

# Supporting Statement for Paperwork Reduction Act Submissions

## Personal Financial and Credit Statement OMB Control Number 2502-0097 (HUD-92403)

### A. Justification

1. Under Section 207 (b)(1) and (2) of the National Housing Act (Public Law 479, 48 Stat. 1246, 12 U.S.C. 1713 et seq.) the applicable portion of which are attached for references, the Secretary is authorized to insure mortgages on property held by (1) Federal or State instrumentalities, municipal corporate instrumentalities of one or more States, or limited dividend or redevelopment or housing corporations restricted by Federal or State laws or regulations of State banking or insurance departments as to rents, charges, capital structure, rate of return, or methods of operations; or (2) any mortgagor approved by the Secretary. The Secretary may at his discretion, require any such mortgagor to be regulated or restricted as to rents, sales, charges, capital structure, rate of return, and methods of operation so as to provide reasonable rentals to tenants and a reasonable return on investment.

The Department in accordance with regulations cited in 24 CFR 200.54, is legally required to collect Information to evaluate the requirement that funds provided ...must be disbursed in full for project work, Material and incidental charges and expenses before disbursement of any mortgagee proceeds for mortgage insurance. Form HUD-92403 is initiated by the mortgagor through the mortgagee (or mortgagor/contractor) and completed by a mortgage credit person to request the advance of mortgage proceeds to reimburse the mortgagor for funds expended or obligated for construction related items.

Agency form numbers, if applicable: Form HUD-92403.

The development of a multifamily rental property is subject to certain inherent risks that the Department must assess. A project may be subject to costly construction delays, incompetent management, and a probability that income may not cover project expenditures if a comprehensive analysis is not conducted. Therefore, the Department is legally obligated to review the mortgagor's fund advance and other appropriate forms such as Form HUD-92403 in order to minimize the risk to the insurance fund.

2. FHA-approved lenders submit Form HUD-92403, Application for Insurance of Advance of Mortgage Proceeds, to HUD to determine if the project requires periodic continued resources to development and manage a successful project. Form HUD-92403 is used only in individual projects. This information collection is a part of the construction during the initial and final advances and submitted to HUD for approval. HUD-92403 is completed in conjunction with Form HUD 92448 Contractor's Requisition, (OMB Control Number 2502-0028) as a required exhibit.

Form HUD-92403, Application for Insurance of Advance of Mortgage Proceeds request for payment, is listed as an item of the required exhibits in handbook HUD-4470.1. The information obtained is to insure the continued flow of funds to the project until finally endorsed. The respondents are individuals of business entities and non-profit entities, corporations, and general contractors. The Privacy Act Notice Statement, therefore, is applicable.

3. The collection of information does not involve the use of automation. HUD and the Office of Housing are undergoing a transformation of the IT infrastructure which will dictate the type of automated systems that will be developed. It is imperative that the automatic system developed adequately address concern for confidentiality (due to the nature of data reported) and the need and ability to capture E-signatures. Until the IT transformation has materialized, it is difficult to establish a viable electronic intake process that will be sustained.
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4. A review of multifamily housing forms confirms that no other form provides this particular information. Mortgagor/sponsors are required to submit information during all phases of construction. There are no known methods to reduce the collection burden; this form is only submitted whenever project construction funds are needed.
5. By requiring the submission of this form each time only as needed, during the construction phases, the Department minimizes the burden on small businesses or other small entities.
6. This information is only submitted as needed which tracks the cumulative total of all advances made to the mortgagor including the advance for which approval is being requested. The consequence of less frequent collection would inhibit the Department from making sound conclusions and the ability to obtain adequate information regarding the actual progress of the construction of the project. The Form provides the means to track the already expended and future necessary funds to complete certain portions of the project. As a result, if the collections were conducted less frequently at each step of construction, the Department would be exposed to increased risk in fraud, waste, and mismanagement.
7. The collection of information occurs as needed. The form is all-inclusive and an applicant will not have to provide further information unless the application has to be re-processed due to missing or incomplete information, or the change in their financial status.
8. In accordance with 5 CFR 1320.8(d), the agency's notice soliciting public comments was announced in the *Federal Register* on June 28, 2013 (Volume 78, Number 125, Page 39003). No comments were received. Consultation was provided by mortgage credit staff in local Multifamily Hubs/Program Centers and private industry to assess if the proposed information collection is necessary, accuracy of the agency's estimation of public burden, improvements or enhancements to the current collection, and offer suggestions to minimize public burden, i.e., electronic submissions. The following knowledgeable individuals were contacted:

Barbara Galati, Project Manager/Mortgage Credit  
U.S. Department of HUD  
Pittsburg Program Center  
William Moorhead Federal Building  
1000 Liberty Avenue, Suite 1000  
Pittsburg, PA 15222-4004  
(412) 644-2889

Carrie L. Papa, Senior Vice President  
AGM Financial Services, Inc.  
2 North Charles Street, Suite 850  
Baltimore, MD 21201  
(410) 727-2111 ext. 107

George G. Keefe, Project Manager  
U.S. Department of HUD  
Boston Multifamily Hub Center  
10 Causeway Street, 3<sup>rd</sup> Floor  
Boston, MA 02222-1092  
(617) 994-8518

9. There are no payments or gifts of any kind provided to respondents.
10. Each respondent who completes the form will read the Privacy Act Statement. The Department's policy requires the collection of information, and failure to do so will result in disapproval of participation in the HUD program and/or delayed action on the proposal.

We assure confidentiality to respondents in accordance with the Freedom of Information Act (FOIA). If this information collection was not collected, it could have an impact on the ability of the Department's mission to provide safe and sanitary housing units.

11. This form does not request information that is considered sensitive in nature.

12. Estimates of public burden and costs to respondents:

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-92403	526	30	13,128	2	26,256	\$27.00	\$709,000

13. There are no additional costs to respondents.

14. Estimate annualized costs to the Federal government:

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-92403	526	30	13,128	1	13,128	\$34.26	450,000

\*The hourly rate is based on the average year 2010 Federal salary of GS level 12, step 5 \$71,269 or \$34.26 per hour. Note: Due to a freeze on salary until an estimated 2015, the hourly cost based on 2010 is unchanged.

15. This is an extension of a currently approved collection. The number of respondents has decreased from the previous information collection due to economic demand. However, an Elderly Program has since been transferred to another HUD Department not under Development Jurisdiction. Individual mortgagors and principals are required to submit form HUD-92403. A majority of the applications submitted to HUD for mortgage insurance are from corporations or partnerships. Only a small percentage of applications are from individual mortgagors.
16. Collection of this information will not be published. Each form will be maintained with the HUD Program Office in individual case files.
17. OMB expiration date will be displayed on the appropriate form.
18. There are no exceptions to the "Certification for Paperwork Reduction Act Submission", item 19 of the OMB 83-I.

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

There are no plans to use statistical methods of collection of this information. Collection for this information occurs at least once for each multifamily processing submitted.

