

**Supporting Statement for Paperwork Reduction Act Submission
Corporate Credit Unions
OMB Control Number 3133-0129**

For a Collection of Information by the National Credit Union Administration

A. Justification

1. Explain the circumstances that make the collection of information necessary. Identify any legal or administrative requirements that necessitate the collection. Attach a copy of the appropriate section of each statute and of each regulation mandating or authorizing the collection of information.

NCUA has established and regulates corporate credit unions pursuant to its authority under Sections 116, 120, 201, and 209 of the Federal Credit Union Act, 12 U.S.C. 1762, 1766(a), 1781, and 1789. The agency is proposing amendments to its rule governing corporate credit unions, codified at 12 CFR Part 704, to address issues pertaining to corporate capital standards, prompt corrective action, investment authorities, asset liability management, credit union service organization requirements, and corporate governance. These proposed changes are designed to work collectively to strengthen corporates and the corporate system. A copy of the proposed rule is attached.

2. Indicate how, by whom, how frequently, and for what purpose the information is to be used. Except for a new collection, indicate the actual use the agency has made of the information received from the current collection.

The information will be used by corporate credit union management and staff in making critical operational decisions on an ongoing basis. The proposal enhances and supplements the type of data and analysis that the rule currently requires, and as such is the type of information that should be routinely obtained and analyzed by financial institutions with the asset composition exhibited in most corporate credit unions. Shifts in market conditions, even those that are subtle in nature, can have a profound impact on the condition of a corporate credit union. As proposed, the enhancements will supplement the rules current requirements and should continue to allow corporate credit unions the ability to make informed decisions and take corrective action before a negative market trend causes a significant impact on the financial or operational condition of the institution. Additionally, the information will be utilized by NCUA during the annual examination and the ongoing supervision process. It is essential for NCUA in carrying out its mission to ensure the safety and soundness of the credit union system and prevent losses to the National Credit Union Share Insurance Fund to have access to contemporary and comprehensive financial information on corporate credit unions.

3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g. permitting electronic submission of responses, and the basis for the decision for adopting this means of collection. Also describe any consideration of using information technology to reduce burden.

Corporate credit unions may use any available information technology to satisfy the information collection requirements.

4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in Item 2 above.

The information collection is unique to corporate credit unions and is not duplicated from another information collection source.

5. If the collection of information impacts small businesses or other small entities (item 5 of OMB Form 83-I), describe any methods used to minimize burden.

The collection of information impacts only corporate credit unions. These institutions range in asset size from \$120 million to \$28 billion. Small business or other small entities are not impacted.

6. Describe the consequences to Federal program or policy activities if the collection is not conducted or is conducted less frequently, as well as any technical or legal obstacles to reducing burden.

NCUA developed the proposal in response to the devastating impact that the current economic and financial crisis affecting the country has had on the corporate credit union system. Requiring new capital standards and the development of capital restoration plans to address and implement them, as well as imposing new requirements concerning the accumulation of retained earnings, are of paramount importance in assuring that corporate credit unions operate in a safe and sound condition, as are the other conditions pertaining to capital. Recent events have demonstrated the importance of monitoring the value of investments, and the proposal's enhancements in this area are likewise of critical importance. The same is true of the proposed requirements concerning asset-liability monitoring and testing. The provisions relating to corporate governance are designed to assure that corporate credit union members and the NCUA are aware of the financial arrangements in place affecting credit union management, including annual and extraordinary arrangements concerning compensation. As with the other information collection elements in the current rule, these enhancements are of critical importance to Federal program and policy initiatives. Without the ability to review and analyze the type of information that is required by the regulation, corporate credit union management and Federal supervisors would not be guaranteed the

availability of timely, comprehensive information. The lack of such information could jeopardize the ability of corporate credit union management to make appropriate decisions, and could hamper NCUA's ability to implement timely corrective measures. In either case, the potential impact could cause a crisis within the credit union system and could imperil the National Credit Union Share Insurance Fund.

7. Explain any special circumstances that would cause an informational collection to be conducted in a manner inconsistent with 5 CFR 1320.5(d)(2).

None. The collection is conducted within OMB's guidelines.

8. Describe efforts to consult with persons outside the agency.

Request for public comments was published in the Federal Register. In addition, the agency conducted three "town hall" meetings, open to the public, in which agency officials previewed the proposal in person and responded to questions from members of the public, including trade associations and representatives of the credit union industry. The agency anticipates holding additional meetings of this type around the country during the comment period.

9. Explain any decision to provide any payment or gift to respondents, other than remuneration of contractors or grantees.

No payments or gifts have been provided respondents.

10. Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or agency policy.

No assurance of confidentiality is provided.

11. Provide additional justification for any questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private. This justification should include the reasons why the agency considers the questions necessary, the specific uses to be made of the information, the explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their consent.

An aspect of the proposal calls for the disclosure to credit union members of information concerning the compensation arrangements for certain senior level executive officers of the corporate credit union. As noted in the preamble to the rule, the agency in proposing this disclosure obligation conducted a balancing of privacy interests against the ownership and financial interests of members. The basic question presented is whether an increased level of transparency would strengthen cooperative principles and accountability, and if so, whether those benefits outweigh the damage to individual privacy interests of the affected executives. In the corporate context particularly, the agency believes this balance can and should be struck in favor of increased

transparency and disclosure to members. The member-owners of a corporate credit union have a strong financial interest in the corporate. The typical corporate member has large investments in the corporate and much of this investment is at risk, either in the form of perpetual contributed capital, nonperpetual contributed capital, or uninsured shares. The corporate member needs to have this investment properly managed and protected. Accordingly, the member wants the corporate to provide proper financial incentives to its managers and official to do a good job while ensuring that the corporate is also properly expending its funds -- and both these interests are affected by compensation paid to corporate executives and officials. Corporate managers and officials, of course, do have privacy interests in their compensation, but those interests diminish the more senior the manager and the more responsibility the manager or official has for the performance of the corporate and for the attendant protection of the financial interests of the corporate's owners. The agency concludes the interests that corporate members have in this compensation information outweighs any privacy interests the senior managers may have in that information.

12. Provide estimates of hour burden.

There are currently 28 corporate credit unions that will be subject to the paperwork burden contained in the draft proposed rule.

Estimated PRA burden: capital and PCA requirements.

NCUA has determined that the following capital and PCA aspects of the proposed rule either modify or create new information collection requirements:

- The current rule imposes an obligation on a corporate to prepare and submit a capital restoration plan in the event the corporate's capital falls below certain specified measures. The proposed rule creates several new capital standards and requirements, and thereby increases the potential for additional circumstances under which a capital restoration plan, or revisions to a plan already submitted, may be required.
- Beginning with the first call report submitted by a corporate three years after the date of the final rule, if the ratio of the corporate's retained earnings to moving daily average net assets is less than .45 percent, the corporate must prepare and submit to NCUA a retained earnings accumulation plan. The plan must explain how the corporate intends to accumulate earnings sufficient to meet the minimum leverage ratio requirements established by the rule within the time frames set forth in the rule.
- The proposal generally requires a corporate to obtain the prior approval of NCUA before permitting the early redemption of any contributed capital.
- The proposal requires a corporate to notify NCUA within fifteen days after any material event has occurred that would cause the corporate to be placed in a lower capital category from the category assigned to it on the basis of the corporate's most recent call report or report of examination.

The NCUA estimates the burden associated with these capital and PCA information collections as follows.

The new capital standards will apply uniformly to all twenty-eight corporates. NCUA estimates that approximately twenty corporates will be required to prepare new or revised capital restoration plans in the coming year, and that the effort to prepare or revise a plan will involve fifty hours: 20 corporates x 50 hours = 1000 total hours.

NCUA estimates that three corporates will be required to prepare retained earnings accumulation plans, and that the effort to prepare such a plan will involve fifty hours: 3 corporates x 50 hours = 150 total hours.

NCUA estimates ten corporates may have to notify NCUA about requests to redeem contributed capital, but that the burden of preparing and sending such a notice would be minimal: 10 corporates x 1 hour = 10 hours.

Similarly, NCUA anticipates that ten corporates may be required to notify NCUA about changes affecting their category under the prompt corrective action provisions of the rule; again, the burden of preparing the notice is minimal: 10 corporates x 1 hour = 10 hours.

Estimated PRA burden: investment requirements.

With respect to investments, the proposal requires that at least 90 percent of a corporate's investments have NRSRO ratings, increasing the associated PRA burden.

The change applies to all corporates, and NCUA estimates that all twenty-eight will be required to acquire additional ratings as part of their due investment due diligence. This effort should entail a minimal expenditure of time: 28 corporates x 2 hours = 56 hours.

Given the change in how NRSRO ratings are used, NCUA estimates that approximately ten corporates will encounter downgrades affecting their investments, which will trigger new investment action plans or amended investment action plans. Developing an investment action plan can take as much as twenty hours, with the following burden: 10 corporates x 20 hours = 200 hours.

Estimated PRA burden: ALM requirements.

With respect to asset and liability management, the proposal requires new spread widening and net interest income testing, which are information collections. The additional testing, which must be done at least quarterly, will be required of and affect all corporates. The proposal also requires a corporate to calculate and record the effective and spread durations for individual assets and liabilities to support the test results. NCUA estimates that burden hours associated with compliance with this requirement would be as follows:

28 corporates x 168 hours (total for the four new tests per year) = 4,704 hours.

Estimated PRA burden: new CUSO procedures.

The current rule does not set out categories of approved CUSO activity for corporate CUSOs, but instead simply indicates that CUSOs must primarily serve credit unions and may engage in activity that is related to the business of credit unions. Under the proposal, a corporate will be required to obtain the approval from the NCUA for proposed CUSO activities, except for brokerage services and investment advisory services, which are specifically pre-approved. Once an activity has been approved, NCUA will publish that fact on its website and the activity will thereafter be considered pre-approved for other CUSOs. NCUA estimates that two hours will be sufficient for corporates to prepare approval requests, and NCUA anticipates that twelve such requests will be made.

Estimated PRA burden: corporate governance requirements.

With respect to corporate governance, the proposal requires:

- Corporates prepare and disseminate to members a disclosure document outlining the compensation arrangements for senior level employees.
- Merging corporates include certain compensation information in their filings with the NCUA and their notices to their members.
- Corporates obtain NCUA approval before making certain golden parachute payments.

These are information collections would apply to all twenty-eight corporates. NCUA estimates that compliance with the annual compensation disclosure requirement will take approximately ten hours: 28 corporates x 10 hours = 280 hours.

NCUA estimates that four corporates will merge with other corporates each year, with another entity, and that preparing the required notice and disclosure forms will take 5 hours: 4 corporates x 5 hours = 20 hours.

NCUA also estimates that four corporates will need to solicit NCUA approval in advance of making a severance or golden parachute payment within the scope of the proposed rule, and that preparing the request for approval may take four hours: 4 corporates x 4 hours = 16 hours.

Summary of collection burden.

NCUA estimates the total information collection burden represented by the proposal, calculated on an annual basis, as follows:

Capital restoration plans: 20 corporates x 50 hours = 1,000 hours.

Retained earnings accumulation plans: 3 corporates x 50 hours = 150 hours.

<i>Notice of intent to redeem contributed capital:</i>	10 corporates x 1 hour = 10 hours.
<i>Notice of PCA category change:</i>	10 corporates x 1 hour = 10 hours.
<i>Ratings procurement:</i>	28 corporates x 2 hours = 56 hours.
<i>Investment action plans:</i>	10 corporates x 20 hours = 200 hours.
<i>ALM testing:</i>	28 corporates x 168 hours = 4,704 hours.
<i>CUSO approval requests:</i>	12 corporates x 2 hours = 24 hours.
<i>Compensation disclosures:</i>	28 corporates x 10 hours = 280 hours.
<i>Merger related disclosures:</i>	4 corporates x 5 hours = 20 hours.
<i>Requests to make golden parachute and severance payments:</i>	4 corporates x 4 hours = 16 hours.
<i>Total Burden Hours:</i>	<i>6,470 hours.</i>

13. Provide an estimate of the total annual cost burden.

NCUA does not anticipate that compliance with any of the new information collection aspects of the proposed rule will require that corporates purchase any additional equipment or hire any additional staff. Accordingly, existing maintenance and service costs to corporates are likewise unaffected, and there should be no additional depreciation expense, since all corporates should be able to implement the new requirements using existing systems, equipment, and personnel. The proposal may require some corporates to incur additional marginal costs associated with the enhanced ALM testing requirements, to the extent that they are not already conducting these tests, and a few corporates will incur additional expense associated with obtaining required credit ratings for certain investments. NCUA estimates the labor cost associated with this compliance at approximately \$50 per hour. Multiplying this figure by the number of additional hours estimated for these burden categories yields an additional financial burden associated with the proposed rule of \$8,500 per corporate.

Total Cost Burden:

28 respondents/recordkeepers @ \$50 per hour x 170 hours = \$8,500 per corporate.

14. Provide estimates of annualized cost to the Federal Government.

Not applicable.

15. Explain the reasons for any program changes or adjustments reported in Items 13 or 14 of the OMB Form 83-I.

As discussed herein, the changes in both burden hour and financial cost estimates are due to program changes reflected in the proposed rule change, which creates several new information collection requirements.

16. For collections of information whose results will be published, outline plans for tabulation and publication.

No plans to publish results.

17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.

Not applicable.

18. Explain each exception to the certification statement identified in Item 19, "Certification for Paperwork Reduction Act Submissions," of OMB Form 83-I.

There are no exceptions to the certification statement.