

SUPPORTING STATEMENT

Internal Revenue Service

Obligations principally secured by an interest in real property -
Tests for determining whether an obligation is principally secured
OMB# 1545-2110

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

This collection covers final regulations under section 1.860G-2 (authorized by 26 U.S.C. 860G) that expand the list of permitted loan modifications to include certain modifications that are often made to commercial mortgages.

Section 1.860G-2(a)(1) of the regulations provides that an obligation is principally secured by an interest in real property if the fair market value of the real property that secures the obligation equals at least 80 percent of the adjusted issue price of the obligation. The regulations require the 80 percent test to be satisfied either at the time the obligation was originated or at the time the sponsor contributes the obligation to the REMIC.

Because certain types of modifications could affect the value of the collateral securing the mortgage loan, the final regulations require the 80-percent test to be satisfied at the time the mortgage loan is modified with respect to changes in collateral, guarantees, and credit enhancement of an obligation or with respect to changes to the recourse nature of an obligation.

The collection of information in this regulation is in section 1.860G-2(b) (7). To establish that the 80-percent test is met at the time of modification, the servicer must obtain an appraisal or some other form of commercially reasonable valuation (the appraisal requirement). This information is required to show that modifications to mortgages permitted will not cause the modified mortgage to cease to be a qualified mortgage.

2. USE OF DATA

The Internal Revenue Service can use this information provided by the appraisal requirement to monitor proper compliance with the requirement in section 1.860G-2(a) (1) of the regulations that a mortgage loan held by a REMIC satisfy the 80-percent test and thereof, be principally secured by an interest in real property.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

REMICs affected by the appraisal requirement will not be required to file the appraisal with the Internal Revenue Service, though may be required to furnish this information to the Service if audited. IRS has no plans to offer electronic filing as these are recordkeeping requirements.

4. EFFORTS TO IDENTIFY DUPLICATION

We have attempted to eliminate duplication within the agency wherever possible and we are not aware of any other information already available that could be used to determine the fair market value of an interest in real property for purposes of the regulations.

1. METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES

This collection of information will not have a significant impact on a substantial number of small businesses or other small entities.

2. CONSEQUENCES OF LESS FREQUENT COLLECTION ON FEDERAL PROGRAMS OR POLICY ACTIVITIES

Consequences of less frequent collection on federal programs or policy activities, could result in insufficient information provided by the appraisal requirement to monitor proper compliance with the requirement in section 1.860G-2(a)(1) of the regulations, that at a mortgage loan held by a REMIC satisfy the 80-percent test and be principally secured by an interest in real property.

3. SPECIAL CIRCUMSTANCES REQUIRING DATA COLLECTION TO BE INCONSISTENT WITH GUIDELINES IN 5 CFR 1320.5(d)(2)

There are no special circumstances requiring data collection to be inconsistent with Guidelines in 5 CFR 1320.5(d)(2).

8. CONSULTATION WITH INDIVIDUALS OUTSIDE OF THE AGENCY ON AVAILABILITY OF DATA, FREQUENCY OF COLLECTION, CLARITY OF INSTRUCTIONS AND FORMS, AND DATA ELEMENTS

In response to the **Federal Register** notice dated May 16, 2025, (90 FR 21128), we received no comments during the comment period regarding these regulations.

1. EXPLANATION OF DECISION TO PROVIDE ANY PAYMENT OR GIFT TO RESPONDENTS

No payment or gift has been provided to any respondents.

2. ASSURANCE OF CONFIDENTIALITY OF RESPONSES

Respondents will not be required to file the collection of information with the Internal Revenue Service, though may be requested to provide the information on audit. If requested on audit, the information is confidential as required by 26 USC 6103.

3. JUSTIFICATION OF SENSITIVE QUESTIONS

No personally identifiable information (PII) is collected.

4. ESTIMATED BURDEN OF INFORMATION COLLECTION

REMICs

The average commercial loan pool is 200 loans per pool and, there were 75,000 outstanding commercial loans held by REMICs. IRS determined that there were approximately 375 REMICs (75,000/200) that could be affected by the regulation.

IRS further estimated that an appraisal of an interest in real property would take 8 hours and that each of the 375 estimated REMICs would have at least one loan modified each year such that the appraisal requirement would need to be satisfied in order to prevent the loan from becoming disqualified. Finally, IRS estimated the total annual burden to be 3000 hours (375 REMICs x 8 hours/appraisal).

The burden estimate is as follows:

OMB Collection	Authority	Form	Annual Responses	Hours per Response	Total Burden
IRS 1545-2110	CFR 1.860G-2	N/A	375	8	3,000
	IRS TOTAL		375		3,000

Please continue to assign OMB number 1545-2110 to these regulations.

1.860G-2

5. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

From our Federal Register notice dated May 16, 2025, no public comments were received on the estimates of cost burden that are not captured in the estimates of burden hours, i.e., estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information. As a result, estimates of these cost burdens are considered nominal.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

There is no estimated annualized cost to the federal government.

15. REASONS FOR CHANGE IN BURDEN

There are no changes to the total burden. We are submitting this request for renewal purposes only.

16. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION

There are no plans for tabulation, statistical analysis and publication.

17. REASONS WHY DISPLAYING THE OMB EXPIRATION DATE IS INAPPROPRIATE

IRS believes that displaying the OMB expiration date is inappropriate because it could cause confusion by leading taxpayers to believe that the regulation sunsets as of the expiration date. Taxpayers are not likely to be aware that the IRS intends to request renewal of OMB approval and obtain a new expiration date before the old one expires.

18. EXCEPTIONS TO THE CERTIFICATION STATEMENT

There are no exceptions to the certification statement.