

Supporting Statement for Paperwork Reduction Act Submissions

Request for Acceptance of Changes in Approved Drawings and Specifications

OMB Control Number 2502-0117

(Form HUD-92577)

A. Justification

1. This request seeks OMB approval on information collected in connection with a builder's request for Acceptance of Changes in Approved Drawing and Specifications. Form HUD-92577 (OMB 2502-0117) is submitted to HUD by mortgagee's requesting changes on construction documents (plans and specifications). In the administration of HUD's single family home mortgage insurance programs, FHA evaluates acceptability of both the property and the homebuyer to make certain that FHA's risk is adequately protected before home mortgage insurance is provided. An integral part of the mortgage insurance process is the determination of the eligibility of a property for a conditional commitment. An appraisal is made to evaluate the acceptability of the property for mortgage security and, if the property is found acceptable, to determine the maximum insurable mortgage amount. The issuance of the conditional commitment obligates HUD to insure a mortgage on a property if an eligible buyer is found. For the FHA 203k program which allows buyers to substantially rehabilitate homes with funds secured through their FHA-insured mortgage, HUD requires the lender to approve the improvements to the house through the use of a 203k consultant. If the borrower decides to change the plan after the borrower has closed on the loan, those changes must be documented on the 92577 and approved through the 203k consultant. Section 203(b) (7) of the National Housing Act authorizes the Secretary to use his/her discretion with respect to the handling of insurance, repairs, and alterations. The attached regulations are found at 24 CFR 203.17, 24 CFR 203.18, and 24 CFR 293.18a-18d.
2. Consultants submit form HUD-92577 to lenders to document the changes to accepted drawings and specifications for 203k rehabilitation projects. The contractor submits changes to the consultant and the consultant submits the form to the mortgagee. The mortgagee submits the form to HUD. The information collection describes the changes and indicates the cost of each proposed change. The borrower, consultant, and mortgagee certify the changes involved. The information is only collected when the insured loan is a rehabilitation loan that was approved and since the approval requires changes either because the contractor discovered additional repairs in the course of the rehabilitation or the borrowers decided they wanted a change in the rehabilitation plan.

Consultants can fill in the form electronically and submit it to the lender electronically or can deliver a hard copy. A paper copy of the form must be included in the loan file if the loan file is paper and if the lender submits e-binders then an electronic copy of the form would be included in the e-binder.

The form is also a record of HUD's approval. The acceptance of the requested changes amends the approved exhibits and may affect the value shown on the HUD commitment.

HUD does not have any alternative procedure to expedite processing.

The information is not shared with any other organization inside or outside of HUD.

At one time HUD required that all plans for new construction and rehabilitation construction be approved by a HUD employee. This form was required for reapproval if any element of the construction plan changed. HUD has since reduced its requirement for approval of new constructions because almost all states have building codes and building departments that perform inspections on new construction and issue building permits and occupancy permits. HUD relies on the occupancy permit to establish that the construction is habitable and meets HUD Minimum Property Standards (MPS). This form is only used for properties that are being rehabilitated now because once the loan has been made the amount of money available for the rehabilitation is fixed and lenders must approve any changes to ensure that the borrower has enough money to ensure the property is safe, secure and sound.

3. The collection of the requested information can be submitted electronically through the Department's Internet based FHA Connection. All other documentation is included in the retained/submitted within the standard case binder. Automation of that process will be managed under the basic FHA mortgage management process.

4. There is no duplication of information. The information is not collected elsewhere by HUD.
5. Some contractors and consultants may be considered small businesses. However, there is no adverse impact on them as a result of this collection. The information collection describes the changes and indicates the cost of each change, and is the minimum needed to prevent risk to the insurance fund. Similar information would be required in connection with loans that are not FHA-insured.
6. The information requested from the mortgagee is the only means of obtaining a legal agreement that consistently provides the HUD reviewer with the necessary facts and evidence of compliance with HUD's requirements. There exists no other feasible method to protect the Department from risk. Failure to require an agreement between HUD and the mortgagee would create considerable problems for the Department from a risk perspective and for the home-buying public.
7. There are no special circumstances associated with the collection of this information. The information collected pertains only to the specific property on which HUD insured a mortgage. The information is obtained by the consultant during the repair and rehabilitation of the property and reviewed by the Direct Endorsement Lender's underwriter. The information is part of the underwriter's package for the mortgage and is not confidential or sensitive.
8. In accordance with 5 CFR 1320.8(d), the agency's notice soliciting public comments was announced in the *Federal Register* on May 22, 2012 (Vol. 77, No. 99, page 30306). No public comments were received.

Consulted with HUD staff from the HUD's Homeownership Centers on the Request for Acceptance of Changes in Approved Drawings and Specifications, and availability of data and frequency of collection. No changes were recommended or requested.

- a) Daniel P. Ellis, GA Homeownership Center phone number (404) 331-5001 Ext 2073
- b) Krish Raja Philadelphia, PA Homeownership Center phone number (215) 861-7539
- c) Bill Schuler Santa Ana, CA Homeownership Center Phone number (714) 796-1200 Ext 3449
- d) Andrew Eckel, Denver, Co Homeownership Center Phone number (303)675-1635

9. There are no payments or gifts to respondents involved.
10. The information is part of the underwriting package and is not confidential.
11. There are no questions of a sensitive nature involved in this collection.
12. The consultant will average about 20 minutes to complete the Request For Acceptance of Changes in Approved Drawings and Specifications (form HUD-92577) using information and data the contractor provides at the start of construction. The lender's review of the information is estimated to require approximately 10 minutes. The total burden per response is about 30 minutes.

Information Collection	Number of Respondents	Frequency of Response	Responses Per Annum	Burden Hour Per Response	Annual Burden Hours	Hourly Cost Per Response	Annual Cost
HUD-92577	7,500	1	7,500	.50	3,750	\$35.00	\$131,250

*The hourly cost is based on the builder and lender's completion and review of form HUD-92577

13. There are no additional costs to the respondents.
14. There are minimal costs to the Federal Government because the lender is responsible for reviewing the information. HUD's review/approval takes only a few minutes.

Information Collection	Number of Respondents	Frequency of Response	Responses Per Annum	Burden Hour Per Response	Annual Burden Hours	Hourly Cost Per Response	Annual Cost
HUD-92577	7,500	1	7,500	.03	225	\$34.45	\$7,751.25

*Estimated annual cost to the Federal Government assuming that a GS-12/Housing Program Specialist will review and process this information.

15. This is a revision of a currently approved information collection. The program has evolved in the last ten years and lenders no longer use this form for anything other than 203k loans as a result the number of times the form is used has diminished. The program allows lenders to use the form but as a practical matter, the form is no longer necessary for changes to new construction where a local government inspects and issues occupancy permits. The form is now used only for changes in plans to a 203k rehabilitation plan. This accounts for the decrease in annual responses and burden hours.
16. The results from this collection will not be published.
17. HUD is not seeking approval to avoid displaying the OMB expiration date.
18. 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 information collection does not employ statistical methods.