

SUPPORTING STATEMENT
OMB Control No. 1550-0023
Thrift Financial Report: March 2007 Revisions

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 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.

Subsequently, on October 31, 2006, the Office of the Comptroller of the Currency (OCC), Board of Governors of the Federal Reserve System (FRB), Federal Deposit Insurance Corporation (FDIC), and OTS (collectively, the agencies) requested comment on proposed revisions to the Call Report and additional changes to the TFR (71 FR 63848). The agencies are jointly proposing reductions in the data required to determine an insured institution's deposit assessment base. For savings associations, data collected would be reduced from eight items to no more than six items. In addition, the FRB requested an addition of two items to the TFR for a more accurate construction of monetary aggregates and monetary policy purposes. These changes will also be implemented with the March 31, 2007, TFR. There were no comments directly relating to these proposed TFR changes.

OTS is submitting the adopted revisions published in both the July 31st and October 31st notices to OMB for review and approval, with the exception of the proposal to eliminate Schedule HC data from confidential treatment. Overall, OTS has 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 herein would slightly decrease, due to a small increase in individual institution burden and a decrease in number of respondents. After savings associations make any necessary changes to their systems and records, OTS estimated that these reporting changes would produce an average net increase of 0.5 hours per institution per year in the ongoing reporting burden of the affected schedules. 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.

Additionally, this submission implements Section 601 of the Financial Services Regulatory Relief Act of 2006 (Relief Act), which removed several statutory reporting requirements relating to insider lending by banks and savings associations. One of these amendments, which became effective on October 13, 2006, eliminated the requirement that an institution include a separate report with its TFR each quarter on any extensions of credit the institution has made to its executive officers since the date of its last TFR. Accordingly, institutions are no longer required to report on such extensions of credit effective December 31, 2006, and the “Special Report” on loans to executive officers, which has been included with the TFR in previous quarters, is being discontinued. Because the reporting burden of this “Special Report” has been included in the burden for the TFR information collections, the agencies have adjusted the burden of these collections in response to this statutory change and the elimination of the reporting requirement.

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*

Changes to Schedules SC, SO, LD, CF, SI, SQ, and HC

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 the confidential treatment of Schedule HC. These changes will become effective on March 31, 2007.

Changes to Schedule DI

On October 31, 2006, the agencies requested comment on proposed revisions to the Call Report and the TFR (71 FR 63848). All four agencies proposed to replace certain information currently collected in the Call Report and TFR for deposit insurance assessment purposes with the information described in proposed amendments to Part 327 of the FDIC's regulations (71 FR 28790, May 18, 2006).¹ The agencies also proposed to revise the information collected in the Call Report and TFR on time deposits, particularly with respect to certain retirement accounts affected by the FDIC's amended deposit insurance regulations.

¹ On November 30, 2006, the FDIC published a final rule amending Part 327 of its regulations to improve and modernize its operational systems for deposit insurance assessments (71 FR 69270).

These revisions to the Call Report and the TFR, which were approved for publication by the FFIEC, were proposed to take effect as of March 31, 2007, and, for certain deposit insurance assessment revisions, March 31, 2008. After considering the comments and other actions since the publication of the proposal, the agencies approved certain modifications to the initial set of proposed revisions. The agencies will move forward with these modified reporting changes on March 31, 2007, and March 31, 2008, as proposed. For the March 31, 2007, report date only, institutions may provide reasonable estimates for any new or revised Call Report or TFR item for which the requested information is not readily available. None of the comments received directly related to the proposed TFR changes.

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 Schedules LD and HC, including the proposed changes, are confidential. Other data revisions proposed in this notice are available to the general public. For a complete listing of TFR confidential data, please see <http://www.ots.treas.gov/docs/7/78196.pdf>.

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 845 savings associations (“respondents”). The total annual hour burden to the respondents is estimated at 123,370, representing 4 submissions per respondent at 36.5 hours each submission.

$$845 \text{ savings associations} \times 36.5 \text{ hours} = 30,842.5 \text{ hours per response}$$

$$30,842.5 \text{ hours} \times 4 \text{ submissions per year} = 123,370 \text{ hours.}^*$$

* This estimate applies to Schedules SC, SO, VA, PD, CC, CF, DI, SI, and SQ only. The proposed total estimated burden for the entire TFR is 193,139 hours. Please refer to the attached chart for burden detail by schedule.

13. Estimate of Annual Cost

The cost to the thrift industry for the reporting burden of these quarterly TFR schedules would be \$3,084,250.

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 decrease in the number of respondents (from 854 to 845) and a slight increase in individual institution burden (from 36.25 to 36.5), resulting in a net decrease in total burden for the TFR (from 123,830 to 123,370).

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.