



March 27, 2017

Colette Pollard
Reports Management Officer, QDAM
Department of Housing and Urban Development
451 7th Street SW, Room 4176
Washington, DC 20410-5000

Re: Docket No. FR-6001-N-02; “60-Day Notice of Proposed Information Collection: FHA-Insured Loan Servicing Involving the Claims and Conveyance Process, Property Inspection/Preservation”

The Mortgage Bankers Association (MBA)¹ appreciates the opportunity to comment on HUD’s Notice of Proposed Information Collection (Notice) relating to Form Numbers: HUD-27011, HUD-50002, HUD-50012, HUD-9519a, and HUD-9539 (collectively, the Forms).² We note, however, that the Notice indicates that HUD is seeking approval for *revision* of the currently approved forms, yet to date the proposed revisions have not been published for public comment.

With respect to the Forms, HUD is seeking comments on four questions:

- Whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility;
- The accuracy of the agency’s estimate of the burden of the proposed collection of information;
- Ways to enhance the quality, utility, and clarity of the information to be collected; and
- Ways to minimize the burden on those who are to respond; including through the use of appropriate automated collection techniques or other forms of information technology, e.g., permitting electronic submission of responses.

¹ The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 280,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets; to expand homeownership and extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of more than 2,200 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, thrifts, Wall Street conduits, life insurance companies and others in the mortgage lending field. For additional information, visit MBA's Web site: www.mba.org.

² Found at 82 Fed. Reg. 8200.



We provide general feedback with respect to the latter question first followed by form-specific comments with respect to the remaining questions.

Minimizing the Burden of Collection

1. HUD should enhance their technology systems

The single greatest way HUD can minimize the burden of information collection is to update and enhance its technology systems. HUD uses multiple systems to manage its Single Family program including, but not limited to, FHA Connection, P260, Single Family Default Monitoring System (SFDMS), Extensions and Variances Automated Response System (EVARS), and Electronic Data Interchange (EDI). These disparate systems do not dynamically share data with one another and as a result, servicers must input the same information multiple times in multiple systems. The inability to integrate systems creates unnecessary burdens and opportunities for discrepancies and errors. Integrating data from all FHA systems into one centralized source would allow for overall process efficiencies, reduce risk of data entry error, and eliminate redundant storage needs.

a. Examples of unnecessary data entry

Much of the information being asked for on HUD-27011 is already within other FHA systems and tied to the FHA Case Number. Examples of these field values include the following:

- Section of Act Code (Blocks 3, 102, 202, 301, 401)
- Default reason code (Block 4)
- Endorsement date (Block 5)
- Due date of first payment to principal and interest (Block 7)
- Due date last complete installment paid (Block 8)
- Holding mortgagee number (payee) (Block 12)
- Servicing mortgagee number (Block 13)
- Mortgage amount (original) (Block 15a)
- Date of local HUD office approval (Blocks 23, 25)
- Name & address of mortgagee (Block 35)
- Name & address of Mortgagee's servicer (Block 36)
- Date HIP cancelled or refused (Block 42)
- Debenture interest rate (Blocks 205, 303, 403)
- Mortgagor's name, SSN and property address (Blocks 33, 200 (minus SSN))

b. Examples of duplicate data entry



In addition, servicers are required to enter the same information multiple times when submitting Parts B-E of HUD-27011 (which are filed together). Examples of these field values include the following:

- Contact name and telephone number: Holding Mortgagee (blocks 133,265)
- Contact name and telephone number: Servicing Mortgagee (blocks 133, 266)
- Date form prepared (blocks 104, 204, 304, 404)

c. Consequences of unnecessary data entry

Although servicers make every attempt to ensure accuracy on the claim form, requiring unnecessary data entry may result in errors. HUD's systems generally produce "Edit Codes" in response to these errors. In fact, Edit Codes for additional information may be generated even though supporting documentation has been uploaded by the servicer into a different FHA system. These edit codes lead to additional unnecessary work for HUD and servicers. Furthermore, experience suggests that these edit codes result in additional supplemental claims.

d. HUD should explore making claim forms dynamic by claim type

Making online forms dynamic (e.g., queries are related to specific claim type) and intuitive by grouping similar information together would also reduce processing times and facilitate training for new staff. For example, bankruptcy standards are entered in several different fields depending on the filing date. We recommend putting all bankruptcy-related information in a consistent location. Similarly, there are multiple locations to enter information on extensions. Extensions for First Legal are entered in Block 19, conveyance extension in Block 20, and Reasonable Diligence extensions are entered in the comment section. Ultimately, the various claim types are distinctly different. HUD's current approach at using a single form as a one-size-fits-all solution to all types of claims creates uncertainty, confusion and quality concerns when completing claims.

e. HUD should allow all forms and documentation to be submitted electronically

HUD could expand electronic submission to all its forms. Currently, electronic submission is not available for Supplemental claims, Reacquisition claims, and supporting documentation required as a result of EDI edit codes. Allowing for electronic submission of the HUD-27011 claim form and all supporting documentation would minimize the burden of information collection. One member reported that they spent over \$50,000 last year on postage costs incurred to mail the paper backup associated with error codes and supplemental claims. Printing and mailing physical copies of the form creates an additional burden on servicers,



requires more extensive manual tracking for both servicers and HUD, and creates privacy risks with a less secure means of exchanging customer information as well as risk of financial loss for the servicer if the package is never received.

MBA encourages HUD to establish an EDI and FHA Connection submission process for all claim types such as Supplemental and Reacquisition claims and to establish an EDI submission process for Loss Mitigation Incentive Claims (Types 31, 32, 33). Additionally, allowing servicers to utilize P260 for the transmission of claim documentation on Supplemental, Pre-foreclosure Sales, and Loss Mitigation Incentive Claim types, including any suspensions/error codes, for all claim types would greatly reduce the burden of this information collection.

Form-Specific Comments

HUD-27011 – Single-Family Application for Insurance Benefits

1. Ways to enhance the quality, utility, and clarity of the information to be collected

a. Eliminate unnecessary fields.

Due to privacy concerns, MBA urges HUD to eliminate requests for borrower social security numbers on all hard copy forms. We also suggest removing fields for fax numbers and other unnecessary queries. For example, Part A of HUD-27011 in the EDI system has Block 32, Schedule of Tax Information, but the FHA Connection does not. If the fields are not required for the FHA Connection form, it suggests that such information is not vital to HUD.

b. Expand space for comments. HUD requires servicers to provide additional information in the Comments section but there is limited space on the Part A form comments and no specific format or order of information. Some servicers attach an Exhibit to the Part A claim to ensure all information is provided. MBA recommends expanding the space for existing comments and providing additional comment space for the following fields:

- Extensions – Reasons for extensions (Reasonable Diligence)
- Certification of Extension Usage
- Eviction Information
- Damage Information
- Bankruptcies
- Loan Modifications/Special Forbearance
- HOA and Utility Information
- Tax Information



- Partial Releases
- c. Reduce or eliminate redundant documentation requirements. HUD requires a great deal of supporting documentation, especially on conveyance claims, to be uploaded to P260 to support the claim amounts. The process of compiling multiple documents for each line item on the claim is time consuming for servicers and creates a cumbersome review by HUD staff. The quality, utility, and clarity of the requested information would be enhanced by eliminating ancillary and/or redundant information. For example, servicers are currently required to upload multiple photos for each expense on routine property maintenance completed within HUD allowable limits. HUD could reduce the burden by requiring photos only for work completed after the property maximum had been reached or for non-routine maintenance.
- d. Clarify signature policy. MBA also believes it would be helpful and would reduce compliance burdens if HUD updated its Handbook to expressly state when signatures (either wet or e-signatures) are required and when they are not. Specifically, we suggest that the Handbook expressly state that signatures and signatories' titles are not required on corrected claims if the original claim was submitted via EDI or FHA Connection. It would also alleviate confusion if the Handbook stated that signatures and the signatories' titles are not required on copies of the 27011 that are uploaded to P260.

2. Accuracy of the estimated burden of the collection of information

Due to the ever-increasing complexity of both HUD and local requirements, the HUD claims process has become increasingly more complicated and time consuming. While HUD's claim form (HUD- 27011) estimates the Public Reporting Burden to be 1.33 hours per response, our members report that it typically takes approximately 4.75 hours to fully prepare and complete just the Part A portion of the 27011 form. This includes the actual time spent filling out the form fields for Part A as well as the time required to gather information from multiple systems and vendors, review and validate documents and resolve impediments to ensure compliance with HUD regulations. The time period required to complete Parts B-E varies depending on the type of claim being submitted. Our members estimate that a Type -1 (Conveyance) claim can take between 4-6 hours. In total, a type 01 can take between 8-11 hours. A Type 06 (CWCOT) can take 3-5 hours and a Type 07 (Pre-Foreclosure Sale) can take 2-4 hours.



HUD-50012 Mortgagee's Request for Extension of Time

1. Ways to enhance the quality, utility, and clarity of the information to be collected

As noted above, servicers are required to enter information that is already in other HUD systems. For HUD-50012, this includes Mortgagee's name and address, Mortgagor's name and property address, and Last paid installment.

2. Accuracy of the estimated burden of the collection of information

Our members estimate the form takes an average of 20 minutes to complete online.

HUD-50002 Request to Exceed Cost and Protection Limits for Preservation

1. Whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility

MBA suggests eliminating the "expected conveyance date" if the property is pre-sale.

2. Accuracy of the estimated burden of the collection of information

The current form estimates an average of *.25 minutes* per response, which we believe may be a typo. Our members estimate that it generally takes between 20-30 minutes to complete the form.

3. Ways to enhance the quality, utility, and clarity of the information to be collected

Servicers are required to enter information that is already in other HUD systems when completing HUD-50002 including Mortgagee's name and address, Mortgagor's name, the property address, and zip code.

HUD-9519a Property Inspection Report

1. Whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility

The Property Inspection Report (HUD-9519a) is not a form that mortgagees are required to use and none of the members who provided feedback to MBA use it. It appears that this is a form used by HUD or its contractors in managing REO properties and if so, we would encourage HUD to broaden the audience of this information request from servicers to HUD's contractors. We note that some questions are highly subjective or vague (*Does the roof look okay? Are the kitchen and bathrooms acceptable?*). Others are not related to HUD



MORTGAGE BANKERS ASSOCIATION

requirements (*Is the appropriate lock box being used? Any defective exterior paint?*). We would encourage any HUD form to be clear and free of ambiguities.

2. Accuracy of the estimated burden of the collection of information

Because none of the members that provided feedback to MBA used this form, we are not able to provide comments on the estimated burden.

HUD-9539 Request for Occupied Conveyance

1. Whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility

As discussed above, due to privacy concerns, MBA urges HUD to eliminate requests for borrower social security numbers on all hard copy forms.

2. Ways to enhance the quality, utility, and clarity of the information to be collected

The 9539, in its current form, is completed by the occupant of a property. However, 24 CFR Section 203.670(b) permits HUD to accept conveyance of an occupied property where state or local law prohibits the mortgagee from evicting a tenant residing in the property who is making regular monthly payments to the mortgagee. Our members report that HUD will not accept HUD-9539 from a servicer. MBA suggests HUD revise HUD-9539 to reflect all of the permissible reasons for an occupied conveyance which would permit submission by a mortgagee.

Conclusion

MBA appreciates the opportunity to provide feedback on the Forms. Please contact Justin Wiseman at JWiseman@mba.org or (202) 557-2854 or Sara Singhas at ssinghas@mba.org or (202) 557-2826 with any questions.

Sincerely,

Pete Mills,
Senior Vice President
Residential Policy and Member Services
Mortgage Bankers Association