

Supporting Statement for Paperwork Reduction Act Submissions
Single Family Mortgage Insurance on Hawaiian Homelands
OMB Control Number 2502-0358
Forms: None

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 Federal Housing Administration offer mortgage insurance for eligible mortgage for the purchase of single-family dwellings pursuant to Title II of the National Housing Act (NHA) (12 USC 1701, *et seq.*). The Housing and Urban Rural Recovery Act, (P.L. 98-181) amended the NHA to add Section 247 (12 USC 1715z-12) to permit FHA to insure mortgages for properties located on Hawaiian Home Lands (HHL).

Section 247 requires that the Department of Hawaiian Homelands (DHHL) of the State of Hawaii (a) will be a co-mortgagor; (b) guarantees or reimburses the Secretary for any mortgage insurance claim paid in connection with a property on Hawaiian homelands; or (c) offers other security acceptable to the Secretary. There are no changes to this program for this submission.

Under the State of Hawaii, the Department of Hawaiian Home Lands (DHHL) is responsible for management of Hawaiian Home Lands for the benefit of native Hawaiians. The DHHL determines whether a prospective mortgagor meets eligibility requirements as a native Hawaiian.

- 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.**

Respondents are FHA-approved lenders seeking mortgage insurance on for a mortgage loan secured by Hawaiian Home Lands. To be eligible for the program, a borrower must be a native Hawaiian as defined at NHA section 247(d)(1). In accordance with 24 CFR 203.43i, the collection of information is verification that a loan applicant is a native Hawaiian and that the applicant holds a lease on land in a Hawaiian Homelands area. The FHA-approved lender must obtain verification of the borrower's eligibility, as confirmed by the DHHL.

The lender is responsible for reviewing the documents submitted to ascertain that a mortgagor meets all the regulatory requirements. A prospective borrower is ineligible for Section 247 financing without proof of status as a native Hawaiian from the State's DHHL. United States citizens living in Hawaii are not eligible for this leasehold program unless they are native Hawaiians.

In accordance with 24 CFR 203.439(c), lenders must report monthly to HUD and the DHHL about the number of section 247 loans that are delinquent. Lenders Monthly Delinquent Loan reports for HUD are collected under OMB Control number 2502-0060.

The DHHL works with these delinquent borrowers in preventing foreclosures by intervening as soon as possible, and so DHHL relies on the delinquency information to assist borrowers in resolving defaults to mitigate the risk of a claim to HUD.

Data Overview

- 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.**

No HUD forms are required by lenders for the HHL program. Information that is collected by FHA-approved lenders is transmitted to HUD electronically.

Origination documentation that lenders collect as part of its prudent lending practices includes copies of leases, and verification of the borrower eligibility from the DHHL. Documentation confirming the borrower's eligibility is included in a standard case binder that the lender electronically submits to HUD through a FHA Connection, which provides FHA-approved lenders and business partners with direct, secure, online access to HUD computer systems. Lenders use HUD systems to electronically deliver case binders instead of mailing paper binders for mortgages to be FHA-insured. This electronic process lessens the burden of the lender having to mail case binders with copies of the leases and certifications of native Hawaiian eligibility to FHA.

On a monthly basis, lender delinquency notifications are automatically transmitted to HUD electronically through HUD's servicing system referred to as Single Family Default Monitoring System (SFDMS). All other items are submitted in hard copy. Verification that a loan applicant is a native Hawaiian and the lease issued by the DHHL are both paper processes through the DHHL. FHA requires that these documents be in the case binder. However, FHA cannot control DHHL's processes for providing this information, thus, FHA developed a method whereby lenders will submit case binders electronically. This process lessens the burden of the lender having to mail case binders with copies of the leases and certifications of native Hawaiian eligibility to FHA.

- 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. The information collected is unique to each home, the respective DHHL lease, and eligibility of individual borrowers. Similar information is unavailable.

- 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.**

Mortgage lenders are typically not small businesses.¹ The information collected for the land lease, and to confirm borrower eligibility with the DHHL would have minimal impact on any lenders that are small business or other small entities, considering that the estimated burden time is 35 minutes per combined response and the information is provided by the DHHL documentation. The reporting burden is loan

¹ The industry is characterized in Consumer Financial Protection Bureau. Data Point: 2019 Mortgage Market Activity and Trends, chap. 6, Lending Institutions. https://files.consumerfinance.gov/f/documents/cfpb_2019-mortgage-market-activity-trends_report.pdf

specific and, thus, cannot be conducted less frequently than once for every Hawaiian Homeland Mortgage submitted to FHA for insurance.

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 for the land lease and borrower eligibility is a one-time “on occasion” type, as part of the mortgage origination. The collection of borrower delinquency status throughout the loan term is automated for monthly electronic collection. All information collected is specific to each loan. The collection cannot be conducted less frequently than on every loan submitted to FHA for insurance endorsement, and monthly for payment status.

Before applying for FHA insurance, lenders must collect information to determine that the borrower is eligible for the DHHL program. Lenders that finance for Hawaiian Home Lands will be unable to obtain FHA-insured financing if the information is not collected.

The documentation requirements also reduce HUD’s exposure to insurance losses from loan defaults.

To assist the DHHL in identifying delinquent loans, lenders report payment status monthly. If information were collected less frequently, the DHHL would have less time to offer loss mitigation measures and reduce losses.

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 information collection is loan-specific and, thus, is collected at the origination of every loan submitted to FHA for insurance endorsement.

The DHHL collects delinquency information monthly on all mortgages. Borrowers make payments on their mortgage monthly, therefore, the delinquency reports, when applicable, are also monthly. If delinquencies were reported only quarterly, a mortgage that went into default before the reporting cycle would be seriously delinquent before the next reporting cycle, and it may be too late for DHHL to intervene and prevent foreclosure.

- **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 fewer 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 by to retain records for the duration of the mortgage, which is the term of FHA's insurance obligation.

- **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 a statistical data classification 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.

- **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.

- 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.**

HUD consulted directly with participating lenders regarding information requirements of the Hawaiian Home Lands mortgage insurance program. Lenders reported that the data collection process has been automated and managed with computer systems that accept servicing data 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 that will lend on Hawaiian Homelands. This is not inconsistent with the guidelines in 5 CFR 1320.6. The agency notice soliciting comments on this information collection (OMB Approval Number 2502-0358) was published in the Federal Register on Tuesday, December 14, 2021, (Volume 86, Number 237, pages 71075). 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.

There are no confidential issues involved, and thus, no assurances of confidentiality.

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.**

Overall, burden hours have increased from the existing collection, which is attributed to impacts of the COVID pandemic. Specifically, there was an:

- increase in the number of HHL mortgages with FHA insurance protection during fiscal years 2020 and 2021, and
- increase in the number of mortgage defaults that lenders were required to report for DHH, primarily occurring during 2020 and 2021.

(a) The total number of loans endorsed under this program has increased since the last reporting in 2014.

Fiscal Year	No. of Loans Endorsed
2018	197

2019	169
2020	190
2021	355

Data Overview

- For fiscal years 2018-2021, lenders originated 911 mortgages.
- The average total number of cases endorsed for insurance under this program is 228 (rounded). This average is an increase from annual average cases reported in the prior Paperwork Reduction Act package submitted to the Office of Management and Budget.
- This four-year average of 228 mortgages endorsed is an increase primarily due to the mortgages endorsed during the fiscal years 2020 and 2021, the onset of the COVID-19 pandemic. It is believed that the rising numbers reflect lenders who seek FHA insurance protection due to the risk associated with the COVID-19 pandemic, which can result in lower household income and an increase mortgage default.
- The total number of respondents is 23, reflecting the total number of FHA-approved lenders that originated mortgages during the four-year fiscal year period ending 2021. For this collection, FHA adjusted the numbers of respondents to accurately reflect the number of lenders that participate in the HHL program, lending in the limited Hawaiian Home Lands area.
- The average number of defaults reported during the fiscal years 2018-2021 is 150, representing an increase primarily occurring during fiscal years 2020 and 2021 (onset of COVID-19 pandemic). These delinquencies represent the loan payments made 30 days late (after due date) at least one time. HUD's reporting requirements allow the DHHL to act quickly with homeowners facing challenges.

In accordance with 24 CFR 203.43i, the collection of information is verification that a loan applicant is a native Hawaiian and that the applicant holds a valid lease for land that is part of the Hawaiian Home Lands. In accordance with 24 CFR 203.439(c), lenders must report monthly to the DHHL on delinquent borrowers and provide documentation to HUD to support that the loss mitigation requirements of 24 CFR 203.602 have been met. The notice of default must contain case specific information and is done on each loan individually. Estimates of public burden for this reporting period is as follows:

	Number of Respondents 23 (Note 1)	Responses per Loan	Total Annual Responses (Loans)	Avg. Burden Hours per Response	Total Annual Burden Hours	Cost per Burden Hour (\$\$) (Note 2)	Total Annual Cost
Certification that borrower is a native Hawaiian		1	228	.08 (5 minutes per loan)	18.24	\$41.00	\$748
Copy of lease on land in Hawaiian Homelands area		1	228	.08 (5 minutes per loan)	18.24	\$41.00	\$748
Notice of Delinquency (Note3)		1	150	.42 (25minutes per loan)	63.00	\$41.00	\$2,583
Totals	23		606		99.48		\$4,079

Table Notes:

1. The total number of Respondents (Lenders) originating HHL mortgages is 23. As noted above, 23 is the total number of lenders that originated an average of 911 HHL mortgages during the four-year period reported in this collection.
2. The hourly cost of \$41.00 is based on a national mean 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, for May 2020, the most recent data posted as of the preparation of this Supporting Statement.
3. The number of default notices increased, primarily during the pandemic period (FY 2020-2021). This increased the total burden costs.

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 Lender's participation in HHL mortgage origination, there are no costs for (a) a total capital and start-up cost component (annualized over its expected useful life) or (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 HHL program participation, 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 an HHL 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.**

	Total Annual Loans	Hours per Response	Total Annual Burden Hours	Cost per Burden Hour	Total Annual Cost
Certification that borrower is a native Hawaiian	228	.08 (5 minutes per loan)	16	\$41.00	\$976
Copy of lease on land in Hawaiian Homelands area	228	.08 (5 minutes per loan)	16	\$41.00	\$976

The Federal cost includes compliance reviews. The hourly cost of \$41.00 is based on a national mean 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, for May 2020, the most recent data posted as of the preparation of this Supporting Statement.

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

This is an extension of a currently approved burden package. There have not been any program changes.

In recent years, the total number of HHL mortgages has increased, primarily during fiscal years 2020 and 2021. This increase reflects more interest from lenders in seeking FHA insurance protection during the COVID pandemic. There has also been an increase in mortgage default during fiscal years 2020 and 2021. 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.

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.

A. 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.**

Since 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 tests 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.