

# Supporting Statement for Paperwork Reduction Act Submissions

Builder's Certification of Plans, Specifications, & Site

**OMB Control Number 2502-0496**

(Form HUD-92541)

## **A. Justification**

**1. Explain the circumstances that make the collection of information necessary. Identify any legal or administrative requirements that necessitate the collection. Attach a copy of the appropriate section of each statute and regulation mandating or authorizing the collection of information.**

This request for OMB review seeks to renew a previously approved collection of Form HUD-92541, Builder's Certification of Plans, & Site (OMB Control Number 2502-0496). The information collected on this form is necessary to ensure newly built homes financed with FHA mortgage insurance do not contain adverse site conditions or foreseeable hazards that pose a health or safety risk to the occupant or cause the Property to be ineligible for FHA insurance. Executive Order 11988 (Flood Plain Management) and HUD environmental regulations at 24 CFR 51 and 24 CFR 55 require builders of newly constructed properties to ensure the property is not affected by flood hazards, or other adverse conditions including: (1) noise; (2) runway clear zones; (3) explosive/flammable materials storage hazards; (4) toxic waste hazards; and (5) other foreseeable hazards that may affect the site (i.e., high ground water level, surface drainage, sinkholes, excessive slopes, expansive/collapsible/erosional soils and inadequate fill materials).

**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 form requires the builder to certify that the house has or will be built according HUD Minimum Property Standards in 24 CFR 200.926d and the applicable Local/State adopted IRC Building Codes, specific building codes applicable to the site location, or HUD requirements.

The builder or its agent completes the site analysis and submits the information to the lender using a pdf fillable form. The site analysis includes stating the property's proximity to locations that might affect the value or marketability of the property. The builder must also indicate that the dwelling was constructed according to certain building codes and indicate which building code the builder adhered to in Sections 2 – 8 of the form.

The information must be collected on each case submitted for mortgage insurance that involves new construction, proposed construction, or existing construction less than one year, so HUD is ensured no site or location factors will adversely affect the dwelling or the homeowner. The completed form must be shared with the appraiser to provide adequate

information regarding potential site hazards and allow the appraiser to perform a proper analysis of the property site. For condominiums, the form will be used to determine the project's eligibility and show any issues noted by the builder or developer and their proposed mitigation plans. HUD may review the information on the builder certification on a sampling of cases to ensure the lender has appropriately considered the site and location factors during the underwriting of the loan. Borrower and their attorneys who have complaints against builders for not properly mitigating the problems of a site can also use the form.

**3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g., permitting electronic submission of responses, and the basis for the decision for adopting this means of collection. Also describe any consideration of using information technology to reduce burden.**

The collection of the requested information is 95% automated using the fillable form. Builders submit the fillable pdf form to an approved FHA Direct Endorsement (DE) lender. Under FHA-Single Family's current insurance endorsement policy, a (DE) lender may apply for FHA insurance based upon its internal underwriting of the loan. During the closing process, most lenders log on to a Web-based application, FHA Connection (FHAC), to establish and update a case, log the appraisal, and complete the Insurance Application. The data entered are subsequently transferred to the Computerized Homes Underwriting Management System (CHUMS), the system of record for the endorsement process.

FHA-approved lenders who were previously required to submit paper case binders to FHA's Homeownership Centers can now use FHA Catalyst, a web-based platform that supports digital delivery of documents, to submit case binders electronically to FHA.

Direct Endorsement Mortgage Lenders who elect to participate in Business-to-Government (B2G) electronically submit the data to HUD using the Electronic Case Binder. Large lenders with Loan Origination Systems (LOS) transmit data from their LOS or use third-party software to send data to CHUMS via a B2G connection. CHUMS is subsequently updated with the same data elements that other lenders enter into FHAC.

After the builders and lenders review the collected information, the form is electronically preserved in the lender's loan file after Lender Endorsement or provided for HUD Endorsement.

**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 information is not collected elsewhere by HUD for the specific property involved.

**5. If the collection of information impacts small businesses or other small entities (Item 5 of OMB Form 83-I), describe any methods used to minimize burden.**

The information may have some impact on small businesses or other small entities. The certification is required of all builders seeking FHA mortgage insurance for newly constructed homes. According to the 2017, National Association of Homebuilders statistics, there are approximately 607,000 non-employer firms in residential building construction, more than 39,000 in land subdivision, and close to 1.76 million in specialty trade contracting. Most of these companies were self-employed mom-and-pop firms with annual receipts averaging under \$83,000 for specialty trade contractors. Self-employed independent contractors in land subdivision average around \$96,000 in annual business receipts. Although some small businesses may be impacted by this collection, and due to the very limited amount of time involved in the information collection, the impact on a small business is deemed to be minimal. For HUD, the information is critical to ensure builders follow all federal, state, and local building codes and regulations. The burden hours are not being reduced because the methods used to provide HUD with the required information have not changed since the last collection period without any additional burden to small businesses.

**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.**

If this form was not used and the collection of information not conducted, it could pose a health and safety risk to FHA borrowers, increase the risk of borrower's default, and adversely impacting HUD's Mutual Mortgage Insurance Fund (MMIF).

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

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

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

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

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

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

No special circumstances are noted that would require respondents to submit more than an original and two copies of any document.

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

The builder provides the information to the lender, and the lender retains the form in the case binder. No special circumstances arise from this collection that would cause the respondents to retain records for more than three years. The lender must maintain the case file for the duration of the insured mortgage loan, which could, in some cases, be more than 30 years.

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

No special circumstances are noted in connection with a statistical survey that is not designed to produce valid and reliable results that can be generalized to the universe of study.

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

No special circumstances are noted requiring the use of a statistical data classification that has not been reviewed and approved by OMB.

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

No special circumstances are noted that 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.

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

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

**8. If applicable, provide a copy and identify the date and page number of publication in the Federal Register of the agency's notice, required by 5 CFR 1320.8(d), soliciting comments on the information collection prior to submission to OMB. Summarize public comments received in response to that notice and describe actions taken by the agency in response to these comments. Specifically address comments received on cost and hour burden. Describe efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and recordkeeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported. Consultation with representatives of those from whom information is to be obtained or those who must compile records should occur at least once**

**every 3 years - even if the collection of information activity is the same as in prior periods. There may be circumstances that may preclude consultation in a specific situation. These circumstances should be explained.**

In accordance with 5 CFR 1320.8(d), the agency's notice soliciting public comments was announced in the Federal Register March 11, 2022, at 87 page 14027. No comments were received.

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

No gifts or other types of payments are 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 information collection takes into consideration the need to assure data 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 or other matters that are commonly deemed private.

**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.**

According to the U.S. Census, there were 822,000 new home sales in the United States for 2020. FHA Financing accounted for 18.592%, or 152,826 (Rounded to 152,830) new homes. FHA Data indicated 100,868 endorsements of mortgages secured by new construction properties (proposed construction, under construction and existing construction less than one year), between September 1, 2020, and September 1, 2021. Considering FHA market share and the number of endorsements, the frequency of response is estimated at 0.66. The builder takes about 6 minutes to complete the Builder's Certification (form HUD-92541) based on

information and data the builder gets from its engineers before the property being developed. Thus, the estimated builder's annual burden was estimated at 10,087 hours (152,830 respondents X 0.66 frequency = 100,868 responses X 6 minutes (0.10) = 10,087 annual hours).

The estimated lender burden was calculated from FHA data which indicated 100,868 endorsements of mortgages secured by new construction properties, between September 1, 2020, and September 1, 2021. In addition, FHA Data for the same period indicated the involvement of 13,250 lender submissions of the form for an estimated 0.13 frequency of response. The lender should be able to review the builder's entries in about 3 minutes. Thus, the estimated lender's annual burden was estimated at 5,043 annual hours (13,250 respondents X 0.13 frequency = 100,868 responses X 3 minutes (0.05) = 5,043 annual hours).

In summary, there are approximately, 166,080 (152,830 builders + 13,250 lenders) respondents for an annual burden of 15,130 hours (10,087 builder's hours + 5,043 lender's hours). The frequency of response varies between the builder and the lenders with an allocation of 0.66, and 7.61 respectably.

**\* 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.**

This collection covers no other forms.

**\* 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.**

On the builder's side, HUD-92541 form is typically completed by technicians under the supervision of a civil engineer or the engineering staff. According to the U.S. Bureau of Labor Statistics, Civil Engineering Technologists and Technicians ([17-3022](#)) make a National mean hourly wage of \$27.21. Based on the 10,087 annual hours used, the builder's cost is estimated at \$274,467.

On the lender side, HUD-92541 is typically reviewed by the loan processor. According to [Learn.Org](#), a web-based organization dedicated to providing academic and career goals resources, a loan processor is a specialized financial clerk, sometimes known as a loan interviewer. The U.S. Bureau of Labor Statistics shows the national mean hourly wage for loan interviewers ([43-4131](#)) at \$20.57. Based on the 5,043 annual hours used, the lender's cost is estimated at \$103,734.

Estimated public burden.

Information Collection	Number of Respondents	Frequency of Response	Responses Per Annum	Burden Hour Per Response	Annual Burden Hours	Hourly Cost	Annual Cost
<i>HUD-92541</i>							
Builder's submission	152,830	0.66	100,868	.10	10,087	\$27.21	\$274,467
Lender's review	13,250	7.61 (rounded)	100,868	.05	5,043	\$20.57	\$103,734
Totals	<b>166,080</b>		<b>201,736</b>		<b>15,130</b>		<b>\$378,201</b>

**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).**

No additional costs are incurred by respondents or recordkeepers resulting from the collection of information. Any efforts to retain documents would occur as part of customary and usual business practices and would post no additional cost burden for respondents or recordkeepers.

**\* 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.**

No costs are incurred 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.

**\* 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.**

No costs are incurred for purchasing or contracting out information collections services; therefore, no cost estimates are expected.

**\* 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.**

No costs are incurred for purchases of equipment or services or portions thereof; therefore, no estimates are needed.

**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.**

HUD only reviews HUD-92541 in a random sampling of cases (approximately 2.5% of the cases received). The hourly cost of reviewing the form is based on the OPM 2020 pay scale of a GS-12/Step 5 HUD staff reviewer.

Information Collection	Number of Respondents	Frequency of Response	Responses Per Annum	Burden Hour Per Response	Annual Burden Hours	Hourly Cost	Annual Cost
<b>HUD-92541</b>							
HUD review	100,868	0.025	2,522	.10	252	\$41.66	\$10,498
<b>Totals</b>	100,868		<b>2,522</b>		<b>252</b>		<b>\$10,498</b>

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

This renewal is an extension of a currently approved package which does not reflect any program changes. The public burden was adjusted upwards due to the growing number of new homes in the U.S. and FHA's increasing market share. According to U.S. Census data, new homes were reported as 617,000 in 2018, 683,000 in 2019, and 822,000 in 2020. FHA market share was reported as 11.99 % in 2018, 17.42% in 2019, and 18.59% in 2020.

**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 results from this collection will not 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 remove the expiration date of the information collection approval.

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

HUD is not requesting a certification statement exception.

#### **B. Collections of Information Employing Statistical Methods**

Not applicable. The collection of information does not employ statistical methods.