

**Supporting Statement for the  
Investment in Bank Premises Notification  
(FR 4014; OMB No. 7100-0139)**

**Summary**

The Board of Governors of the Federal Reserve, under delegated authority from the Office of Management and Budget (OMB), proposes to extend for three years, without revision, the mandatory filing requirements associated with the Investment in Bank Premises Notification (FR 4014; OMB No. 7100-0139). The Federal Reserve Act requires a state member bank to seek prior Federal Reserve approval before making an investment in bank premises that exceeds certain thresholds. There is no formal reporting form, and each required request for prior approval must be filed as a notification with the appropriate Reserve Bank of the state member bank. The Federal Reserve uses the information provided in the notice to fulfill its statutory obligation to supervise state member banks. The current annual burden for the FR 4014 is estimated to be eighteen hours.

**Background and Justification**

Under section 24A of the Federal Reserve Act and section 208.21 of Regulation H, a state member bank is required under certain circumstances to obtain prior Federal Reserve approval of its intent to invest in bank premises.<sup>1</sup> A state member bank that is not well capitalized, or would not be so on a pro forma basis, or does not have a composite CAMELS rating of 1 or 2 under the Uniform Financial Institutions Rating System must request prior approval when the bank's pro forma aggregate of all such investments, together with any indebtedness of affiliates of the bank related to bank premises (aggregate investment level), would exceed 100 percent of the bank's capital stock and surplus, as defined in section 208.21(a) (2) and (3) of Regulation H. A state member bank that is well capitalized, would remain so on a pro forma basis, and has a composite CAMELS ratings of 1 or 2 must request prior approval when its aggregate investment level would exceed 150 percent of the bank's capital stock and surplus. The Federal Reserve System uses the information in the notification to determine if the proposal is financially sound and consistent with the public interest.

**Description of the Information Collection**

There is no required format for a notification of a proposed investment in bank premises. If a state member bank is not exempted from seeking prior approval (under the criteria described above), the state member bank must send a letter to the appropriate Reserve Bank that contains information such as the purpose, amount, and funding source of the proposed investment; a general description of the overall bank premises project; and current and pro forma financial statements.

A notification is filed with the appropriate Reserve Bank, which as part of its review would evaluate the bank's general financial condition using examination reports and recent

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<sup>1</sup> The Board has determined that state member banks may make investments in offsite facilities without regard to the investment limitation.

financial data. The percentage of capital and surplus (as defined in Regulation H) that would be represented by the bank's total investment in bank premises is also calculated. The Reserve Bank may approve the notification in writing under delegated authority if the Reserve Bank is satisfied that approval is warranted.<sup>2</sup> In an instance where significant issues are raised, a Reserve Bank would forward the notification to the Board for appropriate action. Action would then be taken by the Board or the Director of the Board's Division of Banking Supervision and Regulation. An investment in bank premises notification may be denied by the Board if the bank's financial condition is unsatisfactory or if the resultant investment in bank premises would adversely affect the bank's condition or otherwise represent an inappropriate level of risk.

### **Time Schedule for Information Collection**

This information collection is event generated. The notification must be filed prior to a state member bank making an investment in bank premises that results in its total bank premises investment exceeding 100 percent of its capital and surplus as defined in Regulation H, or exceeding 150 percent of its capital and surplus if the bank has a satisfactory CAMELS rating, is well capitalized, and would continue to be well capitalized on a pro forma basis (section 208.21(a)(3)(i) and (ii) of Regulation H). The Federal Reserve usually completes the processing of a notification within fifteen days of its receipt. If the bank is notified by the end of the 15-day notice period that further review is necessary, processing would normally be completed within thirty days of receipt of the notice. There is no publication requirement for this type of notification.

### **Legal Status**

The Board's Legal Division determined that 12 U.S.C. 371d(a) authorizes the Board to require this notification and that the individual respondent information in the notification is generally not considered confidential.

### **Consultation Outside the Agency**

On April 2, 2007, the Federal Reserve published a notice in the *Federal Register* (72 FR 15692) requesting public comment for 60 days on the extension, without revision, on the Investment in Bank Premises Notification. The comment period for this notice expires on June 1, 2007.

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<sup>2</sup> Under the Board's Rules Regarding Delegation of Authority, the Director of the Board's Division of Banking Supervision and Regulation may approve the notification if the Reserve Bank concludes that it should not take action. In addition, the Secretary of the Board acts on the notification when a director or senior officer of the state member bank applicant or its parent holding company serves as a director of a Reserve Bank or a Reserve Bank branch.

### Estimate of Respondent Burden

The estimated annual reporting burden for the FR 4014 is based on the average number of respondents in 2004, 2005, and 2006. The respondent burden is estimated to average one-half hour per response. The present annual burden is estimated to be eighteen hours, which is less than 1 percent of the total Federal Reserve System burden.

	<i>Number of respondents</i>	<i>Annual frequency</i>	<i>Estimated response time</i>	<i>Estimated annual burden hours</i>
FR 4014	36	1	0.5	18

The total estimated annual cost to the public is \$855.<sup>3</sup>

### Sensitive Questions

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

### Estimated Cost to the Federal Reserve System

Annual costs associated with providing the instructions for this notice are negligible. There are no mailing or printing costs incurred by the Federal Reserve in administering this notice.

<sup>3</sup> Total cost to the public was estimated using the following formula. Percent of staff time, multiplied by current annual burden hours, multiplied by hourly rate: 25% - Clerical @ \$25 and 75% - Managerial or Technical @ \$55. Hourly rate estimates for each occupational group are averages using data from the Bureau of Labor and Statistics, *Occupational Employment and Wages*, news release.