

# Supporting Statement for Paperwork Reduction Act Submissions

## Requirements for Single Family Mortgage Instruments OMB Number 2502-0404

### 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 (FHA) is authorized to offer mortgage insurance under such terms and conditions as approved by the Secretary of HUD. 12 U.S.C. 1701, *et seq.* HUD regulations at 24 CFR 203.255(b)(3) implement FHA requirements pertaining to submission of mortgage documents to HUD by a lender participating in the FHA Direct Endorsement program. Section 203.255(b)(3) states, in part, that within 60 days after the date of the loan closing, a lender must submit to HUD “a certified copy of the mortgage and note executed upon forms which meet the requirements of the Secretary.”

The lender or designee prepares the mortgage and mortgage note that are to be endorsed for insurance by the Department. The lender must include certain terms within the mortgage (or deed of trust) and note consistent with FHA requirements. If a lender does not meet these requirements, FHA will not endorse such a mortgage for insurance. Such terms which must be included in the mortgage and note are the name of the mortgagor, the legal description of the property, and the loan term and interest rate. A lender must develop or procure mortgage and note forms that comply with both HUD and applicable state and local requirements for a recordable and enforceable mortgage lien.

- 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.**

For each mortgage, the lender or designee prepares the mortgage and note that secures the loan amount that is to be insured by the Department. In accordance with the subject policy, the lender must include language in the mortgage (or deed of trust) and note that complies with FHA requirements for mortgage insurance.

There is no change to the information collected. The only change is the reduction of burden hours because of (i) lenders producing mortgage documents electronically (2) reduction in the number of endorsed loans due to combination of decrease in inventory and high interest rate. The breakdown is as follows:

- a. The number of respondents means the number of FHA approved lenders. Currently, there are 2,064 approved lenders.
  - b. The number of endorsed cases was used to reflect a more accurate picture of the collection activity. In 2023, 737,276 cases were endorsed for insurance. Of that number, 577,253 were submitted electronically to FHA for insurance endorsement.
  - c. The number of burden hour per response is estimated at five minutes per hour per loan. The Department endorsed 737,276 loans in 2023; therefore, it is estimated that the total annual burden hours is 61,415 with a total annual cost of \$2,484,855.
- 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.**

Lenders participating in the Lender Insurance (LI) program are not required to submit the case binder to HUD for insurance endorsement. The LI Lenders have authority to endorse their loans for insurance and do so electronically. The chart below shows the rate in which lenders are moving towards participating in the LI program as of 2019 through 2023.

CY	Number of Non Lender-Insured Cases Endorsed	Number of Lender-Insured Cases Endorsed (Electronically)	Total Number of Cases Insured
2019	127,075	992,621	1,119,696
2023	160,023	577,253	737,276

**4. Describe the effort 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 effort. Each requirement is made only once for each FHA-insured loan. The total number of FHA cases insured in 2023 was 737,276.

**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.**

Typically, small businesses are not involved in the mortgage application process and no attempt was made to modify the requirements to accommodate small businesses. The Department believes that the burden estimate associated with these information collections are the minimum needed to make certain that statutory and regulatory requirements are being met and the integrity of the insurance fund is maintained.

**6. Describe the consequences to Federal program or policy activities if the collection is not conducted or is conducted less frequently, as well as any technical or legal obstacles to reducing burden.**

The Department will not be able to verify that a mortgage has been properly recorded and is eligible for FHA insurance endorsement if the information is not collected. Aside from violating the National Housing Act (NHA), FHA would be assuming risk to the insurance fund by potentially having to pay claims for mortgages that should not have been endorsement for insurance.

**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;
  - The collections are made at minimum frequency - once per loan transaction.
- \* 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 to a collection of information in fewer than 30 days after receipt of request.
- \* 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;

- To obtain benefits under the single-family mortgage insurance programs, a lender must retain a copy of these instruments for the duration of the mortgage, which can be up to 30 years. This need is inherent in the nature of the transaction. To only require retention of such documents for three years would be inconsistent with the FHA's risk management policies because of the term of most mortgages (i.e., 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;

- Statistical surveys are not a requirement of the collection.

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

- 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

- 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 is not a requirement of this collection.

\* 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.

- 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 is not a requirement of this collection.

**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 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 Part 1320.8(d), this information collection requirement was announced for public comment in the Federal Register on Thursday, May 30, 2024 (Vol. 89, No. 105, Page 46899). No comments were received.

HUD did not consult with mortgagees regarding this information collection. These documents are a common part of mortgage lending; lenders must use this type of document to secure any interest in the property being used as security for a mortgage loan. Many State and local jurisdictions typically codify statutes and ordinances, respectively, that address perfection of these documents; use of these documents is not solely required by HUD. The burden estimate was based on experience of legal and program staff with expertise in mortgage loan transactions, and the recognition that most mortgage documents are created electronically with only minimal human intervention (i.e., adding name, property address, loan amount, rate, and term).

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

No gifts or any payments are provided 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 provides privacy protection to respondents. There is no promise 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.**

No assurance of confidentiality is provided, nor is such appropriate or feasible. Mortgages must be publicly recorded for them to be enforceable. The information contained in this collection is not 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 Department expects the time to complete the mortgage and note (which require only several entries to existing model mortgages and notes) to be 5 minutes (burden per response 0.0833 hours). This number is close to that of 2019 since lenders still produce these mortgage documents electronically. The estimates below reflect the data provided by Departmental system files and informed judgment of program staff. The Department estimates that the number of responses and associated burden will be relatively constant for the next three years as more lenders/buyers are doing business with FHA.

Number of Respondents (FHA approved lenders)	Number of FHA cases endorsed for 2019	Mortgage Note/Deed of Trust	Annual Frequency of Response	Responses Per Annum (1 response per endorsed case)	Burden Hour Per Response	Annual Burden Hours	Cost per Burden Hour	Total Annual Cost
2,064	737,276	1	1	737,276	0.0833	61,415	\$40.46	\$2,484,855

Estimated cost for Burden Hour is calculated from U.S. Department of Labor, Bureau of Labor Statistics website ([https://www.bls.gov/oes/current/oes\\_nat.htm](https://www.bls.gov/oes/current/oes_nat.htm)), based on \$40.46 hourly rate for Loan Officers.

Financial instruments are prepared by the lender as a requirement of State and local laws, and for FHA insurance. Processing this instrument is often accomplished automatically; however, small lenders may still complete these forms manually. The closing department of most lenders has responsibility for preparing the closing package, including the mortgage and note.

- 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.

- 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.**

There is no additional cost to the Federal government involved in implementation of these requirements.

- 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; however, there is a change/adjustment due to a decrease in FHA endorsed mortgages caused by a combination of decrease in inventory and market rate fluctuation. Also, there is a reduction of burden hours due to lenders producing mortgage documents electronically.

- 16. For collection 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 of 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 avoid displaying the expiration date of the OMB approval.

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

There are no exceptions to the certification statement identified in Item #19 of the OMB 83-I.

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

This information collection does not employ statistical methods.