

## **SUPPORTING STATEMENT**

**OMB Control No. 1550-0023**

### **Thrift Financial Report: Schedules SC, SO, LD, CF, SI, SQ, and HC**

#### **A. JUSTIFICATION**

##### ***1. Circumstances and Need***

The Office of Thrift Supervision (OTS) collects financial data from insured savings associations, which are used to regulate and supervise the industry and to develop policy. The vehicle used to collect these data is the Thrift Financial Report (TFR). OTS collects financial data from insured savings associations, their subsidiaries, and their holding companies in order to assure their safety and soundness as depositories of the personal monies of the general public.

On July 31, 2006, OTS requested public comment for 60 days (71 FR 43286) on proposed revisions to the Thrift Financial Report (TFR), which is currently an approved collection of information. The notice described regulatory reporting revisions proposed for the TFR, Schedule SC – Consolidated Statement of Condition, Schedule SO – Consolidated Statement of Operations, Schedule LD – Loan Data, Schedule CF – Consolidated Cash Flow Information, Schedule SI – Supplemental Information, Schedule SQ – Consolidated Supplemental Questions, and Schedule HC – Thrift Holding Company. The proposed revisions would eliminate ten line items from the TFR, revise six existing items, add 16 new items, and eliminate confidential treatment of Schedule HC data.

After considering the comments received, OTS has adopted the proposed revisions, with the exception of the proposal to eliminate Schedule HC data from confidential treatment, and is setting the effective date for the revisions at March 31, 2007. OTS is submitting the adopted revisions to OMB for review and approval.

OTS considered a range of potential information needs and identified those additions to the TFR that are believed to be most critical and relevant to OTS as it seeks to fulfill its supervisory responsibilities. At the same time, OTS identified certain existing TFR data that are no longer relevant or useful to warrant their continued collection. OTS believes that the reporting burden that would result from the new TFR items discussed in this proposal would increase only slightly due to the proposed elimination of a limited number of other TFR items. After savings associations make any necessary changes to their systems and records, OTS estimated that these deposit-related reporting changes would produce an average net increase of 0.4 hours per institution per year in the ongoing reporting burden of the TFR. Nevertheless, when viewing these proposed revisions to the TFR within a larger context, they are intended to maintain the effectiveness of the on- and off-site supervision activities of the OTS, which should help to control the overall regulatory burden on institutions.

## **2. *Use of Information Collected***

OTS uses this information to monitor the condition, performance, and risk profile of individual institutions and systemic risk among groups of institutions and the industry as a whole.

## **3. *Use of Technology to Reduce Burden***

Since 1993, all reporting associations file their TFRs electronically. Electronic transmission has significantly reduced the reporting burden and has improved data quality by reducing transcription errors and providing edit checks at the source of the data entry. OTS internally developed and maintains the electronic filing software and provides it free-of-charge to all savings associations in Microsoft Windows on a CDROM. The electronic software sums totals, brings forward beginning balances, and calculates certain fields, eliminating the need for data entry for approximately 20% of the fields in the TFR. There are over 900 edit checks in the electronic software that allow associations to self-edit their data prior to transmitting the report. The software allows associations to explain any valid deviations from the edits in a memorandum system called "User Notes." These enhancements reduce the amount of time OTS staff has to spend in validating the data and reduce the number of phone calls made to the associations, thus reducing burden on the industry. OTS is currently exploring a web-based data collection application. A web-based application will achieve greater efficiencies in the data collection and report dissemination processes.

## **4. *Efforts to Identify Duplication***

This information collection is not duplicative within the meaning of the PRA and OMB regulations. Information that is similar to or that corresponds to information that could serve OTS's purpose and need in this information collection is not being collected from OTS regulated institutions by any other means or for any other purpose; nor is this information otherwise available in the detail necessary to satisfy the purpose and need for which this collection of information is undertaken. However, the data gathered in this information collection are shared with the other Federal financial institution regulators, state financial institution regulators, and other Federal agencies.

## **5. *Minimizing the Burden on Small Firms***

Although the collection of information affects a significant number of small businesses, OTS does not anticipate that the net economic impact will be large.

## **6. *Consequences of Less Frequent Collection***

Collection of this information less frequently than quarterly would hinder the ability of OTS to monitor the industry and perform its supervisory function.

## **7. *Special Circumstances***

This collection meets the guidelines in 5 C.F.R. Part 1320.

## **8. *Consultation with Persons Outside the OTS***

On July 31, 2006, OTS requested public comment for 60 days (71 FR 43286) on proposed revisions to the Thrift Financial Report (TFR), which is currently an approved collection of information. The notice described regulatory reporting revisions proposed for the TFR, Schedule SC – Consolidated Statement of Condition, Schedule SO – Consolidated Statement of Operations, Schedule LD – Loan Data, Schedule CF – Consolidated Cash Flow Information, Schedule SI – Supplemental Information, Schedule SQ – Consolidated Supplemental Questions, and Schedule HC – Thrift Holding Company. The proposed revisions would eliminate ten line items from the TFR, revise six existing items, add 16 new items, and eliminate confidential treatment of Schedule HC data.

OTS received four comment letters on the July 2006 proposal from the National Association of Home Builders (NAHB), a trade group whose members include savings associations, from the Bureau of Economic Analysis (BEA), an agency of the U.S. Department of Commerce, and from two OTS-supervised savings associations. The BEA was supportive of the proposed changes and indicated the changes would allow it to continue certain data and statistical series derived in part from TFR data.

The NAHB supported the proposed changes and encouraged the addition of line items to collect data on the volume and performance of loans for the development of land for 1-4 family dwelling residential housing, and loans for the development of land for multifamily housing. The NAHB believes this additional reporting detail would assist in improving efficiency and competition in the market for residential acquisition and development loans, and would demonstrate different performance characteristics between construction and land development loans. After careful consideration of the NAHB comments, OTS has decided to consider these additional line items in a future revision of the TFR.

Both comments from savings associations focused on the proposal to eliminate confidential treatment of data filed by individual thrift holding companies on Schedule HC. One savings association commenter suggested permitting filers of Schedule HC data to opt to maintain the confidentiality of the individual company's data, citing competitive concerns and privacy issues.

The other savings association commenter requested maintaining the confidentiality of individual companies' Schedule HC data, citing the already extensive reporting and disclosure requirements of companies with registered securities. This commenter also asserted that much of the consolidated financial information required by Schedule HC is included in the financial statements filed by public savings and loan holding companies with the Securities and Exchange Commission (SEC) pursuant to the Securities Act of 1934. The commenter stated that quarterly parent company only information is not normally available to the public. He noted that parent company only financial data of large bank holding companies collected by the Federal Reserve Board on Form FR Y-9LP may be released by the Board upon special request on an individual basis, but that any data released is limited to financial information.

OTS presently does not publicly release Schedule HC data filed by holding companies. However, public requests are received for these data. In addition, some rating agencies have indicated thrift holding company debt ratings suffer due to the lack of publicly available data. After careful consideration of the comments related to Schedule HC, OTS has decided to maintain the confidentiality of individual company Schedule HC data. OTS-supervised holding companies with outstanding debt rated by the rating agencies, or considering issuing such debt, are encouraged to discuss information needs with the rating agencies.

OTS has considered these comments and has decided to proceed with the proposed changes to Schedules SC, SO, LD, CF, SI, SQ, and HC, but will not eliminate line the confidential treatment of Schedule HC. These changes will become effective on March 31, 2007.

**9. *Payment of Respondents***

OTS provides no payment or gift to respondents.

**10. *Confidentiality***

OTS does not include in the TFR instructions any explicit guarantee of confidentiality of this information. All but a very limited number of TFR data items, are available to the general public. Data from Schedule LD, including the proposed changes, are confidential. Other data revisions proposed in this notice are available to the general public.

**11. *Information of a Sensitive Nature***

The TFR form does not request any information that could be considered personally sensitive.

**12. *Estimate of Annual Burden***

OTS estimates 852 savings associations (“respondents”). The total annual hour burden to the respondents is estimated at 124,733, representing 4 submissions per respondent at 36.6 hours each submission.

$$852 \text{ savings associations} \times 36.6 \text{ hours} = 31,183.2 \text{ hours per response}$$

$$31,183.2 \text{ hours} \times 4 \text{ submissions per year} = 124,733 \text{ hours.}$$

**13. *Estimate of Annual Cost***

The cost to the thrift industry for the reporting burden of quarterly TFR schedules, including the revised schedules, is \$3,117,100.

The burden per report was derived by multiplying the number of items requiring input by the number of reports per year, with appropriate adjustment of especially difficult items. Variation in burden among reporting associations exists depending on the extent to which their activities require an entry in every item requested on the reporting form, the complexity of calculating the entry for an individual association, and the extent to which their own accounting systems conform to the requirements of the reporting form.

**14. *Estimates of Annualized Cost to Government***

The total annualized cost to the federal government will be minimal.

**15. *Reason for Change in Burden***

This submission reflects a slight increase in individual institution burden (from 36.5 to 36.6), and a net increase in total industry burden (from 124,684 to 124,733), despite fewer respondents (from 854 to 852).

**16. *Publication***

OTS publishes a series of statistical reports of aggregate data on a national and geographical area basis. Financial institutions, investment consultants, real estate consultants, brokers, and appraisers as well as other Federal and state government agencies and institutions of higher learning use the publications. These statistical reports are an adjunct to the data collected, which are primarily for supervisory purposes.

**17. *Expiration Date***

OTS has received permission to not display the expiration date on this form. This form is revised and issued annually. The expiration date will not assist the public in determining if this is the correct form to be used when filing with OTS. In addition, OTS distributes copies of the current form to all institutions and other interested parties and posts it on the OTS web site whenever the report is changed.

**18. *Exceptions***

There are no exceptions to the certification statement on OMB Form 83-I.

**B. *COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS***

Not applicable.