900-LT**, FHA Loan Underwriting and Summary Transmittal simplifies lender reporting of new loans to HUD for FHA insurance because the format is consistent with industry business practices and does not require lenders to maintain and support a separate process for reporting new loans to FHA.

More importantly, adopting a transmittal form reflects an emphasis on reporting critical data elements and loan characteristics to FHA that assist in evaluating risk rather than reporting how the mortgage amount and cash investment were calculated. Eliminating the mortgage amount and cash investment calculations from the Loan Underwriting and Transmittal Sheet does not eliminate the requirement to perform these calculations in accordance with applicable guidelines. It simply eliminates reporting on a specific form how the mortgage amount and cash investment were calculated for each loan. Lenders are expected to clearly document in the loan origination file how they performed these calculations in accordance with outstanding instructions. During the development and design of the Transmittal, certain data elements were eliminated, e.g. the maximum mortgage calculation, while others were added. Outlined below are the differences between the Mortgage Credit Analysis Worksheets and the Loan Underwriting Transmittal Sheet.

- k. The Mortgagor Notice of Intent to satisfy occupancy requirement upon discharge from the military is required of military personnel by 24 CFR 203.31 and 203.345/346. 24 CFR 203.18 requires all owner-occupant borrowers to certify their intent to occupy, therefore, no additional burden hours are assigned to this requirement.
- l. The Model Notice for the Informed Consumer Choice Disclosure is used by lenders to provide a one-page analysis of other mortgage products offered by that lender for which the borrower would qualify, as compared to the FHA-insured loan. The comparison includes note rates, associated interest payments, insurance premiums, and other costs and fees over the life of the various loan products. The model notice also includes a statement regarding when the mortgagor's requirement to pay mortgage insurance premiums for the FHA-insured loan would terminate or a statement that the requirement will terminate only if the mortgage is refinanced, paid off, or otherwise terminated. Delivery of this disclosure is a function of the Mortgagee at their discretion per 24 CFR 203.10. Lenders are not required to report to HUD the number of disclosures released annually.
- m. The Model Pre-Insurance Review provides lenders who are participating in the Lender Insurance Program with an example of what HUD staff reviews prior to endorsing a mortgage for insurance. As a condition of participating in Lender Insurance, lenders (not HUD Staff) are responsible for completing the pre-insurance review to ensure that the loan is in compliance with all applicable HUD requirements. Lenders are not required to use this exact format when conducting a pre-insurance review, but at minimum, the pre-insurance review must include the elements shown on the attached example.
- n. The Settlement Certification (previously known as Addendum to HUD-1) is signed by the buyer, seller, and closing agent for each FHA purchase transaction. The form requires the buyer and seller to certify that there are no undisclosed loans outside of the transaction. The closing agent certifies that the closing disclosure is an accurate accounting of funds received and disbursed for the transaction.

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.

Each application request has its own unique characteristics of property, mortgage amount, and borrower; therefore, the use of computers can only be applied to the storage and retrieval of reference information and not to the burden-reduction aspect. However, data entry on these forms is increasingly generated by proprietary loan origination systems (LOS), if purchased or licensed by the lender, with much of that information provided electronically to HUD. Mortgage lenders may avail themselves of electronic options for data transmissions. HUD accepts case binders electronically. Approximately 91% of all case binders are now submitted in this manner.

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

above.

No duplication exists due to the fact that each application is unique to the eligibility requirements explained in item 2. No similar information exists.

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 reporting burden is loan-specific and, thus, cannot be conducted less frequently than on every single loan submitted to FHA for insurance endorsement. For the Informed Consumer Choice Notice, only a small percentage of mortgagors will receive this disclosure since it is only applicable when the mortgagor qualifies for both FHA financing *and* prime financing.

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

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

- This collection requires respondents to report information more than quarterly. The reporting burden is loan-specific and, thus, cannot be conducted less frequently than on every single loan submitted to FHA for insurance endorsement.

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

- This collection does not require respondents to prepare a written response in less than 30 days;

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

- This collection does not require respondents to submit more than an original and two copies of any document;

* requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records, for more than three years;

- This collection requires respondents to retain records for the duration of the mortgage;

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

- This collection does not require the use of a statistical survey;

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

by OMB;

- This collection does not require the use of a statistical data classification;

* that includes a pledge of confidentiality that is not supported by authority established in statute or regulation, that is not supported by disclosure and data security policies that are consistent with the pledge, or which unnecessarily impedes sharing of data with other agencies for compatible confidential use; or

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

- This collection does not require 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.

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 in 5 CFR 1320.6, a 60-day Federal Register Notice soliciting public comments on the information collection for OMB #2502-0059 was announced in the Federal Register on October, 25, 2019 Volume 84, Number 207 Page 57464. Comments were received.

This is a revision to a currently approved collection. HUD regularly receives comments and input on its information collection requirements from lending institutions, the home construction industry, insurance companies, appraisers, and service companies.

Previous design and development of the data collection instruments were done in consultation with HUD staff and relevant organizations outside the agency including trade associations such as the Mortgage Bankers Association, National Association of Mortgage Brokers, National Association of Home Builders, as well as mortgage lenders.

Since this submission is a revision of an existing information collection approval, consultations were previously conducted with respondents regarding significant changes under

existing information collection. The respondents previously contacted were chosen for consultation due to their large volume of FHA-insured loans as well as their participation in the Lender Insurance Program.

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

There are no gifts or other type payments made to respondents.

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

The Privacy Act Statement provided in form HUD-92900-A Part III, “Borrower Notices, Information, and Acknowledgement” 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. The basis for collecting the borrower’s social security number on the form is covered under the Debt Collection Act of 1982, (P.L. 97-365) and is also provided in Part III., “Borrower Notices, Information and Acknowledgement.”

11. Provide additional justification for any questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private. This justification should include the reasons why the agency considers the questions necessary, the specific uses to be made of the information, the explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their consent.

There are no questions of a sensitive nature.

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

Since this submission is a revision of a form under a currently approved information collection, consultations previously conducted with respondents regarding significant changes under existing information collection remain valid. The respondents previously contacted were chosen for consultation due to their large volume of FHA-insured loans as well as their participation in the Lender Insurance Program. The revised Form HUD-92900-A, the only form being revised, was shared with the public in FHA’s drafting table. Informal public comments were received and considered before the final revisions to the form were completed.

The revisions to Form HUD-92900-A simplifies borrower-related disclosures and lender certifications. It also removes disclosures associated with the Veteran’s Administration (VA) loan guarantee program, as agreed with the VA. These changes have resulted in a form that is simplified and to be used exclusively for HUD/FHA loans. However, since only the sections required by FHA are considered in the burden hour estimate, no measurable changes were noted as a result of the revisions to Form HUD-92900-A and the collection burden hours remain unchanged.

Hourly cost is based on an estimate of the lender cost of \$36.00 per-hour cost that includes overhead, staff preparation time, and approvals as required.

| Description of Information Collection | Number of Respondents (total no. of lenders) | Frequency of Response | Total Annual Responses | Hours per Response (expressed as percentage of hour for calculating) | Annual Burden Hours | Hourly Cost | Total Annual Cost |
|---------------------------------------|--|-----------------------|------------------------|--|---------------------|-------------|-------------------|
| | | | | | | | |

| | | | | burden hours) | | | |
|---|---------------|-------|---------------------|-------------------|-------------------|---------|------------------------|
| HUD-92900-A, its related exhibits and other forms: | 15,871 | 78.53 | 1,246,349.63 | 0.17 (10 min.) | 211,879.43 | \$36.00 | \$7,627,659.48 |
| HUD-92900-B | 15,871 | 78.53 | 1,246,349.63 | 0.05 (3 min.) | 62,317.48 | \$36.00 | \$2,243,429.28 |
| HUD-92900-LT | 15,871 | 78.53 | 1,246,349.63 | 0.17 (10 min) | 211,879 .43 | \$36.00 | \$7,627,659.48 |
| HUD-92561 for 2, 3, or 4-unit properties | 15,871 | 1.71 | 27,139.41 | 0.03 (2 min) | 8814.18 | \$36.00 | \$29,3100.48 |
| HUD-92544 New construction cases only | 15,871 | 4.62 | 73,324.02 | 0.08 (5 min) | 5,865.92 | \$36.00 | \$211,173.12 |
| Additional burden associated with the computation concerning loans involved in buy down agreements. | 15,871 | 0.08 | 1,269.68 | 0.05 (3 min) | 63.48 | \$36.00 | \$2,285.28 |
| Additional burden associated with pre-insurance review checklist. FHA has provided a model. | 15,871 | 67.79 | 1,075,895.09 | 0.17 (10 min) | 182,902.16 | \$36.00 | \$6,584,477.76 |
| Settlement Certification | 15,871 | 55.57 | 881,951.47 | .01 (1 min) | 8,819.51 | \$36.00 | 317,502.36 |
| Totals | 15,871 | | 5,798,628.56 | | 692,541.59 | | \$24,907,287.24 |

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

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

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

The annualized cost estimates for the Federal Government are based on a \$39.00 per hour cost that is based on a GS-12 staff review.

The cost to the Federal Government relates to the processing of all non-direct endorsement cases and the review of direct endorsement and lender insurance cases. Current estimates show that 10% of the total annual burden of 689,995 hours ($689,995 \times .10 = 68,999$) a cost of \$2,690,961 ($68,999 \times \$39.00$). The review of direct endorsement cases is estimated to be 10% of the non-direct endorsement cases or 6,899 hours ($68,999 \times .10 = 6,899$ hours), for a cost of \$269,061 ($6,899 \times \39.00). Total cost to the Federal Government is $\$2,690,961 + \$269,061 = \$2,960,022$. HUD does not review lender's Informed Consumer Choice Notices.

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

This is a revision of a currently approved collection; however, there is a change/adjustment due to an increase in FHA endorsement of mortgages. Form HUD-92900-A, Addendum to the URLA.

a. Revised Form HUD-92900-A

b. Current/Existing Form HUD-92900-A (for background only)

Consolidated Industry Comments from 60-Day Notice.

The Addendum to the URLA was updated to revise loan level certifications to reflect regulations and other legal requirements; ensure accuracy of information provided to FHA; reduce uncertainty in the industry; maintain the ability to enforce FHA program requirements; and remove VA requirements and certifications from the form.

This revision to the Information Collection allows HUD to replace the existing Form HUD-92900-A, Addendum to the URLA with an updated form.

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.

We are not seeking approval to avoid displaying the expiration date of the OMB approval.

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

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

B. Collections of Information Employing Statistical Methods

There is no statistical methodology involved in this collection.