

Supporting Statement for Paperwork Reduction Act Submissions

Compliance Inspection Report - HUD-92051 Mortgagee's Assurance of Completion - HUD-92300 (2502-0189)

A. Justification

1. This request for OMB review seeks to revise the current approval of information collection 2502-0189. Section 2(a) of the National Housing Act (P.L. 479, 48 Stat. 1246, 12 U.S.C., 1701 et seq.) authorizes the Secretary of the Department of Housing and Urban Development to insure qualified financial institutions against losses involved in mortgage insurance. This information collection is needed to ensure newly built homes financed with FHA mortgage insurance are constructed in accordance with acceptable building standards and that deficiencies found in newly constructed and existing dwellings are corrected.
2. With regard to existing construction cases, the property appraiser requires the repair of physical defects to assure that the property is livable, durable, and safe for habitation. These repair requirements are made conditions of the conditional commitment and must be cleared by a final inspection before mortgage insurance endorsement. Form HUD-92051 is used in this inspection process. Section 203(b) (7) of the National Housing Act authorizes the Secretary to use his/her discretion with respect to handling repairs. Form HUD-92501 is also used for the inspection of proposed construction cases. HUD requires three inspections to assure compliance with the conditions of the conditional commitment. A clear final inspection must be obtained on all proposed construction cases in jurisdictions where the local building authority issues final inspections. HUD will accept local government inspections in jurisdictions that issue building permits prior to inspections and Certificates of Occupancy (or equivalents) in lieu of the three inspections performed by fee inspectors. It is estimated that approximately 80 percent of the proposed cases are now insured under the local government provision.

Form HUD-92051 (Compliance Inspection Report) is the document on which the property inspector or appraiser prepares his/her findings. The form provides categories for the inspector or appraiser to report the status of repair requirements on existing or proposed construction cases. This report becomes a part of the case file and a copy is provided to the lender. Section IV form HUD-92051 indicates three categories of designations that HUD will assign as a result of the inspection. Category B, Compliance Incomplete Items, specifies that a "Mortgagee's Assurance of Completion" may be submitted. The Form HUD-92300 when completed by the mortgagee assures the Commissioner that the items set forth in the inspection report will be completed by the required date.

3. HUD employs a number of alternative procedures, such as mortgage certifications, to expedite various aspects of the mortgage insurance processing activities. However, all field inspections must be performed to ensure that all serious defects have been corrected. There exists no other feasible method to protect the Department from risk. The failure to inspect repair work on existing and proposed construction would create considerable problems for the Department (by increasing risk) and for the home buying public (by affecting the quality of housing). To the extent the collection can be automated it has been by providing the form in a fillable pdf format. Most appraisers, inspectors and lenders who complete the form have software provided by private companies that automates the form and transfers it electronically to the lender. Automated software accounts for at least 80% of the form submittals are electronic.

The information requested from the inspector or appraiser is the only means of obtaining a written report that consistently provides the HUD reviewer with the necessary facts and evidence of compliance with HUD requirements. Automation of the collection isn't feasible because of the actual need to visit the property to determine any deficiencies. Also, multiple copies of the forms must be distributed; and an original must be maintained for the term of the mortgage.

4. Because of uniqueness of each case, information gathered or applicable to another property or properties cannot be used. No duplication was found to exist.
5. A number of fee inspectors and appraisers operate as small businesses. However, due to the very limited amount of time involved in the information collection, the impact on small business is deemed minimal.
6. In the past, HUD staff performed all inspections and obtained the assurance of completion necessary for insurance endorsement. More recently, fee inspectors and appraisers selected by lenders perform these services. There are approximately 8,212 fee or compliance inspectors and 44,907 appraisers participating in FHA's programs in 2016. No financial relationship exists between these individuals and HUD. The mortgagees make payments for services rendered. Inspections are performed only once for each HUD insured mortgage. If this collection was conducted any less frequent than it currently is it would cause a deficiency in the process that HUD utilizes for property inspection and buyer assurance.
7. No special circumstances are noted that would cause an information collection to be conducted in an unusual manner that would require respondents to prepare and submit a written response in less than 30 days after receipt of the information obtained on the forms. Both forms are directly related to the processing of mortgages for homes that require FHA mortgage insurance. .

* requiring respondents to report information to the agency more often than quarterly? No, only need monthly reports.

* requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it? No, written response in less than 30 days after receipt of the information obtained on the forms. Therefore, both fee inspectors and mortgage lenders are very likely to complete the forms within 30 days to minimize any delay in processing.

* requiring respondents to submit more than an original and two copies of any document. No

* requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records, for more than three years? No

* 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? No

* requiring the use of a statistical data classification that has not been reviewed and approved by OMB? No

* 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 ? No

* 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? No

8. The agency notice soliciting comments on the information collection was published in the Federal Register on Friday, April 21, 2017 (Volume 82, Number 76, Page 18770). No comments were received.

The program office queried the data warehouse to determine the number of loans that required this form and counted 16,980 properties with repair escrows in FY 2016.

The agency spoke with three of the four Home Ownership Center to ascertain how often certain sections or selections on the form were used. In the preparation of this document the following individuals were consulted:

- Phil Caulfield, Home Mortgage Insurance Division, phone number (215) 656 7269
- Robert Frazier, Home Valuation Policy Division, phone number 202 402 5752
- Cynthia Thomas, Home Valuation Policy Division, phone number (202) 402 3686
- Valerie D. Williams, Atlanta Homeownership Center, phone number (678)-732-2996
- Amy K. Trujillo, Denver Homeownership Center, phone number 800 225 5342 x5058
- Andrew Cianci, Philadelphia Homeownership Center phone number (215) 861 7687
- Donald D. Doan, Santa Ana Homeownership Center Phone number (714) 7955 0705

9. No financial relationships exist between the private inspectors serving on fee panels who prepare the HUD-90251s or the HUD-92300 and HUD. The mortgagees make payments for services rendered.
10. No assurance of confidentiality is provided to respondents.
11. This information collection does not contain any questions of a sensitive nature or other matters that are commonly deemed private.

12. Tabulation of Reporting Burden

Information Collection	Number of Respondents	Frequency of Response	Total Annual Responses	Hours per Response	Total Annual Hours	Cost Per Hour	Total Annual Cost
HUD-92051	2,337	7.27	16,989.99	.25	4,247.50	\$100.00	\$424,750.00
HUD-92300	2,337	4.27	9,978.99	.10	997.90	\$100.00	\$99,790.00
TOTALS	4,674		26,968.98		5,245.40		\$524,540.00

* Inspectors charge between \$75.00 and \$125.00 per inspection. It is estimated that an inspection takes approximately one hour in most urban areas, including travel time to and from the site. It takes approximately 15 minutes to complete the HUD 92051. The total annual cost to respondents includes salaries, overhead, staff support, record keeping, etc.

13. There are no additional costs to respondents. Total capital and start-up costs are presumed to be zero.
14. The cost to the Federal Government is based on a \$34.03 per hour estimate, which includes overhead, staff preparation time, review time, etc.

	Number of Responses	Hours Per Response	Annual Burden Hours	Hourly Cost Per Response	Total Cost
All forms and responses submitted to HUD	26,969	.20	5,393.80	\$34.03	\$183,551.01

The estimate is based on the work being performed by a GS-12 valuation staff person. This cost involves the time it takes to review the submitted forms HUD-92051 and HUD-92300, and complete the approvals. HUD reviews approximately 10% of the submitted forms for quality control purposes.

15. This is a request for an Extension of a currently approved information collection. The adjustment is because of a correction in the number of the respondents. HUD now accepts local government inspections in jurisdictions that issue building permits prior to inspections and Certificates of Occupancy (or equivalents) in lieu of the three inspections performed by fee inspectors. A clear final inspection must be obtained on all proposed construction cases in jurisdictions where the local building authority issues final inspections. It is

estimated that approximately 80 percent of the proposed cases are now insured under the local government provision.

16. There are no plans to publish the results of the information collected.

17. HUD is not seeking approval to avoid displaying the expiration date of the OMB approval.

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

B. Collections of Information Employing Statistical Methods

Not applicable. The collection of information does not employ statistical methods.