

**Supporting Statement for Paperwork Reduction Act Submissions**  
**Disclosure of Adjustable Rate Mortgage (ARM) Rates**  
**OMB Control Number 2502-0322**

**A. Justification**

1. FHA insures mortgages for single-family dwellings under various provisions of the National Housing Act. The Housing and Urban-Rural Recovery Act of 1983 (HURRA), P.L. 98-181, amended the National Housing Act to permit FHA to insure adjustable rate mortgages (ARMS). Regulations at 24 CFR 203.49 outline the requirements for offerings known as “hybrid” adjustable rate mortgages. An ARM is a mortgage loan that contains provisions that permit a lender to periodically adjust the effective rate of interest charged to the borrower.
  
2. The previous submission requested approval of the initial disclosure made at loan application, but that was unnecessary because the initial disclosure is approved under 2502-0059. Annual responses were previously estimated at 220,000; however, there are currently 164,447 active ARM loans, which is a decrease of 55,553 loans requiring annual disclosure. The decrease in respondents results from fewer FHA-approved lenders now that FHA no longer recognizes loan correspondents as FHA-approved lenders. The increase in annual responses and burden hours results from the more FHA-insured ARM loans since the previous submission.

HURRA requires a lender to provide the borrower with a written explanation of the ARM’s features at the time of loan application. The required disclosures at loan application, e.g., purpose, amount, and terms of the loan, are made on form HUD-92900-A (approved under 2502-0059), Section I.

24 CFR 203.49 sets forth the ARM disclosure requirements at loan application and at the annual anniversary date of the loan. 24 CFR 203.49(h) describes the annual disclosure requirement. The annual ARM Disclosure Notice must be provided at least 25 days before any adjustment to a mortgagor’s monthly payment may occur, and the mortgagee must inform the borrower of the changed interest rate, monthly mortgage amount, the current index interest rate value, and how the payment adjustment was calculated. The annual notification is the subject of this request.

3. This collection of information is not electronic. Electronic generation of these disclosure documents is widely used in the single-family mortgage industry. However, since the annual notification is provided from the mortgagee to the mortgagor, electronic notification is not feasible. Mailing of paper copies is currently the best way to ensure a mortgagor receives the annual notification.

4. Disclosures are unique to each individual mortgage and therefore not duplicative.
5. The reporting burdens for small business participants should not be materially affected, as the bulk of FHA insured mortgages are originated and serviced by large financial institutions and their affiliates.
6. The disclosure requirements at loan application and at the annual anniversary dates are one-time “on occasion” types, and therefore no reduction in frequency is possible. Failure to provide the required disclosure violates the Federal Reserves Truth-in-Lending (“Regulation Z”) regulations.
7. Explain any special circumstances that would cause an information collection to be conducted in a manner: There are no special circumstances involved in this collection
  - \* requiring respondents to report information to the agency more often than quarterly; N/A
  - \* requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it; N/A
  - \* requiring respondents to submit more than an original and two copies of any document; N/A
  - \* requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records, for more than three years; N/A
  - \* 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; N/A
  - \* requiring the use of a statistical data classification that has not been reviewed and approved by OMB; N/A
  - \* 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; N/A
  - \* 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; N/A.
8. In accordance with 5CFR 1320.8(d), this information collection soliciting public comments was announced in the Federal Register on **Wednesday, August 31, 2016**, Volume **81**, No. **169** Pages **60016**. No Comments received.

9. There are no gifts or other types of payments made to respondents.
10. The Privacy Act of 1974 protects respondents who meet these information-reporting requirements. There are no confidential issues involved.
11. This information collection does not contain any questions of a sensitive nature.
12. Estimate of public burden.

The total number of respondents is 2,535. This figure represents the total number of lenders approved to originate and submit loans for FHA insurance, as per Office of Lender Activities and Program Compliance, Lender Approval and Recertification Division.

The total number of annual responses is 164,447. This number represents the total number of active ARMs per records in SF Data Warehouse.

The hourly cost of \$42.00 is based on an estimate of the average annual salary of lender servicing personnel at \$84,855, and includes the cost of overhead, staff support, recordkeeping, etc.

| Information Collection | Number of Respondents | Frequency of Response | Responses Per Year | Average Burden Hours Per Response | Annual Burden Hours | Hourly Cost per Response | Total Annual Cost |
|------------------------|-----------------------|-----------------------|--------------------|-----------------------------------|---------------------|--------------------------|-------------------|
|                        | 2535                  | Once per loan         | 164,447            | .05                               | 8,222               | \$42.00                  | \$345,324         |
| <b>TOTALS</b>          | 2535                  |                       | 164,447            |                                   | 8,222               |                          | \$345,324         |

13. There are no additional costs to respondents.

14. The annualized cost to the Federal government is estimated at 10% of the total burden hours or 822 hours. The Federal burden includes compliance reviews related to the loans. The annualized cost to the Federal government assumes a \$42.08 per hour estimate based on a GS-12 (step 5) from the Washington DC Locality Table. **Total Burden Hours: 8,222; x 10 percent =822 x \$42.08 = Annualized Cost of \$34,590.**

| Information Collection | Number of Respondents | Frequency of Response | Responses Per Year | Burden Hours Per Response | Annual Burden Hours | Hourly Cost per Response | Total Annual Cost |
|------------------------|-----------------------|-----------------------|--------------------|---------------------------|---------------------|--------------------------|-------------------|
|                        | 2535                  | One per loan          | 164,447            | .005                      | 822                 | 42.08                    | \$34,590          |
| <b>TOTALS</b>          |                       |                       |                    |                           |                     |                          |                   |

15. This is an extension of a currently approved burden package. The previous submission requested approval of the initial disclosure made at loan application, but that was unnecessary because the initial disclosure is approved under 2502-0059. Annual responses were previously estimated at 220,000; however, there are currently 164,447 active ARM loans, which is a decrease of 55,553 loans requiring annual disclosure. The decrease in respondents results from fewer FHA-approved lenders now that FHA no longer recognizes loan correspondents as FHA-approved lenders. The increase in annual responses and burden hours results from the more FHA-insured ARM loans since the previous submission

16. This information collection does not include results that will be published.

17. We are not seeking approval to avoid displaying the expiration date for the OMB approval

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**

**This collection of information does not employ statistical methods.**