

# Supporting Statement for Paperwork Reduction Act Submissions

## Nonprofit Application and Recertification for FHA Mortgage Insurance Programs

OMB Control Number 2502-0540

List of form numbers - NONE

### 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.

This information collection clearance package seeks to renew the OMB approval of 2502-0540.

Sections 203(g)(2), 221(h), and 235(j) of the National Housing Act (12 U.S.C. 1708) permits private nonprofit organizations and public entities to act as mortgagors through use of Federal Housing Administration (FHA) insured mortgage programs to purchase and rehabilitate housing for subsequent resale. HUD's regulations in 24 CFR 200.194 establish eligibility requirements for nonprofit organizations and government entities that seek to participate in certain HUD programs acting as a mortgagor; purchasing HUD's Real Estate Owned (REO) Properties (HUD Homes) at a discount; providing secondary financing; and imposing legal restrictions on conveyance as part of affordable housing programs. Nonprofits must apply and be placed on a roster to participate in the foregoing activities.

<http://uscode.house.gov/view.xhtml?path=/prelim@title12/chapter13&edition=prelim>

HUD's Office of Single-Family Housing lays out FHA program policies through its Single-Family Housing Policy Handbook 4000.1 (Handbook 4000.1). The Handbook 4000.1, including sections on Nonprofit and Government Entity programs, is structured to identify policy standards, and the required documentation that will demonstrate compliance with the standards. These sections with standards and documentation requirements inform users on the eligibility and processes for application and recertification for participating organizations. Updates to the Handbook 4000.1 occur after FHA publishes a Mortgagee Letter announcing its changes. No changes to policy or information collected have occurred since the last PRA submission on Nonprofit and Government Entities.

Procedures for removal of nonprofits that were previously approved by FHA for its programs are codified at 24 CFR 200.195. Authorization to permit HUD to collect and maintain Personally Identifiable information (PII) is located in 42 U.S.C 3543 - 44.

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.

Nonprofit organizations seek HUD approval to participate in FHA's Nonprofit programs, to provide housing opportunities for Low- to Moderate-Income individuals or families.

HUD approval is not required for Governmental Entities that wish to participate in FHA programs.

As part of approval requirements, nonprofits must submit information about its organizational structure, experience and financial capabilities. HUD staff uses the information to assess the nonprofits capability for carrying out its mission relative to the HUD programs in which it seeks to participate. The information also assists HUD staff to detect any conflicts of interest or activities that may not be permissible. Periodic activity reports are required from participating nonprofits, to allow for program monitoring and assure compliance, helping to keep risk at a minimum. The collection of information assists HUD to control its own risk as well as protect homebuyers from predatory or fraudulent activities. Nonprofit organizations are reevaluated every two years to assure they have performed according to their affordable housing plan and to provide HUD with information on changes that may impact the nonprofit's performance. Only authorized HUD staff has access to the requested information and the agency does not share this information with the public, other agencies or other departments within the agency. The collection requirements have not measurably changed over time, the financial and management information we collect is based on industry standard documentation.

Below is a discussion of the information that HUD collects from a nonprofit for its review and approval or recertification decision. This collection primarily centers on assembling and submitting to HUD the documented structural components of a nonprofit, which the entity had developed in its formation. Components of a nonprofit organization describe its mission, structure, board members, and business plan to carry out its mission. The information and documents collected are standard components of nonprofit organizations.

**IRS Letter of Determination** verifying approval under Section 501(c)(3) as exempt from taxation under Section 501(a) of the Internal Revenue Code (IRC) of 1986, as amended.

**Employer Identification Number (EIN)** for the nonprofit and any subsidiary organization's EIN

**Certification** signed by an authorized representative of the nonprofit assuring that its:

- o tax exemption has not been modified or revoked by the IRS;
- o activities are consistent with the activities and purposes for which the IRS granted tax-exempt status; and
- o Board of Directors serves in a voluntary capacity

**Board of Directors Information**, describing job responsibilities of all board members to ensure that their occupational activities and obligations do not conflict with the work of the nonprofit. Included with information on this is:

- o name and board position;
- o length of board term including expiration;
- o Social Security Numbers (SSN) for all voting board members, principal management and principal staff members; and
- o a description of outside employment that includes company name, title and nature of business.

The SSNs are used only to assure HUD that no conflict-of-interest relationship exists, and the board and staff have no outstanding unpaid government Loans, sanctions, foreclosures, inappropriate transfers of Real Property, or Business Relationships.

**Conformed Copy of its Articles of Organization**, and bylaws if applicable. These documents must be signed and dated by the appropriate persons under applicable state law.

**Affordable Housing Program Plan (AHPP)** for the geographic area(s) in which the nonprofit will operate, that describes the nonprofit's location of service, how low to moderate income persons will benefit, and components of support, such as counseling. The AHPP must indicate the resources needed to carry out its AHPP, such as facilities or systems.

**Copy of the Board Resolution** that adopts the complete AHPP. This resolution must be signed and dated by the appropriate persons under applicable state law and as identified in the Articles of Organization and other governing documents.

**Relevant Experience** must be documented to show that the nonprofit has experience in in housing development and management of single-family properties, such as acquisition, rehabilitation, resale, and/or secondary financing.

**Business Relationships** must be disclosed when they are used to carry out the nonprofit's AHPP. Information about the services a nonprofit provides, the compensation and any financial gain it may receive.

**Quality Control Plan** that the nonprofit implements, which provides information about its system for maintaining records, and its process for periodic reviews, reports, and corrective actions.

**Results** described by the nonprofits at time of recertification, of its efforts to comply with its plan, information about people who were served including homeownership achieved, comparison of those sales with the cost that the nonprofit incurred to acquire, rehabilitate, manage and market the homes. Information about loan performance (on-time or delinquent payment rates) are also submitted by the nonprofit.

**Second lien note and security instrument** when the nonprofit will provide secondary financing to borrowers who will have a first lien mortgage insured by FHA.

**Availability of data:** All data requested is readily available; nonprofit applicants and program participants already submit required information.

**Frequency of collection:** Reporting of properties that are purchased, sold or leased is required through the web-based automated system (NPDMS) no later than 60 days after the transaction. This allows for information to be reviewed close in time to the transaction and allows for regular program monitoring in an effort to reduce risk to the Department. Frequent reporting also allows HUD to easily track noncompliance and allows for staff to provide more frequent technical assistance.

**The format for recordkeeping disclosure, or reporting:** In order for HUD to monitor its programs, program participants should maintain accurate and complete records. HUD Handbook 4000.1 describes documents that should be maintained for on-site review and monitoring purposes.

Where program participants operate FHA's HUD Homes program, individual property files should be maintained for properties purchased, sold or leased when a discount of 10 percent or greater is obtained at the time of the nonprofits purchase from HUD. Files should be maintained for a minimum of three years after the property is sold by the nonprofit.

3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other 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.

Information from a nonprofit is collected electronically. HUD has developed a web-based program management system to facilitate an automated collection of this information. The system is currently being used by HUD management, line staff and nonprofit participants. This Nonprofit Data Management System (NPDMS) is an automated web-based program management tool designed to assist HUD staff with the daily oversight and administration of Single Family's Nonprofit Program activities. This tool allows for on-line reporting and enables potential participants to submit both an application for approval as well as a recertification which is required every two years.

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.

This information is not collected elsewhere at HUD. HUD makes every effort to assure no duplication of information is required. Handbook 4000.1 states that a nonprofit applicant applying for more than one Nonprofit program must only provide information once where information is requested for separate programs.

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 collection of this information does not place any additional impact on small nonprofit organizations seeking approval to participate in FHA programs. The required information is standard for and available to nonprofit organizations, and may include articles of organization, letters of determination, resolutions, and/or legal documents. Reapplication packages require complete information, but the burden of effort to the organization is limited to updates to the original package. HUD accepts reports in common formats and as maintained by the organization as a normal function of doing business.

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.

Ascertaining the legal eligibility, financial capacity, and experience in housing activities of nonprofit organizations is necessary to comply with the requirements of the National Housing Act, and to assess the organization's ability to participate in FHA's Nonprofit programs. Sound underwriting practices require that HUD evaluate a mortgagor's ability to make mortgage payments on insured properties to minimize risk of monetary loss. HUD also bears the responsibility to assure that homebuyers who purchase homes from nonprofits that participate in the discount sales and other programs receive the benefits derived from those programs. This collection enables compliance with the National Housing Act.

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 often than quarterly;
    - Respondents are not required to report information to the agency more often than quarterly.
  - Requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it;
    - Respondents are not required to prepare a written response in less than 30 days.
  - Requiring respondents to submit more than an original and two copies of any document;
    - Respondents are not required 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;
    - Respondents are required to retain records for:
      - the duration of the mortgage, in the case of a first or second lien mortgage, the time during which FHA benefits are provided; and
      - for 3 years after a home is sold, when the property was sold by HUD at a discount. This 3-year period allows HUD to assess and verify:
        - ▲ cost amounts for property improvements and allowable fees on the property resale,
        - ▲ that the property was sold to low-to-moderate income buyer, and

- ▲ that the price and net development costs to the nonprofit entity do not exceed allowable profit limits.
  - 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;
    - Respondents are not required to provide a statistical survey;
  - Requiring the use of statistical data classification that has not been reviewed and approved by OMB;
    - Respondents are not required to use statistical data that has not been approved by OMB;
  - 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
    - Respondents are not required to submit information that includes a pledge of confidentiality that is not supported by authority established in a 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
  - 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.
    - Respondents are not required 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.
8. If applicable, provide a copy and identify the date and page number of publications 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 on 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 3 years - even if the collection of information activity is the same as in prior periods. There may be circumstances that may preclude consultation in a specific situation. These circumstances should be explained.

In accordance with 5 CFR 1320.8(d), the agency's notice soliciting public comments was announced in the *Federal Register* on Tuesday, July 23, 2019 (Vol. 84; No. 141; page 35415). No comments were received.

Comments were solicited from three organizations regarding the information collection requirements of this program.

- o A representative from Neighborhood Housing Services of New Haven, states that the recertification process is difficult due to the writing required. He indicated that HUD staff is available and very supportive during the process. He also understood the need to collect Board Member's social security numbers as a risk measure but mentioned that the revelation of sensitive information is awkward.
- o A representative from Colorado Housing Assistance Corporation (CHAC), states that recertification process is not difficult. Every time CHAC recertifies they learn something new and the next recertification process is easier. They understand how to use NPDMS and find HUD staff supportive and responsive when they have questions.
- o A representative from Tarrant County Housing Partnership, Inc., states that her organization has years of experience submitting recertification packages and so they are able to do it with ease. They do recommend that HUD work to streamline requirements and make them clearer. They find HUD staff supportive and responsive to their requests for help.

According to a HUD Credit Policy Specialist, the activity from nonprofit organizations has been stable or slightly increasing. Nonprofit applications are declined when the organization lacks the means and experience to comply with FHA Nonprofit program standards.

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

There are no payments or gifts to respondents with respect to this collection.

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

HUD is authorized to collect and maintain PII pursuant to 42 U.S.C 3543-3544. Notice to the public is published in the Federal Register routinely along with the required updates to the Information Collection request. HUD is authorized to collect social security numbers in connection with its programs to mitigate risk pursuant to 31 U.S.C 7701. Social security numbers are collected as part of a nonprofit's application to participate in a HUD Nonprofit program. This requirement is also described in the Handbook 4000.1.

HUD staff employs safeguards in the collection, use and destruction of the social security number. Only authorized HUD staff have access to the requested information and the agency does not share this information with the public, other agencies or other departments within HUD.

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.

No sensitive information is required as part of this collection.

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

Estimate of public burden. Total number of respondents consist of 66 new applicants and 112 yearly agency re-certifications. The frequency of response varies depending on the information collected:

- HUD is in receipt of applications, agency reporting and agency recertifications on an ongoing basis. The number of respondents for each description reflects a recent two-year average of nonprofit activity.
- Credit Evaluation of Nonprofits could occur for a maximum of four times per year (worst case scenario). This is due to the document age allowed for lenders that use documents to evaluate the nonprofits agency’s financial capacity to encumber properties using FHA insurance. Included in this analysis is the review of a 90-day year-to-date financial statement. If requested at specific times, by various lenders, the nonprofit could be required to produce at least four – 90-day year-to-date financial statements.

Description of Info. Collection	Number of Respondents	Frequency of Response	Total Annual Responses	Hours per Response	Total Annual Hours	Hourly Rate	Total Annual Cost (\$)
Application	66	1	66	60	3,960	\$28.05	\$111,078
Agency Reporting	145	1	145	4	580	\$28.05	\$16,269
Agency Recertification	112	1	112	30	3,360	\$28.05	\$ 94,248
Credit Evaluation of Nonprofit	112	4	448	3	1,344	\$28.05	\$37,699.20
<b>Totals</b>	<b>435</b>		<b>771</b>		<b>9,244</b>		<b>\$259,294.20</b>

The hourly rate is based on the national median for property, real estate and community association managers, as provided by the Department of Labor (May, 2018).

Most of the information required under this information collection is maintained by the affected organizations in the normal course of business on acquiring, improving, selling, leasing, real estate, also referred to as property management. Recordkeeping is considered a normal part of the participant's business. The recordkeeping requirement is information HUD expects to view when conducting its review, and HUD ascribes no burden to recordkeeping requirements. Furthermore, the information collected does not come from required individual forms, but is a compilation of information generated from the nonprofits records, and is transmitted electronically.

13. Provide an estimate for the total annual cost burden to respondents or recordkeepers resulting from the collection of information. (Do not include the cost of any hour burden shown in Items 12 and 14).

There are no additional costs to respondents or recordkeepers. Costs associated with total capital and start-up component (annualized over its expected useful life) and total operation and maintenance and purchase of services component are a standard part of the nonprofits business.

- 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 and 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.

For a Nonprofit's application and recertification, there are no costs for (a) a total capital and start-up cost component (annualized over its expected useful life) and (b) a total operation and maintenance and purchase of services component. Costs for these items are a standard part of the nonprofit's business.

- 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 collections 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.

Since there are no additional costs for a nonprofit's application and recertification, there are no reportable cost estimates that may be expected to vary widely.

- 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.

Since there are no additional costs for a nonprofit’s application and recertification, there are no reportable estimates that include purchases or equipment or services or a portion thereof. Costs for these items are a customary and usual business practice.

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

The following provides estimated annualized costs to the Federal government include staff time needed to coordinate the review and approval of applications, and to monitor housing related activities of participating nonprofit organizations. There is no measurable burden associated with the individual paper being placed in the case binder along with other required documents. Paper case binders refer to the individual loans insured by FHA, covered by OMB approval 2502-0059, and does not represent activity under 2052-0540 for nonprofit approval and recertification.

Description of Info. Collection	Total Annual Responses	Hours per Response	Total Hours	Hourly Rate	Total Annual Cost
Application	59	12	708	\$34.42	\$24,369.36
Agency Reporting	112	2	224	\$34.42	\$7,710.08
Agency Recertification	112	8	896	\$34.42	\$30,840.32
Credit Evaluation of Nonprofit	448	2	896	\$34.42	\$30,840.32
<b>Totals</b>	<b>731</b>		<b>2724</b>		<b>\$93,760.08</b>

The hourly rate is a blended rate based on the estimated average annual salaries of both administrative and professional

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

This is an extension of a currently approved collection. There are adjustments reflect estimated applications and recertifications based on a 2-year average of these activities.

16. For collections 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 from this 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 to avoid displaying the expiration date.

18. Explain each exception to the certification statement identified in Item 19, "Certification for Paperwork Reduction Act Submissions," of OMB Form 83-I.

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

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