

Supporting Statement for Paperwork Reduction Act Submissions

Title: Energy Efficient Mortgage (EEM) Program

OMB Control Number: 2502-0561

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.

Section 106 of the Energy Policy Act of 1992 (formerly 42 U.S.C. 12712 note; transferred to 12 U.S.C. 1701z-16) provides the Department of Housing and Urban Development, Federal Housing Administration (FHA) with the authority to insure mortgages where the costs of energy efficient improvements are incorporated into the mortgage. To be eligible, the statute requires that the improvements be cost-effective, which are determined pursuant to a Home Energy Report/Assessment. The statute defines cost effective as, with respect to energy efficiency improvements to a residential building, improvements that result in the total present value cost of the improvements (including any maintenance and repair expenses) being less than the total present value of the energy saved over the useful life of the improvement. Section 2123 of the Housing and Economic Recovery Act of 2008 (HERA) (Pub. L. No. 110-289, approved July 30, 2008) amended Section 106 of the Energy Policy Act of 1992 by revising the maximum additional dollar amount that can be added to an FHA-insured mortgage for energy efficient improvements. HERA updated the maximum amount that homeowners could finance for energy upgrades.

In accordance with the statutory provisions described above, FHA Single Family Policy Handbook 4000.1, Section II.A.8.c.v. provides that the maximum amount of the energy package that can be added to the base loan amount is the lesser of:

- The dollar amount of a cost-effective energy package as determined by a home energy audit; or
- The lesser of 5% of:
 - The adjusted value of the property;
 - 115% of the median area price of a single family dwelling; or
 - 150% of the national conforming mortgage limit.

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 Number 2502-0561 for Lenders that originate and service Energy Efficient Mortgages (EEM).

The EEM Program allows borrowers to purchase a home, or refinance their existing mortgage and include the dollar amount of energy efficient, cost-effective improvements through a single mortgage. Under HUD, the FHA insures these mortgages to protect the Lender from loss in event the Borrower stops making payments. The amount financed for improvements must not be greater than the estimated energy savings from the improvements. Lenders are required to verify both that improvements are recommended by an energy audit and the amount of estimated savings over the useful life of energy improvements.

The respondents are Lenders, which collect and review the documents and assess whether the energy savings are sufficient to pay for the energy improvements. Specific information is required to originate an EEM, including:

- a. The Home Energy Report/Assessment completed by an energy rater, assessor, or auditor. The Lender must review and assess information on the report, including:
 - 1) Identify the property address.
 - 2) Date of the energy assessment on an existing property or, for new construction, the date of the plan review.
 - 3) Description of the recommended or suggested energy saving improvements for the property, along with an estimate of the dollar cost to make each improvement.
 - 4) For each recommended/suggested improvement, the report must show the estimated energy savings in dollars that improvement would provide over the improvement's useful life, as compared with the home's current condition. The energy calculation is based on present value energy savings, rather than a future value that could occur with rising energy costs.
 - 5) If applicable, information showing the newly constructed home's compliance with standards for the International Energy Conservation Code (IECC) and year of IECC standard.
 - 6) That the Home Energy Report/Assessment provides information to show that the energy inspector is trained and qualified to assess home energy usage and savings.

- b. Lenders must qualify Borrowers for a mortgage without the cost of energy improvements financed in. This effort is excluded from burden hours since it is already covered under OMB Approval Numbers shown below. Lenders use:
 - TOTAL Mortgage Scorecard, which assesses acceptability of an EEM mortgage amount and qualifying ratios using the initial Base Loan Amount without the energy package financed in. (OMB Approval Number 2502-0556).
 - Form HUD-92900-LT, *FHA Loan Underwriting and Transmittal Summary*, showing the borrower qualifications without the financeable energy package, and a second form HUD-92900-LT showing the total loan amount with the financed energy package. Note that review of this form is not included in burdens for this collection since those are already covered under OMB Approval Number 2502-0059.

- c. Lenders review the inspection that verifies which improvements were completed (e.g., new windows, insulation, etc.) and enter this information in FHA Connection, the

computer system used by Lenders to register and record information about their FHA-insured mortgages. Further, Lenders report on escrow funds which are disbursed to the Borrower and contractor.

To avoid duplicate Paperwork Reduction Act (PRA) reporting, this Supporting Statement, Form 83-I and 60-Day Notice do not account for any burden associated with a Lenders' use of HUD's TOTAL Scorecard. The information Lenders collect and report in the TOTAL Scorecard applies to all FHA-insured mortgages and the burdens are covered under OMB Approval Number 2502-0556.

Data Overview

- The total number of respondents is 3, reflecting an average of FHA-approved lenders that originated EEMs over a three-year fiscal year period ending in 2023.
- Lenders originated a total of 52 EEMs during a three-year fiscal year period ending in 2023. The annual average of EEMs originated during this period is 17.

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.

Currently, there are no HUD-specific forms used for the EEM program. The maximum loan amount calculation is automatically performed within the FHA Connection, using information provided on the Home Energy Report.

Information that HUD collects on this program is collected electronically. Loan specific data, such as escrow close-outs, are submitted electronically through FHA Connection. Lenders also select the applicable check boxes indicating the types of improvements made (e.g., new windows, added insulation, replacement HVAC, installation of solar panels, etc.) All other documentation is included in the standard case binder which the Lender can submit electronically once approved under the basic FHA mortgage management process.

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 and improvements made to the home.

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. The information collected to review energy efficient improvements would have minimal impact on any Lenders that are small business or other small entities. The estimated burden hours are low and the information on energy improvements is provided to Lenders by the Home Energy Report. The reporting burden is loan-specific and, thus, cannot be conducted less frequently than once for every EEM loan 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 is a one-time “on occasion” type. Information about improvements and energy savings is specific to each loan. The reporting burden cannot be conducted less frequently than on every loan submitted to FHA for insurance endorsement.

The documentation requirements are necessary to help determine compliance with the statute and 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: (PLEASE ANSWER EACH BULLET SEPARATELY)

*** 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 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, 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 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;

*** 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, and HUD 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 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 leading participating Lenders regarding the information requirements for the Energy Efficient Mortgage Program. Lenders reported that the data collection process has been automated and managed with computer systems that accept data from the FHA roster 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.

In accordance with 5 CFR 1320.8(d), a 60-day Federal Register Notice soliciting public comments was announced in the Federal Register on Friday, May 24, 2024/ Volume: 89/ No: 102/ Page: 45913. 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 decreased from the existing collection, primarily reflecting a decline in Lenders that participate in the program, as well as the number of EEMs originated. Both the number of Lenders and number of EEMs have been declining annually during the past 10 years.

The reported burdens in this PRA package do not include Lender use of HUD’s TOTAL Scorecard. The information Lenders collect from TOTAL applies to all FHA-insured mortgages and the burdens are covered under OMB Approval Number 2502-0556.

Data Overview

- The total number of respondents is 3, reflecting an average of FHA-approved Lenders that originated EEMs over a three-year fiscal year period ending 2023.
- Lenders originated a total of 52 EEMs during a three-year fiscal year period ending in 2023. The annual average of EEMs originated during this period is 17.

The public burdens table reflects information collected from Lenders.

Estimated Annualized Burden Hours and Costs

Information Collection / Affected Public	Form Name / Form Number Collection Tool	Number of Respondents	Frequency of Response	Responses Per Year	Average Burden Hours Per Response	Annual Burden Hours	Hourly Cost per Response (Hourly Wage Rate)	Total Annual Respondent Cost
Business or other for-profit (lenders)	Review Home Energy Report and assess cost effectiveness	3	1	17	3.5	17.0	\$55.35	\$3,293.33
Business or other for-profit (lenders)	Assess cost effectiveness	3	1	17	.25	4.25	\$55.35	\$235.24
Business or other for-profit (lenders)	Evaluation by DE Underwriter	3	1	17	.25	4.25	\$55.35	\$235.24
Business or other for-profit (lenders)	EEM closeout	3	1	17	.25	4.25	\$55.35	\$235.24
TOTALS		3		17		29.75		\$3,999.06

Note: The "Avg. Hourly Wage Rate" for each respondent includes a 1.46 multiplier to reflect a fully-loaded wage rate.
 "Type of Respondent" should be entered exactly as chosen in Question 3 of the OMB Form 83-I

Table Note:

The total number of Lenders originating EEM mortgages is 3. As noted above, on average, this number of Lenders originate a total of 17 EEM mortgages annually under this program.

According to the U.S. Department of Labor, Bureau of Labor Statistics website (www.bls.gov) the wage rate category for occupation 13-2041 Credit Analyst at https://www.bls.gov/oes/current/oes_nat.htm#13-0000 is estimated to be \$55.35 per hour including the wage rate multiplier ($\$37.91 + \$17.44 = \$55.35$), therefore, the estimated burden hour cost to respondents Lenders is estimated to be \$1,176.19 annually.

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 components are customary and 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 EEM 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 and 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 EEM 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 EEM 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 hours (rounded). The Federal burden includes compliance reviews related to the loans. The annualized cost to the Federal government \$34.76 per hour estimate based on the hourly wage of a General Schedule Grade 11, Step 1 employee in the Rest of the United States Pay Table area , as shown by the Office of Personnel Management at https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/24Tables/html/RUS_h.aspx

Total Burden Hours: 21.25 x 10 percent (rounded) = 7hrs. x \$50.75 = Annualized Cost of \$355.25.

Annual Cost to the Federal Government

Item	Cost (\$)
Staff review of Home Energy Report and assessment of cost effectiveness and escrow closeout data = \$50.75 x 7 hours	\$355.25
Total	\$355.25

* Note: The “Salary Rate” includes a 1.46 multiplier to reflect a fully-loaded wage rate.

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 collection. There have not been any program changes.

In recent years, the total number of respondents for EEM has decreased. This represents a lower usage by Lenders for this program, as they increased access to credit through conventional markets and other FHA insurance programs such as the Section 203(k) Rehabilitation Mortgage Insurance program. 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.

To avoid duplicate reporting, this Supporting Statement, form 83-I, and the 60-Day Notice removed information collection burdens for burdens associated with Lenders’ use of HUD’s TOTAL Scorecard. The information Lenders collect from TOTAL applies to all FHA-insured mortgages and the burdens are covered under OMB Approval Number 2502-0556

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 OMB form 83-I.