

# Supporting Statement for Paperwork Reduction Act Submissions

**Title:** Capital Needs Assessment

**OMB Control Number:** 2502-0505

CNA e-Tool

## 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. Include a statement regarding the changes for this submission. (Example: The changes for this submittal is as follows or the difference between this submission and the last is as follows....)**

Capital Needs Assessment (CNA), or CNAs, were authorized by Title IV of the Housing and Community Development Act of 1992, as amended by the Multifamily Housing (MFH) Section 531 of the Department of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1998, P.L.105-65 (approved October 27, 1997), provides for the use of unallocated amounts for contract for interest reduction payments, or any other source, providing capital grant assistance for rehabilitation needs for projects. These rehabilitation needs are estimated through the employment of CNAs and have become institutionalized through inclusion in project applications for funding using the Multifamily Accelerated Processing (MAP) Guide, and as a requirement for projects seeking approval for a Partial Payment of Claim (PPC). As a result, adjustments have been made based on the current number of respondents and current hourly cost estimates.

The CNA e-Tool meets Federal accessibility requirements, including Section 504. In addition, the Fair Housing Act and the Americans with Disabilities Act.

The Department of Housing and Urban Development (HUD) regulations, at 24 CFR Part 401.450, also authorize this collection. Electronic CNAs are sent to HUD through the CNA e-Tool. HUD Housing Notice (HN) 2016-18 authorized the mandatory implementation of the CNA e-Tool for nine MFH Programs.

- The CNA is a description of current and future capital improvements and replacement needs of certain multifamily projects/properties.
- The CNA is based on a thorough and detailed physical inspection of the project based on an Estimated Useful Life (EUL) Table which can be found in HN 2016-18.
- The CNA includes a statement of any assistance needed under

programs administered by the Department.

- The CNA is used to establish the need for resources for meeting current and future needs of the project/property. Such resources are typically covered by the reserve for replacement account. The reserve for replacement account must maintain a balance equal to the identified needs, plus \$250 per unit.

The CNA also includes descriptions of modernization needs and activities; descriptions of supportive services needed, and supportive services provided; descriptions of security needs; and descriptions of any personnel needs of the project, including service coordinators and security staff.

In addition, the United States Department of Agriculture (USDA) regulations at 7 CFR Part 3560 also authorize this collection for their future use of the CNA e-Tool. HUD and USDA collaborated to develop a standard format for CNAs to be used across multiple programs, many of which are already using CNAs in one format or another.

**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 CNA is a description of current and future capital needs and financial resources of certain multifamily projects/properties. The CNA is based on a thorough and detailed physical inspection based on the EUL Table. The CNA includes a statement of any assistance needed under programs administered by HUD. The information that is being collected is only being used by HUD staff, and is not shared.

To reduce burden on external parties the CNA e-Tool's functionality now allows for the lender originator, lender servicer, Participating Administrative Entity (PAE), Public Housing Agency (PHA), and the Project Rental Assistance Contract (PRAC) owner to initiate a CNA with an assessor within the system. These external parties' contract with an arms-length entity to prepare a project's CNA, referred to as the Assessor. The assessor is responsible for preparing the electronic CNA within a web-based application called the CNA e-Tool. The Assessor completes their assessment of the project/property's capital improvements and collects all necessary data. The Assessor must use the information to estimate repair costs, itemize repairs, identify any immediate health and safety issues, and identify near term and long-term repairs that may be needed after the date of the inspection.

The CNA e-Tool is a major system application that is compliant

with the Federal Information Security Management Act (FISMA). The system has approximately 3,500 registered users. The CNA e-Tool is a secure system with an Authority to Operate. To improve security (confidentiality and integrity) all users and their coordinators will now need a login credential to use the CNA e-Tool going forward. In the upcoming release the CNA e-Tool is being replatformed to the cloud. However, no changes will be done to the database or the data that is collected.

The lender originator, lender servicer, PAE, and PHA are responsible for quality control of the CNA. These external parties submit the completed CNA information for HUD's review after the Assessor has completed their portion. Government Staff will review the CNA information to assess the current and future resources required for capital repairs. The information may also be used to determine the amount of any grant assistance that may be available. To date over 1,400 electronic CNAs have been approved within the CNA e-Tool since the system went live.

In the future USDA may also start using the system. There is a Memorandum of Understanding currently in place between HUD and USDA that has been signed by Executive Leadership from both departments. In the future USDA is expected to finalize an Interagency Agreement (IAA) with HUD which will further stipulate their fiduciary responsibility to help pay some of the cost incurred for the system by HUD.

**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.**

Assessors are no longer required to use an excel based Assessment Tool which was previously required in an earlier version of the CNA e-Tool. This is because the assessment functionality has now been completely built into the CNA e-Tool to reduce the burden for all users of the system. The information collected from assessors is now entirely web based and can all be done within the system. Thus, assessors are now required to have a login credential. This will allow for the assessor prepare the CNA in a secure manner that will ensure their confidentiality. After the assessor has completed their portion, they will send the CNA to the lender originator, lender servicer, PAE, or PHA who will then submit the electronic CNA to HUD for review and approval. The CNA's data collected directly correlates to a specific project or property for one of the nine authorized MFH Programs. Further

automation would not reduce the burden.

**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 is no duplication of information. The CNA is project or property specific, and the data collected directly correlates to a specific project or property. Similar information already available cannot be used or modified for the purposes described in Item 2 above.

**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.**

Recent changes to the CNA e-Tool will make the collection of information reduced for all users (this will include the sole proprietor assessor firms which constitute a small business/entity).

**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.**

Should these reports not be collected, HUD staff and owners would be unable to make quantitative estimates of annual capital expenditures, and risk realizing shortages for critical capital needs. The CNA report also forms the basis for estimating the minimum amount of reserves that must be maintained, and the amount of annual deposits to the reserve for replacements needed to maintain that minimum. Using a CNA when financing or refinancing multifamily housing, the product is necessary to determine long-term capital needs of a project or property, as well as exigent health and safety issues. Without this information, the amount of cash necessary for capital repairs is much more difficult to forecast and compare to expected cash revenues of the project or property. This is the basic test of financial valuation and is crucial to determining whether the CNA should be approved.

**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.

There is no requirement to report information to the agency more than quarterly.

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

There is no requirement for respondents to prepare a written response to a collection of information in fewer than 30 days after receipt.

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

There is no requirement for respondents to submit more than an original and two copies of any document.

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

There is no requirement for respondents to retain records other than for health, medical, government contract, grant-in-aid, or tax 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.

There are no statistical surveys involved with this collection.

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

There is no requirement for the use of 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

There is no 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.

There is no requirement for respondents to submit proprietary trade secret, 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 publications 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.**

In accordance with 5CFR 1320.8(d), this information collection soliciting public comments was announced in the Federal Register on March 30, 2020, Volume 85, No. 61, Pages 17596. (4) Comments received.

- 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.

The recent changes to reduce burden were only done after doing extensive external engagements with the Mortgage Bankers Association (MBA) Technical Committee, HUD Staff, and additional external parties who currently use CNA e-Tool. These parties were heavily consulted and over eight hours of interviews were conducted to find out how to best reduce the burden on all parties. The MBA assisted with the system redesign and participated in numerous rounds of Beta Testing and conference calls.

- 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.

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

No payments and/or gifts will be provided to respondents

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

A Privacy Threshold Analysis and Privacy Impact Assessment have been approved for this collection. HUD is committed to protecting the privacy of individuals' information stored electronically or in paper form, in accordance with federal privacy laws, guidance, and best practices.

**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.**

Not applicable. There are no questions of a sensitive 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. 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	Number of Respondents	Frequency of Response	Responses Per Year	Average Burden Hours Per Response	Annual Burden Hours	Hourly Cost per Response	Total Annual Cost
Capital Needs Assessment	2,041	1	2,041	36	73,476	\$125	\$9,184,500
<b>TOTALS</b>							

Hourly cost is based on an estimate for the hired Assessor to conduct the CNA.

Estimated number of respondents is based on data from HUD systems for covered projects required to submit CNAs: 1,247 FHA loan endorsements, 27 Mark to Market transactions, 196 for refinance or purchase applications from ten years ago, which are now subject to review, and 26 requests processed for Partial Payment of Claims.

**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 additional capital/startup costs associated with the collection of information.

**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.**

Information Collection	Number of Respondents	Frequency of Response	Responses Per Year	Burden Hours Per Response	Annual Burden Hours	Hourly Cost per Response	Total Annual Cost
Capital Needs Assessment	2,041	1	1	0.30	612	\$29.76	\$8,222
<b>TOTALS</b>	2,041		1		612		\$8,222

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

This is a revision of a currently approved collection. The current excel assessment tool was rewritten and incorporated into the system for enhanced security and credentials, thereby, slightly reducing respondent's burden by an approximate 10% decrease, in average.

**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 collection of this information will not be published. Information will be maintained with the HUD offices in individual case files.

**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 and USDA are not seeking approval not to display the form number.

**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.

**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:

There are no plans to use statistical methods for the collection of this information.

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

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

- \* Statistical methodology for stratification and sample selection,
- \* Estimation procedure,
- \* Degree of accuracy needed for the purpose described in the justification,
- \* Unusual problems requiring specialized sampling procedures, and
- \* Any use of periodic (less frequent than annual) data collection cycles to reduce burden.

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

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

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