



"FEDERAL HOME LOAN BANK DIRECTORS"

OMB NUMBER 3069-0002

SUPPORTING STATEMENT

A. Justification

1. Section 7 of the Federal Home Loan Bank Act (Bank Act) (12 U.S.C. § 1427) and the Federal Housing Finance Board (Finance Board) implementing regulation, codified at 12 C.F.R. part 915, establish the eligibility requirements and the procedures for electing and appointing Federal Home Loan Bank (Bank) directors. Under part 915, the Banks determine the eligibility of elective directors and director nominees and run the annual director election process. To determine eligibility, the Banks use the Federal Home Loan Bank Elective Director Eligibility Certification Form, which has not changed since the information collection was last cleared in 2004.

In 2007, the Finance Board published two rules affecting the eligibility and selection of appointive Bank directors. The first rule, published in April 2007, requires the boards of directors of the Banks to submit to the Finance Board a list of individuals that includes information regarding each individual's eligibility and qualifications to serve as a Bank director. The Finance Board uses the list provided by each Bank to select well-qualified individuals to serve on the Bank's board of directors. *See* 72 Fed. Reg. 15600 (Apr. 2, 2007). The second rule, published in June 2007, clarifies the types of financial interests an appointive Bank director may maintain in a member of the Bank on whose board the director serves. *See* 72 Fed. Reg. 33637 (June 19, 2007). As a result of these regulatory changes, the Finance Board revised the form the Banks and the Finance Board use to determine whether prospective appointive directors satisfy the statutory and regulatory eligibility requirements and renamed it the Federal Home Loan Bank Appointive Director Application Form (Application Form). The revised Application Form asks individuals for information about their background and qualifications to serve as an appointive Bank director as well as compliance with statutory and regulatory eligibility requirements. It also conforms the information about prohibited financial interests to the new rule. In addition, to reduce the burden on incumbent appointive directors, the Finance Board created a new Federal Home Loan Bank Appointive Bank Director Annual Certification Form (Annual Form) that allows individuals simply to certify that they continue to meet the director eligibility requirements.

2. The Finance Board uses the information collection contained in the Application and Annual Forms and part 915 to determine whether prospective and incumbent appointive Bank directors satisfy the statutory and regulatory eligibility and reporting requirements. The Banks use the information collection in the Elective Director Form and part 915 to determine whether elective directors and director nominees satisfy the statutory and regulatory eligibility and reporting requirements. Only individuals meeting these requirements may serve as Bank directors. *See* 12 U.S.C. § 1427(a).



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3. The information collection does not involve the use of automated, electronic, mechanical or other technological collection techniques or other forms of information technology. The rules require original signatures of the individuals completing the Bank Director Forms.
4. The Finance Board has revised the Application Form to ask individuals for information about their background and qualifications to serve as an appointive Bank director as well as compliance with statutory and regulatory eligibility requirements. It also conforms the information about prohibited financial interests to the new rule. To reduce the burden on incumbent appointive directors, the new Annual Form allows individuals simply to certify that they continue to meet the director eligibility requirements. The information requested on all three Bank Director Forms is not available from any other source.
5. The information collection does not have a significant economic impact on a substantial number of small entities. The regulation implements statutory requirements and is applicable to all individual respondents and all Bank members regardless of their size. The Finance Board does not have the authority to make adjustments to the statutory requirements to accommodate small entities.
6. If the information were not collected at the times specified in part 915 or the Bank Director Forms, the Finance Board would be unable to determine whether prospective and incumbent appointive directors, and the Banks would be unable to determine whether elective directors and director nominees satisfy the statutory and regulatory eligibility and reporting requirements. Only individuals meeting these requirements may serve as Bank directors. *See* 12 U.S.C. § 1427.
7. There are no special circumstances that would require the Finance Board to conduct the information collection in a manner inconsistent with the guidelines provided in Question 7.
8. In accordance with the requirements of 5 C.F.R. § 1320.8(d), the Finance Board published a request for public comments regarding this information collection in the *Federal Register* on August 8, 2007. *See* 72 Fed. Reg. 44540 (Aug. 8, 2007). During the 60-day comment period, which closed on October 9, 2007, the Finance Board received two public comments, one from a trade association that represents community banks and one from a Bank. The trade association supported the use of the new and revised Forms, believing that the Application Form will elicit valuable information about applicant's skills and the Annual Form will reduce the reporting burden on incumbent directors. The Bank suggested several changes that the Finance Board adopted. On the Annual Form, the Finance Board clarified the instructions to make clear that prohibited relationships between a director and a Bank or any member of the director's Bank, also apply to such relationships with the director's spouse or minor children. On the Application Form, the Finance Board made clear that an appointive director may not serve as an officer of any Bank and that the provisions on a director's contractual rights to the payment of money apply also to the director's spouse. The Finance Board also deleted the reference to interests held through a trust or other similar arrangement from the definition of "indirect" since this type of financial interest does not disqualify an individual from being appointed as a Bank director.



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- 9. No payment or gift will be provided to any respondent.
- 10. The Finance Board and Banks maintain the confidentiality of information obtained from respondents as required by applicable statute, regulation or agency policy.
- 11. There are no questions of a sensitive nature in the information collection.
- 12. The Finance Board has analyzed the cost and hour burden to determine the eligibility of elective directors and director nominees and run the annual director election process, and to appoint Bank directors. The aggregate total annual cost and hour burden for the information collection is as follows:

	<u>Finance Board</u>	<u>Banks</u>	<u>Members</u>	<u>Applicants/ Incumbents</u>	<u>TOTAL</u>
Cost:	\$9,090	\$268,392	\$255,850	\$83,181	\$616,513
Hours:	101	3156	1075	349.5	4681.5

The method the Finance Board used to determine the annual cost and hour burden is explained in detail below.

I. Elections and Elective Directors

The Finance Board based the calculations upon an annual average of 4,000 voting members, 100 prospective elective directors out of 300 individuals the Banks consider, and 80 incumbent elective directors. The aggregate total annual cost and hour burden is as follows:

	<u>Finance Board</u>	<u>Banks</u>	<u>Members</u>	<u>Applicants/ Incumbents</u>	<u>TOTAL</u>
Cost:	\$0	\$188,424	\$255,850	\$16,660	\$460,934
Hours:	0	2,820	1,075	70	3,965

A. Finance Board's Annualized Burden – Elections and Elective Directors

The Finance Board incurs no costs because the Banks run the director election process and review all Elective Director Forms.

B. Banks' Annualized Burden – Elections and Elective Directors

The estimated annualized cost for the Banks to conduct the election of directors and to process Elective Director Eligibility Certification Forms is \$188,424. The estimated annualized hour burden is 2,820 hours (12 Banks x 235 hours = 2,820 hours). These estimates are based on the following calculations:



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Administrative staff prepares and sends a director election announcement to members.

- ◆ Processing time: .1 hours
- ◆ Total announcements: 8,700
- ◆ Total hours: 870
- ◆ Hourly rate: \$60 (includes salary, benefits, and overhead)
- ◆ Total cost: \$52,200

Administrative staff prepares and sends a nomination notice and an Elective Director Form to each individual nominated as a candidate for election.

- ◆ Processing time: .5 hours
- ◆ Total announcements: 200
- ◆ Total hours: 100
- ◆ Hourly rate: \$60 (includes salary, benefits, and overhead)
- ◆ Total cost: \$6,000

Legal staff reviews each Elective Director Form to confirm the nominee's statutory and regulatory eligibility.

- ◆ Review time: .25 hours
- ◆ Total Forms: 175
- ◆ Total hours: 44
- ◆ Hourly rate: \$60 (includes salary, benefits, and overhead)
- ◆ Total cost: \$2,640

Administrative staff prepares and send an election ballot to members.

- ◆ Processing time: .1 hours
- ◆ Total ballots: 6,000
- ◆ Total hours: 600
- ◆ Hourly rate: \$60 (includes salary, benefits, and overhead)
- ◆ Total cost: \$36,000

Administrative staff tabulates election results.

- ◆ Processing time: .05 hours
- ◆ Total ballots: 4,000
- ◆ Total hours: 200
- ◆ Hourly rate: \$60 (includes salary, benefits, and overhead)
- ◆ Total cost: \$12,000



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Management reviews election reports and declares nominees elected.

- ◆ Review/processing time: 2 hours
- ◆ Total reports: 48
- ◆ Total hours: 96
- ◆ Hourly rate: \$238 (includes salary, benefits, and overhead)
- ◆ Total cost: \$22,848

Administrative staff prepares and sends an election report to the Finance Board, each nominee, and each member in the Bank district.

- ◆ Processing time: .1 hours
- ◆ Total reports: 8,866
- ◆ Total hours: 887
- ◆ Hourly rate: \$60 (includes salary, benefits, and overhead)
- ◆ Total cost: \$53,220

Legal staff reviews each annual update to the Elective Director Form submitted by an incumbent elective director to confirm compliance with statutory and regulatory eligibility requirements.

- ◆ Review time: .1 hours
- ◆ Total Forms: 110
- ◆ Total hours: 11
- ◆ Hourly rate: \$60 (includes salary, benefits, and overhead)
- ◆ Total cost: \$660

Management completes process for filling vacant elective directorships.

- ◆ Review/processing time: 2 hours
- ◆ Total vacant directorships: 6
- ◆ Total hours: 12
- ◆ Hourly rate: \$238 (includes salary, benefits, and overhead)
- ◆ Total cost: \$2,856

C. Members Annualized Burden – Elections and Elective Directors

The estimated annualized cost for all Bank members to participate in the election of Bank directors, including considering elective director candidates and casting votes, is \$255,850. The estimated annualized hour burden is 1,075 hours. These estimates are based on the following calculations:



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Each voting member reviews the election announcement and prepares, certifies, and returns a nominating certificate to the Bank.

- ◆ Review/processing time: .25 hours
- ◆ Total announcements/nominating certificates: 300
- ◆ Total hours: 75
- ◆ Hourly rate: \$238 (includes salary, benefits, and overhead)
- ◆ Total cost: \$17,850

Member reviews, executes, and returns the election ballot to the Bank.

- ◆ Review/processing time: .25 hours
- ◆ Total notices/ballots: 4,000
- ◆ Total hours: 1,000
- ◆ Hourly rate: \$238 (includes salary, benefits, and overhead)
- ◆ Total cost: \$238,000

**D. Incumbent and Prospective Directors' Annualized Burden –
Elections and Elective Directors**

The estimated annualized cost for all prospective and incumbent elective directors is \$16,660. The estimated annualized hour burden is 70 hours. These estimates are based on the following calculations:

Elective director nominee reviews the nomination notice and completes and submits the Elective Director Form to the Bank.

- ◆ Review/processing time: .5 hours
- ◆ Total notices/Forms: 100
- ◆ Total hours: 50
- ◆ Hourly rate: \$238 (includes salary, benefits, and overhead)
- ◆ Total cost: \$11,900

Each incumbent elective director completes and submits to the Bank an annual update to the Elective Director Form.

- ◆ Processing time: .25 hours
- ◆ Total Forms: 80
- ◆ Total hours: 20
- ◆ Hourly rate: \$238 (includes salary, benefits and overhead)
- ◆ Total cost: \$4,760



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II. Appointive Directors

The Finance Board based the calculations upon an annual average of 84 prospective appointive directors and 55 incumbent appointive directors. The aggregate total annual cost and hour burden is as follows:

	<u>Finance Board</u>	<u>Banks</u>	<u>Members</u>	<u>Prospective/ Incumbents</u>	<u>TOTAL</u>
Cost:	\$9,090	\$79,968	\$0	\$66,521	\$155,579
Hours:	101	336	0	279.5	716.5

A. Finance Board's Annualized Burden – Appointive Directors

The estimated annualized cost to the Finance Board to complete the Bank director appointment process is \$9,090. The estimated annualized hour burden is 101 hours. These estimates are based on the following calculations:

Staff reviews each Application Form to ensure compliance with statutory and regulatory eligibility requirements and implements process for filling open appointive directorships.

- ◆ Review/Processing time: 1.5 hours
- ◆ Total Forms: 49
- ◆ Total hours: 73.5
- ◆ Hourly rate: \$90 (includes salary, benefits, and overhead)
- ◆ Total cost: \$3,780

Staff reviews each Annual Form submitted by an incumbent appointive director to ensure compliance with statutory and regulatory eligibility and reporting requirements.

- ◆ Review time: .5 hours
- ◆ Total Forms: 55
- ◆ Total hours: 27.5
- ◆ Hourly rate: \$90 (includes salary, benefits, and overhead)
- ◆ Total cost: \$2,475

B. Banks' Annualized Burden – Appointive Directors

The estimated annualized costs for the Banks to recruit, review, and recommend individuals to be appointed as Bank directors is \$79,968. The estimate for the average hour burden for all Banks is 336 hours (12 Banks x 28 hours). These estimates are based on the following calculations:



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The Bank's board of directors recruits individuals, reviews their qualifications, and submits recommendations to the Finance Board.

- ◆ Review/Processing time: 4 hours
- ◆ Total Candidates: 84
- ◆ Total hours: 336
- ◆ Hourly rate: \$238 (includes salary, benefits, and overhead)
- ◆ Total cost: \$79,968

C. Members Annualized Burden -- Appointive Directors

Bank members incur no costs because the Banks nominate appointive director candidates and the Finance Board runs the director appointment process.

D. Incumbent and Prospective Directors' Annualized Burden -- Appointive Directors

The estimated annualized cost for all prospective and incumbent appointive directors is \$66,521. The estimated annualized hour burden is 279.5 hours. These estimates are based on the following calculations:

Appointive director candidate completes the Application Form and submits it to the Bank or Finance Board.

- ◆ Processing time: 3 hours
- ◆ Total Forms: 84
- ◆ Total hours: 252
- ◆ Hourly rate: \$238 (includes salary, benefits, and overhead)
- ◆ Total cost: \$59,976

Each incumbent appointive director completes and submits the Annual Form to the Bank.

- ◆ Processing time: .5 hours
- ◆ Total Forms: 55
- ◆ Total hours: 27.5
- ◆ Hourly rate: \$238 (includes salary, benefits, and overhead)
- ◆ Total cost: \$6,545

13. There are no start-up costs for the director election program because all of the Banks have completed implementation. The estimated annual cost to the Banks for maintenance and support of the computer software to run the director election program is \$96,000.

14. The estimated annual cost burden to the Federal government is \$9,090. The method used to determine these costs is discussed in detail under Question 12.



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15. The hourly rates have been adjusted to reflect a 3% annual cost-of-living increase since 2004.
16. The Finance Board will not publish the results of this information collection.
17. The Finance Board plans to display the expiration date for OMB approval.
18. There are no exceptions to the certification statement identified in Item 19.

B. Collection of Information Employing Statistical Methods

The information collection does not employ statistical methods.

Attachments