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**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

**[Docket No. FR-5763-N-10]**

**Implementation of The Privacy Act of 1974, as Amended;**

**Amendment to Existing Systems of Records, Computerized Homes Underwriting**

**Management System - - Development of New System of Records, Loan Application**

**Management System**

**AGENCY:** Office of the Chief Information Officer, HUD.

**ACTION:** Amendment / New Systems of Records.

**SUMMARY:** HUD is amending the Computerized Homes Underwriting Management System (CHUMS) to reflect changes to the following sections, which involve lenders and program administrators of Federal Housing Administrations (FHA) Mortgage Insurance Programs: first time homebuyers, Home Equity Conversion Mortgages for home owners, 203(k) for the rehabilitation of existing properties, Veteran Affairs certified FHA loans, and other FHA mortgage insurance programs. The changes to the amended system of records are to the “Purposes” and “Routine Uses of Records Maintained in the System” captions. Additionally, HUD proposes to provide notice of a new system, the Loan Application Management System (LAMS), which is expected to replace CHUMS. Both proposals reflect the present status of the information contained in the systems and new data sharing practices, as well as enhancements to improve program services. The existing scope, objectives, and business processes in place for this program remain unchanged. A more detailed description of the present system is contained

in notice “Purpose” caption. This notice supersedes the previous notice published in the Federal Register for CHUMS on December 28, 2010 at 73 **FR** 81635.

**DATES: EFFECTIVE DATE:** The proposed modification will be effective immediately, with the exception of the Department’s proposal to create a new system and revise its routine uses, which will become effective 30 days after publication of this notice, on **[INSERT DATE THAT IS 30 DAYS AFTER PUBLICATION IN THE FEDERAL REGISTER]**, unless comments are received that would result in a contrary determination.

**[COMMENTS DUE DATE: [INSERT DATE THAT IS 30 DAYS AFTER PUBLICATION IN THE FEDERAL REGISTER].**

**ADDRESSES:** Interested persons are invited to submit comments regarding this notice to the Rules Docket Clerk, Office of the General Counsel, Department of Housing and Urban Development, 451 Seventh Street, SW, Room 10276, Washington, DC 20410-0500.

Communication should refer to the above docket number and title. A copy of each communication submitted will be available for public inspection and copying between 8:00 am and 5:00 pm weekdays at the above address.

**FOR FURTHER INFORMATION CONTACT:** Donna Robinson-Staton, Chief Privacy Officer, 451 Seventh Street SW, Washington, DC 20410 (Attention: Capitol View Building, 4<sup>th</sup> Floor), telephone number: (202) 402-8073. [The above telephone number is not a toll free number.] A telecommunications device for hearing- and speech-impaired persons (TTY) is available by calling the Federal Information Relay Service’s toll-free telephone number (800) 877-8339.

**SUPPLEMENTARY INFORMATION:** This system of records is maintained by HUD’s Office of Single Family Housing and includes HUD employees’, program participants’, and

business partners' personally identifiable information that is retrieved by a name or unique identifier. Hence, this system of records encompasses programs and services of the Department's data collection and management practices. Publication of this notice allows HUD to satisfy its reporting requirement and keep an up-to-date accounting of its system of records publications. The amended and new systems will incorporate Federal privacy requirements and HUD policy requirements. The Privacy Act provides certain safeguards for an individual against an invasion of personal privacy by requiring Federal agencies to protect records contained in an agency system of records from unauthorized disclosure, by ensuring that information is current and collected only for its intended use, and by providing adequate safeguards to prevent misuse of such information. Additionally, this demonstrates the Department's focus on industry best practices in protecting the personal privacy of the individuals covered by this system notification. This notice states the name and location of the record system, the authority for and manner of its operations, the categories of individuals that it covers, the type of records that it contains, the sources of the information for the records, the routine uses made of the records and the type of exemptions in place for the records. In addition, this notice includes the business address of the HUD officials who will inform interested persons of the procedures whereby they may gain access to and/or request amendments to records pertaining to them.

This publication does meet the threshold requirements for a new and amended system and a report was submitted to the Office of Management and Budget (OMB), the Senate Committee on Homeland Security and Governmental Affairs, and the House Committee on Government Reform as instructed by Paragraph 4c of Appendix I to OMB Circular No. A-130,

“Federal Agencies Responsibilities for Maintaining Records About Individuals,” July 25, 1994  
(59 FR 37914).

**AUTHORITY:** 5 U.S.C. 552a; 88 Stat. 1896; 42 U.S.C. 3535(d).

October 3, 2014

Date

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Rafael C. Diaz  
Chief Information Officer

**SYSTEM OF RECORDS NO.:** HSNB.SF/HUP.02.

**SYSTEM NAME:** Computerized Homes Underwriting Management System (CHUMS)- F - 17/Loan Application Management System (LAMS) - P292.

**SYSTEM LOCATION:** The HUD Data Center which houses CHUMS and LAMS is located at the Hewlett Packard (HP) Facility at 2020 Union Carbide Drive, South Charleston, West Virginia 25303-2734. HP is the designated records management facility for LAMS and the Atlanta Federal Records Center at 4712 Southpark Boulevard, Ellenwood, GA 30294 is the records management facility for CHUMS until LAMS is fully implemented. Additionally, HUD Headquarter staff and staff throughout the United States will or have access to CHUMS/LAMS through HUD's standard telecommunications network from desktop workstations, and access by HUD's business partners is granted via secure HTTPS through the HUD FHA Connection Portal. Internal and external HUD hosted locations are as follows: HUD headquarters building, 451 Seventh Street SW, Washington, DC 20410; the HUD owned and operated Field Offices and Home Ownership Centers<sup>1</sup>, located in Atlanta, Denver, Philadelphia and Santa Ana

**CATEGORIES OF INDIVIDUALS COVERED BY THE SYSTEM:** Individuals who have obtained a mortgage insured under HUD/FHA's single family mortgage insurance programs and individuals who unsuccessfully applied for mortgage insured by FHA. Also, individuals involved in the HUD/FHA single-family underwriting process (builders, appraisers, inspectors, mortgagee staff underwriters) and HUD employees involved in the single family underwriting process (e.g., appraisers, mortgage credit examiners, architectural employees, receiving clerks, assignment clerks, commitment clerks, records clerks, and closing clerks).

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<sup>1</sup> <http://portal.hud.gov/hudportal/documents/huddoc?id=append2.pdf>

**CATEGORIES OF RECORDS IN THE SYSTEM:** Automated files contain the following categories of records:

**Mortgagors (Borrowers):** name, address, social security number or other identification number, racial/ethnic background (if disclosed), and details about the mortgage loan, including loan application documentation. This information is supplied by lenders during the mortgage application and underwriting process.

**Builders, Appraisers and Inspectors:** name, address, social security number or other identification number, territory, workload, and minority data including racial/ethnic background, Minority Business Enterprise (MBE) Code, and sex, for statistical tracking purposes.

**Mortgagee (Lender) Staff Appraisers and Underwriters:** social security number or other identification number, territory and workload of the individuals.

**HUD Employees:** name and social security number or other identifying number of employees involved in the single family underwriting process. This includes, but is not limited to: Homeownership Center managers, staff appraisers, architectural employees, receiving clerks, assignment clerks, commitment clerks, records clerks, and closing clerks.

**NOTE:** Certain records contained in this system which pertain to individuals contain principally proprietary information concerning sole proprietorships may also reflect personal information, however, only the records reflecting personal information are subject to the Privacy Act.

**AUTHORITY FOR MAINTENANCE OF THE SYSTEM:** Section 203, National Housing Act, Pub. L. 73-479. The information collection enables HUD/FHA to process applications for

HUD mortgage insurance and respond to inquiries regarding applications and insured mortgages; 42 U.S.C. 3543 - Sec. 3543. Social Security Numbers are collected to prevent fraud and abuse in Department of Housing and Urban Development programs (enacted as part of the Housing and Community Development Act of 1987).

**PURPOSE(S):** The Fair Housing Administration (FHA) Office of Single Family Housing intends to modify the Computerized Homes Underwriting Management System (CHUMS) and create a new routine use exception to permit the sharing of information to third party servicers to improve HUD's review and evaluation process for its mortgage insurance appraisal documentation. Additionally, a new Loan Application Management System (LAMS) is being developed to better assist FHA with its automated processing, analysis, and screening of the appraisal documentation. CHUMS supports FHA staff in the processing of appraisal documentation for single family mortgage insurance applications (From initial receipt through final endorsement). CHUMS processes loan applications for first time homebuyers, Home Equity Conversion Mortgages (HECM )for home owners, Section 203(k) for the rehabilitation of existing properties, Veteran Affairs (VA) Certified FHA loans and other FHA approved mortgage insurance programs. CHUMS also provides automated assistance in mortgage credit evaluation, and FHA's TOTAL Scorecard which is a standardized credit assessment tool. It supports the conditional commitment process from the Mortgagee's request for property appraisal through issuance of a conditional commitment, firm commitment, endorsement, and the automated production of the Mortgage Insurance Certificate.

The new LAMS tool is being created to become the eventual replacement system for CHUMS. The existing functionality in CHUMS will be moved into LAMS in stages over the next five years. In its initial release, LAMS will enable HUD to start collecting case binder data

into an industry-wide electronic format that is acceptable to the mortgage industry (Mortgage Industry Standard Maintenance Organization) data standards. The improved enhancements will allow HUD to screen out errors in the appraisal and endorsement process more proficiently. In the past, HUD has identified far too late in the appraisal and endorsement process when a loan was at risk or in danger of fraud. Implementing the new LAMS tool and new evaluation process will allow HUD to better evaluate errors in the appraisal and endorsement process, and avoid endorsing unqualified loans. FHA believes that having the mortgage insurance documentation evaluated earlier on in the process will over time have a tremendous impact on the performance of HUD's mortgage insurance programs. The existing HUD data collected on applications for single family mortgage insurance endorsements, includes electronic copies of mortgage documentation, along with the results of automated risk scoring and fraud validations, electronic copies of the lender submitted mortgage insurance appraisal records, the underlying data and metadata of documentation obtained in the application, underwriting, insuring and closing stages of the mortgage loan transaction will be used for risk management evaluation studies of the abovementioned mortgage insurance portfolios.

**ROUTINE USES OF RECORDS MAINTAINED IN THE SYSTEM, INCLUDING CATEGORIES OF USERS AND THE PURPOSES OF SUCH USES.** In addition to those disclosures generally permitted under 5 U.S.C. 552a(b) of the Privacy Act other routine uses include:

1. To other agencies; such as the Departments of Agriculture, Education and Veterans Affairs, and the Small Business Administration, for use of HUD's Credit Alert Interactive Voice Response System (CAIVRS) to prescreen applicants for loans or loans guaranteed by the Federal

Government to ascertain if the applicant is delinquent in paying a debt owed to or insured by the Government.

2. To the Federal Bureau of investigations (FBI) for investigation of possible fraud revealed in the underwriting, insuring or monitoring process.

3. To the Department of Justice for prosecutions of fraud revealed in underwriting, insuring or monitoring process.

4. To the General Accounting Office (GAO) for audit purposes.

5. To Financial institutions, computer software companies and other federal agencies (including the Federal Reserve) for automated underwriting, credit scoring and other risk management evaluation studies.

6. To other federal agencies (including the Federal Reserve) for purposes of statistical research not involving personally identifiable information, to evaluate program effectiveness in meeting the Department of Housing and Urban Development (HUD) FHA's mission, and to inform policy makers on changes to effect program improvements.

7. To the HUD Office of Policy Development and Research (PD&R) and its researchers for mortgage credit evaluations and statistical analysis.

8. To contractors, grantees, experts, consultants, and the agents of thereof, and others performing or working on a contract, service, grant, cooperative agreement with HUD, when necessary to accomplish an agency function related to these system of records, limited to only those data elements considered relevant to accomplishing an agency function. Individuals provided information under this routine use is subject to the same Privacy Act requirements and limitations on disclosure as are applicable to HUD officers and employees.

9. To contractors, experts, consultants with whom HUD has a contract, service agreement or other assignment of the Department, when necessary to utilize relevant data for purposes of testing new technology and systems designed to enhance program operations and performance.

See also on HUD's privacy website, Appendix 1<sup>2</sup> for discretionary routine uses that may in certain cases be applicable to CHUMS and LAMS.

**POLICIES AND PRACTICES FOR STORING, RETRIEVING, ACCESSING, RETAINING, AND DISPOSING OF RECORDS IN THE SYSTEM:**

**STORAGE:** Records are stored on magnetic disc/drum. There are no paper records maintained by this system.

**RETRIEVABILITY:** Records are retrieved by case number, name, Social Security Number or other identification number.

**SAFEGUARDS:** Electronic records are maintained in secured areas, and access is limited to authorized personnel. No paper records are maintained that require safeguarding.

**RETENTION AND DISPOSAL:** Data is retained online for 13 months after the date of endorsement, or 13-18 months for non-endorsed cases, and then archived. The archived data can be retrieved upon request. In archive data, CHUMS and LAMS retain case data indefinitely. The Records Retention Schedule for CHUMS/F17 and LAMS/292 are listed in the HUD Records Disposition Schedules Handbook (2225.6) Appendix A – Single Family Home Mortgage Insurance Program Records.

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<sup>2</sup> <http://portal.hud.gov/hudportal/documents/huddoc?id=append1.pdf>

**SYSTEM MANAGER(S) AND ADDRESS:** Director, Office of Single Family Program Development, Department of Housing and Urban Development, 451 Seventh Street, SW, Washington, DC 20410.

**NOTIFICATION AND RECORD ACCESS PROCEDURES:** For information, assistance, or inquiries about the existence of records, contact the Chief Privacy Officer, Department of Housing and Urban Development, 451 Seventh Street SW, Room 4156, Washington, DC 20410 (Attention: Capitol View Building, 4<sup>th</sup> Floor), telephone number: (202) 402-8073. Verification of your identity must include original signature and be notarized. Written request must include the full name, Social Security Number, date of birth, current address, and telephone number of the individual making the request.

**CONTESTING RECORD PROCEDURES:** The Department's rules for contesting contents of records and appealing initial denials appear in 24 CFR part 16. Additional assistance may be obtained by contacting: U.S. Department of Housing and Urban Development, Chief Privacy Officer, 451 Seventh Street SW, Washington, DC 20410 20410 (Attention: Capitol View Building, 4<sup>th</sup> Floor), telephone number: (202) 402-8073 or the HUD Departmental Privacy Appeals Officers, Office of General Counsel, Department of Housing and Urban Development, 451 Seventh Street SW, Washington DC 20410.

**RECORD SOURCE CATEGORIES:** Mortgagors, appraisers, inspectors, builders, mortgagee staff appraisers, mortgagee staff underwriters, and HUD employees are the sources of data stored in the systems.

**SYSTEMS EXEMPTED FROM CERTAIN PROVISIONS OF THE ACT:** None.

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