

SUPPORTING STATEMENT
REAL ESTATE LENDING STANDARDS
(OMB No. 3064-0112)

INTRODUCTION

The FDIC is requesting approval to continue OMB approval for the above-captioned collection of information, which consists of recordkeeping requirements contained in the FDIC Rules and Regulations at 12 CFR 365. The current clearance for the collection expires on October 31, 2007.

A. JUSTIFICATION

1. Circumstances and Need

Section 1828(o) of the Federal Deposit Insurance Act requires each federal banking agency to adopt uniform regulations prescribing real estate lending standards. Part 365 of the FDIC Rules and Regulations, which implements section 1828(o), requires institutions to have real estate lending policies that include (a) limits and standards consistent with safe and sound banking practices; (b) prudent underwriting standards, including loan-to-value ratio (LTV) limits that are clear and measurable; (c) loan administration policies; (d) documentation, approval and reporting requirements; and (e) a requirement for annual review and approval by the board of directors. The rule also establishes supervisory LTV limits and other underwriting considerations in the form of guidelines. Since banks generally have written policies on real estate lending, the additional burden imposed by this regulation is limited to modifications to existing policies necessary to bring those policies into compliance with the regulation and the development of a system to report loans in excess of the guidelines to the board of directors.

2. Use of the Information Collected

Institutions will use the lending policies to guide their lending operations in a manner that is consistent with safe and sound banking practices and appropriate to their size and nature and scope of their operations. These policies should address certain lending considerations, including loan-to-value limits, loan administration policies, portfolio diversification standards, and documentation, approval, and reporting requirements. The agencies will use this information in their examination of institutions to ensure that the real estate loans made by those institutions are consistent with existing statutory and regulatory criteria, with principles of safety and soundness, and with relevant policy guidance.

3. Use of Technology to Reduce Burden

Banks may use any technology they wish in order to lessen the burden of meeting this recordkeeping requirement.

4. Effort to Identify Duplication

To the extent that banks already have policies in place that comply with the requirements of the proposal, no new policies would be necessary. Generally, this requirement would be a supplement to a bank's existing loan policies. Institutions that have comprehensive policies that satisfy the requirements of this collection have no additional burden other than periodic reports to the board. Many institutions have made modifications to their existing policies to cover the requirements of the regulation.

5. Minimizing the Burden on Small Entities

Small banks generally have a more narrow range of real estate loan products and a less complex loan portfolio and loan approval process. The loan policy required is commensurate with the type and complexity of the loans granted by the institutions.

6. Consequence of Less Frequent Collections

This is a recordkeeping requirement.

7. Special Circumstances

None.

8. Consultation with Persons Outside the FDIC

A "first" Federal Register notice seeking comment was published on August 29, 2007 (72 FR 49720). No comments were received.

9. Payment or Gift to Respondents

None.

10. Confidentiality

This collection imposes no special confidentiality requirements.

11. Information of a Sensitive Nature

This collection contains no sensitive information.

12. Estimates of Hour Burden and Annualized Cost

Hour Burden

Number of Recordkeepers	5,300
Number of Responses per Recordkeeper	1
Total Annual Responses	5,300
Average hours per Recordkeeper	20
Total Annual Burden Hours	106,000

Annualized Cost

FDIC: None	
Banks: Number of Recordkeepers	5,300
Total Annual Responses	5,300
Hours per Recordkeeper	20
Total Annual Burden Hours:	106,000

Cost: 106,000 hours X \$25 per hour= \$2,650,000

13. Capital, Start-Up and Maintenance Costs

None.

14. Estimated Annual Cost to the Federal Government

None.

15. Reason for Change in Burden

There is no change in burden.

16. Publication

No publication is made of the information.

17. Display of Expiration Dates

Not applicable.

18. Exceptions to Certification

None.

Related documents

1. Statutory mandate, 12 USC 1828(o)
2. Regulatory mandate, 12 CFR 365
3. “First” *Federal Register* notice; “second” *Federal Register* notice