

Supporting Statement for Paperwork Reduction Act Submissions

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.**

Most owners of multifamily housing (MFH) properties are required to submit annual financial statements to HUD. In accordance with the Department's Uniform Financial Reporting Standards (UFRS) regulation, 24 CFR Part 5, owners of certain HUD-insured and HUD-assisted properties are required to submit annual financial statements electronically to HUD via the Internet in the HUD-prescribed format and chart of accounts, and in accordance with the generally accepted accounting principles (GAAP). The Department uses this information to monitor the owner's compliance with regulatory requirements and to assess fiscal performance.

The proposed UFRS notice was published in the *Federal Register* on June 30, 1998. In this notice, HUD invited interested persons to provide comments concerning its information collection requirements. Consequently, HUD provided responses to the comments received from entities affected by the proposed regulation in the final regulations. The UFRS final regulation was published in the September 1, 1998, *Federal Register* and codified at 24 CFR Part 5, Subpart H.

Several longstanding statutory requirements support HUD's collection of financial data from its program participants. Provisions in 24 CFR Parts 207, 213, 220, 221, 223, 231, 232, 233, 236, 241, 242; Title XI and Section 8 of the National Housing Act of 1937 as amended; and Section 202 of the Housing Act of 1959 enable HUD to:

- Insure mortgages to finance building or rehabilitation on certain properties, such as multifamily rental housing, nursing homes, hospitals, and assisted living centers;
- Provide direct long-term loans or capital grants to eligible non-profit sponsors to finance rental housing for elderly or handicapped persons; and
- Provide rental assistance to low and very low-income families.

Section 814 of the National Housing Act of 1954 (42 U.S.C. 1434) provides that no mortgage covering new or rehabilitated multifamily housing shall be insured unless the mortgagor certifies to keeping financial records and make these records available to HUD and the Controller General of the United States to audit. For non-profit owners, the Single Audit Act of 1984 (31 U.S.C. 7501, et seq.), the Single Audit Act Amendments of 1996, and OMB Circular A-133, require the submission of audited financial statements for those entities receiving more than \$500,000 in Federal financial assistance.

The Multifamily Financial Assessment Subsystem has developed nine types of submission templates and owners complete the template that applies to their particular type of project/submission. Each submission template contains basic financial statements (e.g., balance sheet, statement of profit and loss, etc.). The accounts (data elements) within these basic financial statements are the same for all nine submissions templates.

Signature of Senior Officer or Designee:

Date:

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Colette Pollard, Departmental Reports Management Officer, Office of the Chief Information Officer

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.

HUD continues to use the financial information it collects from participants to evaluate the financial condition of multifamily properties receiving Federal financial assistance. With the standardization of the data under UFRS, it has improved HUD's ability to monitor compliance, and to identify and mitigate risks to the government. Electronic submissions have centralized the collection and the review of the information. The Department's computer system conducts an automated review of the financial statements, assesses non-compliance with HUD regulations, and computes a performance score that measures fiscal performance of each property relative to similar properties in HUD's portfolio within 24 hours of receipt of a submission. After financial statements are assessed electronically, they may be referred to the local HUD Field Offices or the Departmental Enforcement Center, if necessary. The centralized collection of the data means that all authorized HUD users can view the information online via HUD's intranet. It also means that owners have a centralized place to submit financial information in a standardized submission, and meet compliance requirements.

3. Describe whether, and to what extent the collections of information involves the use of automated, electronic, mechanical, or other the 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 electronic submission of required financial information has resulted in significant benefits, such as increasing the speed of information preparation and exchange; cost savings from reduced need for storage space; improved product due to reduced errors and omissions; and faster HUD review and analysis.

There are currently nine submission templates used for various submission types. The owner must select the correct template based on the type of property and the ownership structure (e.g., non-profit, profit-motivated, cooperative, etc.). The owner enters the required information into the templates and the system electronically checks for errors and omissions (i.e., system validation). After any errors have been corrected, the owners electronically submit the financial data to HUD. The required attestation is done electronically. HUD review, analysis, and final acceptance also are done electronically. Accordingly, the entire process is electronic.

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.

The annual financial data that owners electronically submit is the same data that owners previously submitted in hard-copy format. The electronic submission requirements resulted in elimination of 11 supplemental data schedules that were obsolete, unnecessary, or contained redundant information. The submission requirements have now been streamlined to contain only data that is essential to monitor MFH regulatory compliance and assess fiscal performance. This is the only data HUD collects to monitor compliance and assess the fiscal performance of its MFH portfolio.

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 only entities that may be adversely impacted by the costs associated with HUD's electronic submission requirement are owners of small multifamily properties. HUD believes that these costs are minimal since the Department provides MFH owners with submission software, supplemental guidance, handbooks, and user guides that are available on the HUD website, training, and other technical assistance on the submission process. In addition, the UFRS regulation provides that financial information must be submitted electronically to HUD through the Internet, or in another electronic format designated by HUD, or in a non-electronic format as HUD may allow if the burden or cost of electronic reporting is determined by HUD to be excessive.

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.**

The submission of annual financial information is a longstanding statutory and regulatory requirement of entities doing business with HUD. Without this information, HUD's interest (as well as the interest of taxpayers) will be unprotected. HUD is the world's largest insurer of mortgages. Without financial information, HUD would be unable to adequately identify risks to the FHA mortgage insurance fund, or identify fraud, waste, and abuse.

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 than quarterly;**
There is no requirement for respondents to report the information more than quarterly.
- **requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it;**
There is no requirement for respondents to prepare a written response to a collection in fewer than 30 days.
- **requiring respondents to submit more than an original and two copies of any document;**
There is no requirement for 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;**
There is no requirement for respondents to retain records other than health, medical, government contract, grant-in-aid, or tax records for more than three years.
- **in connection with a statistical survey, that is not designed to produce valid and reliable results than can be generalized to the universe of study;**
This collection is not in connection with a statistical survey.
- **requiring the use of a statistical data classification that has not been reviewed and approved by OMB;**
There is no use of a statistical data classification.
- **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**
There is no pledge of confidentiality that is not supported by authority established in statute or regulation.
- **requiring respondents to submit proprietary trade secret, 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.**

Since the electronic submission process requires respondents to submit confidential financial data, HUD provides each program participant with a unique personal user code. This unique code restricts access to the submission templates and confidential financial information only to those persons to whom the program participant grants access privileges or to HUD employees with approved security access to the system.

The other special circumstances listed as part of the instructions are not applicable to this data collection process.

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

In accordance to 5 CFR 1320.8(d), the agency's notice soliciting comments was published in the *Federal Register* on Tuesday, August 23, 2011 (Volume 76, Number 163, Page 52676).

In HUD's effort to obtain the views of others outside of the agency, HUD has regularly scheduled, ongoing meetings with industry representatives and user groups. These meetings provide insight as to how this data

should be prepared, submitted, and evaluated in order to make the process less burdensome. Issues are discussed, concerns are vetted, and suggestions are presented.

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

There are no gifts or payment to the respondents.

10. Describe any assurance of confidentiality provided to respondents and the basis for assurance in statute, regulation or agency policy.

All data that can be linked to a particular MFH owner is secured from public access. When an owner submits data electronically to HUD, security constraints prevent users outside of HUD from intercepting this data. The Department's web access security system ensures that all financial data is secure. The authorities or justifications for the security system are: the Information Security HUD Handbook 2400.24, the Computer Security Act of 1987, the Clinger-Cohen Act of 1996, OMB Circular A-130 Part 3, and the Government Information Security Reform Act of 2000 (GISRA). The Department's web access security system allows users to apply online for an ID and password, and to reset a forgotten password. It also controls and limits access to systems by managing the roles and responsibilities for each user of each system.

Financial data submitted by individual property owners is protected under Exemption 4 of the Freedom of Information Act, which is enforced pursuant to HUD regulations. The ability to enter and view property financial information is protected by issuing personal user identification codes and passwords. Once the data is submitted neither HUD nor the program participants can change the data. There are primary and secondary users. Secondary users are granted read-only access to the system. (This is similar to the access that users submitting information have; however, the user is only able to see his/her submission.) HUD authorized primary users (i.e., selected staff) to have security access to update the information, with strict controls of the tasks that they may perform. All data is secured from public access.

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.

There is no sensitive information being requested.

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 burden hours, and explain the reasons for the variance. Generally estimates should not include burden hours for customary and usual business practices;
- if this request covers more than one form, provide separate hour burden estimates for each form and aggregate the hour burdens in Item 13 of form OMB 83-I; and
- 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 14.

The number of projects in the matrix is based on number of project-owners that are required to submit financial statements to the Department. Previous estimates of burden hours assumed one hour for each respondent. Each respondent is required to complete the full package of data contained in the financial reporting software. The electronic forms require approximately thirteen hours of preparation and verification, and one hour to post the work product into the electronic data system. Previous submissions had not accounted for the preparation time, and only reported the hour required for posting and verification.

Estimates of the Hour burden of the Collection of Information							
Information Collection	Number of Respondents	Frequency of Response	Total Annual Responses	Burden Hours per Response	Annual Burden Hours	Hourly Cost	Total Annual Cost
FASS report	21,222	1	21,222	14	297,108	\$ 16.96	\$5,038,952
Total	21,222		21,222		297,108		\$5,038,952

Hourly costs are based on an estimate of the owner or owner's staff (Property Manager) to review the instructions and complete the form. The hourly cost has been adjusted to \$16.96 per hour based on information gathered from payscale.com. Payscale.com is an online salary and benefit information resource which provides compensation data for various occupations. The hourly costs provide a good estimate for costs to the respondent as to this data, which was obtained in August 2011.

13. Provide an estimate of the total annual cost burden to respondents or record keepers resulting from the collection of information (do not include the cost of any hour burden shown in items 12 and 14).
- 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 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;
 - 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 collection 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.
 - 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.

The estimated burden hours for the collection of this data varies from the previous submission. The number of projects in the matrix is based on number of project-owners that are required to submit financial statements to the Department. Previous estimates of burden hours assumed one hour for each respondent. However, each respondent is required to complete the complete package of entry forms contained in the financial reporting software. The forms require approximately thirteen hours of preparation and one hour to post the work product into the electronic data system. Previous submissions had not accounted for the preparation time, and only reported the hour required for posting and verification.

14. Provide estimates of annualized cost 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 also may aggregate cost estimates from Items 12, 13, and 14 in a single table.

The estimated annualized costs to the Federal government, based on a GS-13 Step 1 salary rate are also provided in the table below. A GS-13 Step 1 rate is the average salary for HUD analysts and managers. The estimated cost to the Federal government has increased to reflect inflationary increases in federal salaries.

Estimates of Annualized Cost to the Federal Government							
Information Collection	Number of Respondents	Frequency of Response	Total Annual Responses	* Burden Hours per Response	Annual Burden Hours	** Hourly Cost	Total Annual Cost
FASS report	21,222	1	21,222	1	14,855	\$ 34.34	\$ 728,763

Total	21,222		21,222	1	14,855		\$ 728,763
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* The total burden hours for the Federal government are less than the total burden hours for Respondents because a Project Manager does not review all submissions. The system electronically checks all submission data, and flags the submissions that contain questionable or inconsistent data. Approximately 70% of the submissions have no flags, and are accepted by the system with no additional review. The remaining submissions are forwarded to a Project Manager for further review.

** Hourly cost for a response assumes a GS 13/1 Project Manger’s salary \$71,674; hourly rate is \$34.34.

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

This is an extension of a revision of a currently approved collection. The change in inventory in item 13 of page 1 reflects project owners that paid or prepaid their mortgage and no longer have a regulatory or Section 8 HAPC requirement to submit financial statements to the Department, and newly insured projects that have been added to the portfolio since last report.

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 the information 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.

18. Explain each exception to the certification statement identified in item 19.

There are no exceptions to the certification statement identified in item 19 of the OMB 83-i.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

The collection of information does not employ statistical methods.