

Supporting Statement for Paperwork Reduction Act Submissions

Rehabilitation Mortgage Insurance Program Section 203(K)

OMB Control Number 2502-0527

Forms: HUD-92700-A, HUD-9746-A

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.**

The National Housing Act (12 U.S.C. 1703) authorizes the Secretary of Housing and Urban Development to insure financial institutions against losses as a result of borrower defaults on single-family mortgages. Specifically, under Section 203(k) of the Act, the Secretary is authorized to insure mortgages that fund the rehabilitation of single-family homes.

- 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 request for OMB review involves an extension for information collected under OMB approval 2502-0527 for lenders that originate and service Section 203(k) mortgages.

The Section 203(k) Program is HUD's primary program for the rehabilitation and repair of single family properties. The Section 203(k) mortgage program enables Borrowers to finance the purchase, or refinance of a home and include the rehabilitation costs through a single mortgage. Under HUD, the Federal Housing Administration (FHA) insures these mortgages to protect the lender from loss in event the borrower stops making payments.

FHA offers two types of 203(k) rehabilitation mortgages that the lender can originate: Standard 203(k) and Limited 203(k).

- The **Standard 203(k)** mortgage may be used for remodeling, rehabilitation and repairs that may have structural components, involve more complex work and the total rehabilitation costs must be greater than \$5,000. An FHA-approved 203(k) Consultant is required, which must be approved and listed on the FHA 203(k) Consultant Roster.

- The **Limited 203(k)** mortgage may only be used for minor remodeling and non-structural repairs. Only minor remodeling and non-structural repairs are permitted, and the total rehabilitation cost that can be financed is \$35,000 with some temporary exceptions to \$50,000.00. HUD does not establish a minimum repair cost for the Limited 203(k). A 203(k) Consultant is optional under the Limited 203(k).

The respondents are FHA-approved mortgagees (or lenders) and 203(k) Consultants:

- **Mortgagees.** Mortgagees elect to originate mortgages that finance the cost of a home purchase or refinance, plus the cost of repair or improvements to the home. In addition to information collected under OMB Approval 2502-0059 for a home purchase or refinance, lenders must collect information about repair and improvements that the borrower intends to complete using the money from the mortgage.
- **203(k) Consultants.** Mortgagees must use a 203(k) consultant that is listed on the 203(k) Consultant Roster (Roster). A 203k Consultant must apply, be qualified and approved by HUD and placed on its Roster. To be placed on the Roster, consultants must apply for approval from HUD. The burdens for the consultant's application process are described in this collection. A consultant on the Roster may be selected by a mortgagee to provide services based on the scope of improvement project. Generally, the consultant assists the mortgagee in meeting mortgagee requirements for reviewing and monitoring repair and improvement projects, ensuring HUD's minimum property standards are met, and that the cost estimates and contracts are appropriate to cover required repairs/improvements. A consultant is required for Standard 203(k), and optional for Limited 203(k).

In order to avoid duplicate PRA reporting, this the 83-I and Supporting Statement removed information collected for HUD's review and approval of nonprofit organizations. The information collected from nonprofit organizations seeking HUD approval to participate in certain FHA single family activities remains covered under OMB Approval number 2502-0540.

In order to avoid duplicate PRA reporting, this 83-I and Supporting Statement removed burdens on information from Request for Acceptance of Changes in Approved Drawings and Specifications, form HUD-92577. This form is approved under OMB Approval number 2502-0117.

This Supporting Statement was structurally modified to align with terms and requirements published in FHA's Handbook 4000.1, Single Family Housing Policy. The Supporting Statement recognizes differences in terminology according to either Standard 203(k) or Limited 203(k) programs, although those terms share information purposes and burden costs. This Statement groups together information collected for similar or equivalent purposes, and recognizes similar burden costs, whether collected under the Standard or Limited program.

Data Overview

- The most recent three-year average of 203(k) mortgages is 11,752 (Calendar years 2017-2019).
- There are 239 lender-respondents that originate 203(k) mortgages.
- The estimated total number of FHA approved lenders 2,350, which originate purchase or refinance mortgages. Most lenders do not participate in the 203(k) because the program requires a business model with technical expertise on home improvements. The 203(k) is a niche program.
- There are 2,145 203(k) consultants placed on FHA's 203(k) Consultant Roster. The consultants are required to re-apply biennial for roster placement resulting in an average of 1,073 applications annually.

The number of total FHA approved mortgagees has dropped, which reflects an improved economy and lower need for mortgage insurance.

Following describes information collected by mortgagees under the 203(k) Rehabilitation Mortgage Insurance program.

The Consultant Application Package refers to information submitted by individuals wishing to be placed on FHA's 203(k) Consultant Roster. The application is submitted by email to HUD Homeownership Centers, or to FHA's Resource Center. No specific form required. The Consultant must submit evidence of qualifications for one or more of the following:

- be a state-licensed architect;
- be a state-licensed engineer;
- have at least three years of experience as a remodeling contractor or general contractor; or
- have at least three years of experience as a home inspector.

The applicant must provide a narrative description of consultant's ability to perform home inspections, conduct feasibility studies, review or prepare architectural exhibits, prepare a Work Write-Up, Cost Estimate, complete draw inspections; and certify that the consultant has understands the lender's requirements for 203(k) of HUD Handbook 4000.1.

Work Write-Up, Cost Estimate, Written Proposal, Work Plan, Contractor and Rehabilitation (Self-Help) Loan Agreements, Architectural Exhibits and Feasibility Study

The Mortgagee must obtain as applicable:

- Work Write-Up and Cost Estimate from Consultant with contractor's itemized estimate of repairs and improvements (Standard 203(k))
- Work Plan from the Borrower and use one or more contractors to provide the Cost Estimate and itemize the required improvements and repairs (Limited 203(k)).
- Detailed Work Plan for borrowers who make their own repairs, which shows repairs to be made and cost estimates (Self-Help)
- a written proposal and Cost Estimate from a contractor for each specialized repair or improvement, and/or

- Borrower Contractor Agreement between the borrower and each contractor, or the borrower and general contractor when one exists, showing estimate of repairs improvements to be completed
- a signed Rehabilitation (Self-Help) Loan Agreement from the Borrower, when the borrower will perform any portion of repairs or improvement work. The Rehabilitation Loan Agreement defines the terms between the lender and Borrower and establishes the conditions under which the Mortgagee will advance loan proceeds. The Borrower certifies to having competency, tools, and time to complete improvements/repairs.
- Rehabilitation Checklist is completed by the 203(k) Consultant for the Work Write-up. No specific form is required.

Mortgagees must review documents for eligibility of improvements and to determine if any improvements are structural or non-structural.

A Borrower acting as General Contractor or doing own work (Self-Help) must provide complete records and paid receipts showing actual costs.

Architectural Exhibits and Feasibility Study, if applicable:

- The Mortgagee must obtain and review all required architectural exhibits (Standard 203(k) where applicable)
- The Mortgagee must obtain a copy of any Feasibility Study performed.

Architectural exhibits and feasibility study are not always required. For example, a roof replacement would normally rely on a contract from the roofer, and not need drawings or feasibility analysis.

Review of Contractor Qualifications

Prior to closing, the Mortgagee must ensure that a qualified general or specialized contractor has been hired and, by contract, has agreed to complete the work described in the Work Write-Up for the amount of the Cost Estimate and within the allotted time frame. To determine whether the contractor is qualified, the Mortgagee must review the contractor’s credentials, work experience and client references, and ensure that the contractor meets all jurisdictional licensing and bonding requirements. (Standard 203(k))

Borrowers acting as General Contractor or doing own work (Self-Help) must be demonstrate necessary expertise and experience to perform repair competently and timely and receive require permits prior to commencement of work.

Financeable Contingency Reserves and Mortgage Payment Reserves (Standard 203(k))

The mortgagee must determine whether reserves must be set aside for

- Contingency Reserves to cover un cover unforeseen project costs, and
- Mortgage payment Reserves when the property cannot be occupied during rehabilitation.

Sales Contract (purchases transactions)

The Mortgagee must ensure the sales contract includes a provision that the Borrower has applied for Section 203(k) financing, and that the contract is contingent upon mortgage approval and the Borrower's acceptance of additional required improvements as determined by the Mortgagee.

Appraisal Review of Property and Proposed Repair/Improvements

- **Before and After Appraised Value**

The Mortgagee must establish both an Adjusted As-Is Value and an After Improved Value of the Property. This information is used to calculate the maximum insurable loan amount.

- **Repairs Noted by the Appraiser**

When an appraisal report identifies the need for health and safety repairs that were not included in the Consultant's Work Write-Up, Borrower's work plan, or contractor's proposal, the Mortgagee must ensure the repairs are included in the Consultant's final Work Write-Up or the Borrower's final Work Plan.

Identity-of-Interest Certifications obtained by the Mortgagee must be signed by Borrower and Consultant (if consultant is used). The Mortgagee must ensure there are no prohibited instances of Identity of Interest or conflict of interest between parties in the 203(k) transaction. The Borrower and the 203(k) Consultant must each sign an Identity-of-Interest certification that is placed in the case binder. HUD does not require a specific certification form but provides necessary language for the certification.

203(k) Borrower's Acknowledgment (Form HUD-92700-A)

The Mortgagee must obtain an executed form HUD-92700-A, 203(k) Borrower's Acknowledgment, which documents the borrower's understanding and responsibilities related to escrow of funds, draw requests, disagreements with contractor on work completion, changes, warranty of work and other processes.

Consultant/Borrower Agreement (Standard 203(k))

The Mortgagee must obtain a written agreement between the Consultant and the Borrower that fully explains the services to be performed and the fees to be charged for each service. The written agreement must disclose to the Borrower that any inspection performed by the Consultant is not a "Home Inspection," as detailed in the disclosure form HUD-92564-CN, For Your Protection Get a Home Inspection.

Rehabilitation Escrow Account

The Mortgagee must establish an interest bearing rehabilitation escrow account to include, as applicable:

- Financeable Repair and Improvement Costs and Fees;
- Financeable Contingency Reserves;
- Financeable Mortgage Payment Reserves;
- the cost of EEM, weatherization or solar energy systems improvements; and
- the Borrower's own funds for Contingency Reserves if required.

Escrow Closeout Certification Screen

The Mortgagee must complete all applicable fields on the Escrow Closeout Certification screen in FHAC. Automated Processing of 203(k) Closeout is a mortgagee's certification that they have reviewed and verified for accuracy the following documents without limitations: final release notice, mortgagor's letter of completion, title update/lien inspection reports, lender accounting of the 203(k) rehabilitation funds, change orders, payment ledgers, extensions for completion, and contingency release letters.

Initial Draw at Closing

The Mortgagee must document the amount and purpose of an initial draw at closing on the form HUD-92900-LT, FHA Loan Underwriting and Transmittal Summary.

Rehabilitation Loan Agreement

The Mortgagee and Borrower must execute a Rehabilitation Loan Agreement, which establishes the conditions under which the Mortgagee will disburse the rehabilitation escrow account funds. The Mortgagee must consult the Borrower Contractor Agreement to determine the time frame for completion of repairs not to exceed six months. This is not a HUD form.

Security Instrument and Rehabilitation Loan Rider

If the Mortgage involves releases from the rehabilitation escrow account, the following language must be placed in the security instrument: "Provisions pertaining to releases are contained in the Rehabilitation Loan Rider, which is attached to this mortgage and made a part hereof."

The Rehabilitation Loan Rider is a required modification to a security instrument. This rider provides the mortgagee with the authority to take the necessary steps to protect the rehabilitation improvements if the work is not properly completed.

Data Delivery/203(k) Calculator

Mortgagees must enter data about the property and improvements into the 203(k) Calculator, when they access FHA Connection system to apply for FHA insurance. The 203(k) Calculator enables Mortgagees to calculate the Maximum Mortgage amount, LTV for MIP, and the amount to establish a repair escrow when required for all 203(k) transactions.

Accounting of 203(k) Rehabilitation Funds

The Mortgagee must utilize an accounting system that records all transactions from the rehabilitation escrow account and which documents the amount escrowed for each of these categories:

- repairs
- Contingency Reserve
- inspection fees
- title update fees
- Mortgage Payments
- other fees (i.e., architectural and engineering fees, Consultant fees, permits, supplemental origination fee and discount points on repair costs)

Project Management

Mortgagees must ensure work is completed on schedule and workmanship is acceptable.

When notified of an issue, Mortgagees must intercede in disagreements among Borrowers, contractors, or Consultants.

Change Order Request, HUD-92577

The Mortgagee must obtain form HUD-92577, Request for Acceptance of Changes in Approved Drawings and Specifications, from the Consultant or inspector if there are any deviations from the Work Write-Up. The Mortgagee must approve the change order before any work can be done. This form is excluded from cost burdens because it is covered under OMB 2502-0117.

Escrow Administration

The Mortgagee is fully responsible for authorizing draw inspections, managing the rehabilitation escrow account, and approving the associated draws from the account.

It is the Mortgagee's responsibility to ensure that any inspections are completed in a quality and timely manner, regardless of who performs the inspections.

Draw Request (HUD-9746-A)

The Mortgagee must obtain an executed form HUD-9746-A, Draw Request Section 203(k), from the 203(k) Consultant, or from the Borrower when there is no 203(k) Consultant, requesting the release of escrow funds for completed Work Items.

It is noted that Mortgagees may use the following forms as part of their 203(k) mortgage originations, but these forms will not be covered in this ICR to avoid duplication with OMB Approval number 2502-0189.

- The Mortgagee must execute form [HUD-92300](#), *Mortgagee's Assurance of Completion*, to indicate that the repair escrow has been established.
- The Mortgagee must certify on form [HUD-92051](#), *Compliance Inspection Report*, that the incomplete construction, alterations and repairs have been satisfactory completed.

- 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.**

HUD has decreased the information that must be submitted to HUD by paper and improved its electronic capability for receiving information. HUD has found that **92%** of Section 203(k) mortgages were submitted by lenders that are authorized for a “Lender Insurance” (LI) process. This LI authorization allows the lender to establish FHA insurance on their mortgages with no prior review by FHA or its Homeownership Center. Lenders who are not eligible for the LI process must still submit paper copies in a case binder for HUD’s review and endorsement.

In April 2020, HUD expanded its electronic collection of information by deploying a new delivery Case Binder Module through which mortgagees can electronically transmit case binders for mortgage endorsement. With this new module, nearly all data will be electronically delivered for Section 203(k). The use of this module will be better captured in the next renewal of this collection.

- 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.**

Generally, the scope of an improvement project for each 203(k) mortgage insured varies widely, and is unique to the property being improved. This information described in Item 2 above is not available elsewhere and is 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.**

The reporting burdens for small business participants can occur under the Limited 203(k) program, since the repair costs are generally limited to \$35,000 (temporary exception of \$50,000 exists for properties in Opportunity Zones), and the program does not require the use of 203(k) Consultants.

The reporting burdens are higher for small business consultants used in the Standard 203(k) program, Mortgagees that rely on consultants. The consultant does not send its information to HUD but to the Mortgagee. The Mortgagee is responsible for assuring program compliance, and often have systems that allow consultant reports and photos electronically. In 2016, HUD raised the fees that 203(k) consultants can earn from their inspections and reports, which supports burden relief.

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.

Information collected is a one-time “on occasion” type, and therefore no reduction in frequency is possible. The documentation requirements and strengthened internal controls are meant to help reduce HUD’s exposure to insurance losses from loan defaults.

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;**

Respondents are required to report information more than quarterly. The reporting burden is loan-specific and, thus, cannot be conducted less frequently than on every 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;**

Respondents are not required to prepare a written response in less than 30 days;

- **requiring respondents to 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;

- **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 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. 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 the prior periods. There may be circumstances that may preclude consultation in a specific situation. These circumstances should be explained.**

HUD consulted directly with leading participating lenders in regard to information requirements of the 203(k) programs. Lenders reported that the data collection process has been automated and managed with computer systems that accept data from the FHA appraiser and consultant electronically. This is consistent with the guidelines in 5 CFR 1320.

This is a renewal of 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. This is not inconsistent with the guidelines in 5 CFR 1320.6. The agency notice soliciting comments on the information collection for OMB #2502-0527 was published in the

Federal Register on , Thursday, July 2, 2020, (Volume 85, Number 128, pages 39929). No Comments were received.

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 types of 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 of 1974 protects respondents who meet these information-reporting requirements. There are no confidential issues involved.

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 information collection does not contain any 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.

The most recent three-year average of 203(K) mortgages, including both Limited 203(K) and Standard 203(k) is 11,752. This volume has trended downward over recent years, which is typical of market swings.

HUD has approved and placed 2,145 203(K) consultants on its 203(K) Consultant Roster. Consultants are approved to assist mortgagees in meeting 203(K) requirements for review and inspection services under the 203(k) program. HUD approves consultants for a two-year period and requires that they reapply for another two years. This is a “revolving -door” process with consultants being removed from and/or added to the approved list or voluntarily withdrawing from the list, therefore, additional consultants will apply for and be approved to perform inspection services under the 203(K). The reporting burden hours on respondents for the collections is calculated currently at 194,392 hours.

Data Overview

- The total number of respondents is 1,312, made of 1,073 203(K) consultants and 239 lenders that actively participate in the 203(K) program.
- Currently, there are 239 lender respondents who originate 203(K) mortgages. The majority of FHA approved mortgagees do not have business models that support 203(k) operations.
- There are 1,073 consultant respondents who apply on an annual basis. This figure considers a total of 2,145 203 (K) consultants currently placed on FHA’s 203(K) Consultant Roster for an bi-annual approval. The consultants are required to re-apply biennial for roster placement resulting in an average 1,073 applications annually.
- The recent three-year average of 203(K) mortgages is 11,752 (Calendar years 2017-2019).
 - o Recognizing annual fluctuations, purchase transactions make up 8% of all 203k mortgages, and
 - o The Standard 203(k) represents approximately 42% of all 203(K) transactions, leaving 58% originated under Limited 203(k).
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Public burdens reflect information collected primarily from mortgagees, including information mortgagees receive from consultants. Consultants provide information to HUD only for their application or renewal application for being placed on the 203(K) Consultant Roster.

Estimate of public burden.

Information Collected	Number of Respondents	Frequency of Response	Total Annual Responses	Hours per Response	Total Hours	Cost per Hour (\$)	Total Cost (\$\$)
203(k) Consultant Application or Renewal (Standard 203(k))	1,073	1	1,073	4.00	4,292	29.00	124,468
Work Scope for both Standard and Limited: Work Write-Up, Cost Estimate, Written Proposal, Work Plan, Contractor and Rehabilitation (Self-Help) Loan Agreements, Architectural Exhibits and Feasibility Study	239	1	11,752	6.00	70,512	29.00	2,044,848
Review of Contractor Qualifications		1	11,752	0.10	1,175	35.00	41,132
Financeable Contingency Reserves and Mortgage Payment Reserves (Standard 203(k) - 42% of all loans)		1	4,935	0.30	1,481	35.00	51,818
Sales Contract (purchase transactions represent 8% of all loans)		1	940	0.10	94	35.00	3,290
Appraisal Review of Property and Proposed Repair/Improvements		1	11,752	1.00	11,752	35.00	411,320
Identity-of-Interest Certifications		1	11,752	0.10	1,175	35.00	41,132
203(k) Borrower's Acknowledgment (Form HUD-92700-A)		1	11,752	0.50	5,876	35.00	205,660
Consultant/Borrower Agreement (Standard 203(k) 42%)		1	4,935	0.10	494	35.00	17,273
Rehabilitation Escrow Account		1	11,752	0.20	2,350	35.00	82,264
Escrow Closeout Certification Screen		1	11,752	0.20	2,350	35.00	82,264
Initial Draw at Closing		1	11,752	0.20	2,350	35.00	82,264
Rehabilitation Loan Agreement		1	11,752	0.50	5,876	35.00	205,660
Security Instrument and Rehabilitation Loan Rider		1	11,752	0.20	2,350	35.00	82,264
Data Delivery/203(k) Calculator		1	11,752	0.30	3,526	35.00	123,396

Accounting of 203(k) Rehabilitation Funds	1	11,752	0.50	5,876	35.00	205,660
Project Management	1	11,752	2.00	23,504	35.00	822,640
Escrow Administration	1	11,752	0.50	5,876	35.00	205,660
Draw Request (HUD-9746-A)	1	11,752	1.00	11,752	35.00	411,320
Final Release of Escrow	1	11,752	0.20	2,350	35.00	82,264
Quality Control	1	11,752	2.00	23,504	35.00	822,640
Total	1,312	161.33	211,667	20.00	188,516	6,149,236

1. The total number of mortgagees originating 203k mortgages is 239. This figure represents the total number of approved lenders that participate in 203(k) mortgage originations. On the average these lenders originate 11,752 mortgages under this program.
2. The hourly cost of \$35.00 is based on a national median hourly wage of a Credit Analyst (rounded to nearest dollar), reported by the Department of Labor, and includes the cost of overhead, staff support, recordkeeping, etc. See occupation 13-2041 Credit Analyst at: https://www.bls.gov/oes/current/oes_nat.htm#13-0000
3. The hourly cost of \$29.00 is based on the national median hourly wage of Construction and Building Inspectors (rounded), reported by the Department of Labor, and includes the cost of overhead, staff support, recordkeeping, etc. See occupation 47-4011 at: https://www.bls.gov/oes/current/oes_nat.htm#47-0000

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 costs to respondents or recordkeepers resulting from the collection of information. Costs associated with total capital and start-up component (annualized over its expected useful life) and total operation and maintenance and purchase of services component are customary and a standard part of the lender's business.

- **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.

For a consultant or lender's participation in 203(k) mortgage origination, there are no costs for (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. Costs for these items are a customary standard part of the lender's business.

- **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.**

Since there are no additional costs for a consultant or lender's participation in 203(k) mortgage originations, there are no reportable cost estimates that may be expected to vary widely.

- **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.**

Since there are no additional costs for a consultant or lender's origination of 203(k) participation and origination, there are no reportable estimates that include purchases or equipment or services or a portion thereof. Costs for these items are a customary and usual business practice.

- 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 10% of the total burden hours or 18,852 hours (rounded). The Federal burden includes compliance reviews related to the loans. The annualized cost to the Federal government assumes a \$35.00 per

hour estimate based on a national estimate for the mean hourly wage of a Credit Analyst (rounded up to the nearest dollar), reported by the Department of Labor.

Total Burden Hours: 188,516 x 10 percent (rounded) = 18,852 x \$35.00 = Annualized Cost of \$659,820.

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. There have not been any program changes.

In recent years, the total respondents for Section 203(k) have trended down. This represents a lower usage by lenders for this government program, as they increased access to credit through conventional markets. Keeping with its purpose, FHA mortgage insurance helps to stabilize housing markets during periods of economic distress. When housing markets weaken, private lenders seek a greater share of loans with FHA insurance. As the economy improves, lenders shift from Federal insurance support, towards conventional lending models.

We have also included adjustments to accurately account for mortgage lenders who originate Section 203(k) loans versus accounting for the total number of FHA approved lenders. Participating mortgagees and 203(k) consultants revolve continuously as both respondent types are moving into and out of Section 203(k) program participation on a voluntary basis.

In order to avoid duplicate PRA reporting, this the 83-I and Supporting Statement removed information collection burdens for:

- HUD's review and approval of nonprofit organizations. The information collected from nonprofit organizations seeking HUD approval to participate in certain FHA single family activities remains covered under OMB Approval number 2502-0540.
- In order to avoid duplicate PRA reporting, this 83-I and Supporting Statement removed burdens on information from Request for Acceptance of Changes in Approved Drawings and Specifications, form HUD-92577. This form is approved under OMB Approval number 2502-0117.

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 expiration date for 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.

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:

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.**

This information collection does not involve 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.**

The collection of information does not employ statistical methods.