

SUPPORTING STATEMENT  
APPLICATION FOR MUTUAL TO STOCK CONVERSION  
OMB Control Number: 1550-0014

A. JUSTIFICATION

1. Circumstances and Need

Sections 5(i) (standard conversions) and 5(p) (supervisory conversions) of the Home Owners' Loan Act (HOLA) authorize mutual to stock conversions. When a mutual association converts to a stock institution, the mutual members lose their ownership interests in the institution. Because the United States Constitution prohibits the taking of property without due process, the regulations governing mutual to stock conversions (12 CFR Part 563b) require that the property rights of the converting association's members be protected.

Institutions planning to convert from mutual to stock form must first obtain approval from the Office of Thrift Supervision (OTS) by submitting an Application for Conversion (Form AC) (12 CFR 563b.150). OTS determines from the conversion application whether the conversion will be fair and equitable to the mutual institution's members.

On August 9, 2002, OTS amended its regulations governing conversions from mutual to stock form. The new regulation reduced the number of copies that must be filed for conversion applications from 10 to 7 (12 CFR 563b.155), set forth criteria for business plans (12 CFR 563b.105) and for institutions desiring to set up charitable foundations at the same time they are converting (12 CFR 563b.15), and moves Form AC, Form PS, Form OC and Form OF from the regulations to the OTS Website. Also, the number of years that newly converted institutions must wait before filing notices or applications with OTS to repurchase their stock was reduced from three years to one (12 CFR 563b.510).

Mutual members cannot make an informed decision on whether to surrender their property rights in the converting association unless they are provided with full and accurate disclosure of the transaction; this information is provided through the Proxy Statement (Form PS) (12 CFR 563b.255). The Federal securities laws, which are enforced by the Securities and Exchange Commission (SEC), require that prospective stock purchasers be given full and accurate disclosure concerning the investment and the financial health of the institution issuing the securities. This information is provided through the Offering Circular (Form OC) as provided in 12 CFR 563b.300.

In addition, all converting institutions are required to submit a business plan that must be approved by the Regional Director as provided in 12 CFR 563b.105. OTS believes that the converting institutions should be required to demonstrate how they plan to prudently deploy and utilize the conversion proceeds. Submission of a full appraisal is required, as governed by 12 CFR 563b.200.

Voluntary Supervisory Mutual to Stock Conversions

The OTS Director may authorize a voluntary supervisory conversion if it is determined that “severe financial conditions threaten [the] stability [of an association] and a conversion is likely to improve [the] financial condition” (12 CFR 563b.625). Guidelines for voluntary supervisory conversions are found in Subpart B of 12 CFR Part 563b.

### Third Party Requirements

After the adoption of a plan of conversion by its board of directors, the association shall notify its members of such action by publishing a statement in a newspaper having general circulation in each community in which an office of the savings association is located and/or by mailing a letter to each of the members (12 CFR 563b.180). Appraisals shall be prepared by persons independent of the applicant (12 CFR 563b.200(b)(1)).

#### 2. Use of Information Collected

The OTS staff makes an in-depth study of all information furnished in the application in order to determine the safety and soundness of the proposed stock conversion. The purpose of the information collection is to provide OTS with the information necessary to determine if the proposed transaction may be approved. If the information required were not collected, OTS would not be able to properly evaluate whether the proposed transaction was acceptable. The information collection allows OTS to evaluate the merits of the proposed conversion plan and application in light of applicable statutory and regulatory criteria.

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

This information collection is not amenable to reduction through improved technology.

#### 4. Efforts to Identify Duplication

There is no information requested on the forms that is collected by OTS in any other way.

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

The information collection does not differentiate information requirements on the basis of an institution’s size since OTS is responsible for evaluating all aspects of the conversion, regardless of the applicant’s size.

#### 6. Consequences of Less Frequent Collection

The information is required only when an association applies to convert from a mutual institution to a stock institution. It would be impossible for the OTS to evaluate the proposed activity if the required information were not submitted.

#### 7. Special Circumstances

The information collection is conducted in accordance with 5 CFR 1320.6. There are no specific recordkeeping requirements imposed by this information collection.

8. Consultation with Persons Outside the OTS

Notice of intent to renew this information collection was published in the Federal Register on January 28, 2008 (73 FR 4950). OTS did not receive any comments.

9. Payment of Respondents

OTS provides no payment or gift to respondents.

10. Confidentiality

All submissions by a converting association are a matter of public record and no assurance of confidentiality is required.

11. Information of a Sensitive Nature

No question of a sensitive nature is required by the information collection.

12. Estimate of Annual Hour Burden

The estimated total annual hour burden to the respondents is 7,140 hours, representing 14 application submissions at 510 hours per application.

13. Estimate of Annual Cost

The total annual cost to the respondents is estimated below:

			<u>Number of Applications Filed</u>	<u>Total</u>
a) Newspaper Fees:				
Average lines of information	21			
Cost per line	<u>\$ 14</u> = \$294	x	14	\$ 4,116.00
b) Conversion preparation of				
510 hours at \$150 an hour		x	14	1,071,000.00
c) Outside Accountant Fees				
required by regulation for:				
(1) appraisal preparation at				
\$20,000		x	14	280,000.00
(2) proxy statement preparation				
at \$13,000		x	14	182,000.00
			<u>Number of Applications Filed</u>	<u>Total</u>
d) Application Filing Fees:				
Standard conversions - \$10,000		x	2	20,000.00
Conversions with associated holding				
company applications - \$18,000		x	11	198,000.00
Supervisory Conversion - \$12,000		x	1	12,000.00
Total				\$1,767,116.00

14. Estimates of Annualized Cost to Government

It is estimated that the total annualized cost to the government is minimal because: 1) this information is already being collected and evaluated for the associations that wish to convert to stock form; 2) there will not be any computer costs or other equipment costs; and 3) no new employees will be hired to evaluate the information.

15. Reason for Change in Burden

The increase in burden of 3,570 hours is due to an adjustment due to an increase in respondents.

16. Publication

Not applicable.

17. Expiration Date

OTS will display the OMB Approved Number and the expiration date.

18. Exceptions

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

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.