

SUPPORTING STATEMENT

Thrift Financial Report (TFR)
(OTS 1313)
OMB No. 1550-0023 (Office of Thrift Supervision)

A. JUSTIFICATION

1. Circumstances and Need

Section 141 of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), Pub. L. No. 102-242 (Dec. 19, 1991), added Section 13(c)(4)(G) to the Federal Deposit Insurance Act (FDI Act). 12 USC 1823(c)(4)(G). That section authorizes action by the federal government in circumstances involving a systemic risk to the nation's financial system.

OTS last revised the form and content of the TFR in a manner that significantly affected a substantial percentage of institutions in June 2009, and has additional revisions scheduled to become effective in December 2009. Throughout 2009, OTS has evaluated its ongoing information needs. The OTS is re-submitting the TFR for OMB's review and approval for the year 2010. OTS plans on collecting this data beginning in March 2010.

OTS recognizes that the TFR imposes reporting requirements, which are a component of the regulatory burden facing institutions. Another contributor to this regulatory burden is the examination process, particularly on-site examinations during which institution staffs spend time and effort responding to inquiries and requests for information designed to assist examiners in evaluating the condition and risk profile of the institution. The amount of attention that examiners direct to risk areas of the institution under examination is, in large part, determined from TFR data. These data, and analytical reports, including the Uniform Thrift Performance Report, assist examiners in scoping and making their preliminary assessments of risks during the planning phase of the examination.

A risk-focused review of the information from an institution's TFR allows examiners to make preliminary risk assessments prior to onsite work. The degree of perceived risk determines the extent of the examination procedures that examiners initially plan for each risk area. If the outcome of these procedures reveals a different level of risk in a particular area, the examiner adjusts the examination scope and procedures accordingly.

TFR data are also a vital source of information for the monitoring and regulatory activities of OTS. Among their benefits, these activities aid in determining whether the frequency of an institution's examination cycle should remain at maximum allowed time intervals, thereby lessening overall regulatory burden. More risk-focused TFR data enhance the ability of OTS to assess whether an institution is experiencing changes in its risk profile that warrant immediate follow-up, which may include accelerating the timing of an on-site examination.

In developing this proposal, OTS considered a range of potential information needs, particularly in the areas of credit risk, liquidity, and liabilities, and identified those additions to the TFR that are most critical and relevant to OTS in fulfilling its supervisory responsibilities. OTS recognizes that increased reporting burden will result from the addition to the TFR of the new items discussed in this proposal. Nevertheless, when viewing these proposed revisions to the TFR within a larger context, they help to enhance the on- and off-site supervision capabilities of OTS, which assist with controlling the overall regulatory burden on institutions.

2. Use of Information Collected

OTS uses this information to monitor the condition, performance, and risk profile of individual institutions and systemic risk among groups of institutions and the industry as a whole.

3. Use of Technology to Reduce Burden

Since 1993, all reporting associations file their TFRs electronically. Electronic transmission has significantly reduced the reporting burden and has improved data quality by reducing transcription errors and providing edit checks at the source of the data entry. OTS internally developed and maintains the electronic filing software and provides it free-of-charge to all savings associations in Microsoft Windows on a CDROM. The electronic software sums totals, brings forward beginning balances, and calculates certain fields, eliminating the need for data entry for approximately 20% of the fields in the TFR. There are over 900 edit checks in the electronic software that allow associations to self-edit their data prior to transmitting the report. The software allows associations to explain any valid deviations from the edits in a memorandum system called "User Notes." These enhancements reduce the amount of time OTS staff has to spend in validating the data and reduce the number of phone calls made to the associations, thus reducing burden on the industry. OTS is currently exploring a web-based data collection application. A web-based application will achieve greater efficiencies in the data collection and report dissemination processes.

4. Efforts to Identify Duplication

This information collection is not duplicative within the meaning of the PRA and OMB regulations. Information that is similar to or that corresponds to information that could serve OTS's purpose and need in this information collection is not being collected from OTS regulated institutions by any other means or for any other purpose; nor is this information otherwise available in the detail necessary to satisfy the purpose and need for which this collection of information is undertaken. However, the data gathered in this information collection are shared with the other Federal financial institution regulators, state financial institution regulators, and other Federal agencies.

5. Minimizing the Burden on Small Entities

Although the collection of information affects a significant number of small businesses, OTS does not anticipate that the net economic impact will be large.

6. Consequences of Less Frequent Collection

Collection of this information less frequently than quarterly would hinder the ability of OTS to monitor the industry and perform its supervisory function.

7. Special Circumstances

There are no special circumstances.

8. Consultation with Persons Outside the OTS

OTS published the 60-Day FRN on August 19, 2009 (74 FRN page 41981). OTS received one comment from the American Bankers Association. The commenter's major concern was about the additional burden in the proposal to change "Schedule SB-Consolidated Small Business Loans" from the current annual filing frequency to the proposed quarterly filing requirement.

OTS received a comment that the reporting frequency be changed to semi-annual instead of the proposed quarterly reporting frequency for thrifts with over \$1 billion in total assets and annually for others. Small financial institutions play a key role in lending to small businesses and farms; therefore, following the proposed comment would significantly reduce the value of the data to policymakers. The TFR data provides information that cannot be obtained from other indicators of small business conditions; therefore, Schedule SB will be required quarterly starting in March 2010 as proposed.

Section 122 of the Federal Deposit Insurance Corporation Improvement Act requires the federal banking agencies to collect from insured institutions annually the information the agencies "may need to assess the availability of credit to small businesses and small farms." The OTS meets this requirement through Schedule SB that requests information on the number and amount currently outstanding of "loans to small businesses" and "loans to small farms," as defined in the TFR instructions, which all thrift institutions must report annually as of June 30.

With the United States now more than a year into a recession, the current administration "firmly believes that economic recovery will be driven in large part by America's small businesses," but "small business owners are finding it harder to get the credit necessary to stay in business."¹ Because "[c]redit is essential to economic recovery," Treasury Secretary Geithner stated on March 16, 2009, "we need our nation's banks to go the extra mile in keeping credit lines in place on reasonable terms for viable businesses."² Accordingly, Secretary Geithner asked the federal banking agencies "to call for quarterly, as opposed to annual reporting of small business loans, so that we can carefully monitor the degree that credit is flowing to our nation's entrepreneurs and small business owners."³ In response to Secretary Geithner's request and to improve the agencies' own ability to assess the availability of credit to small businesses and small farms, the OTS proposes to change the frequency with which thrifts must submit TFR Schedule SB

¹ <http://www.financialstability.gov/roadtostability/smallbusinesscommunity.html>.

² <http://www.financialstability.gov/latest/tg58-remarks.html>.

³ Ibid.

from annually to quarterly beginning March 31, 2010. OTS is not proposing to revise the information that thrifts are required to report on this schedule. The other federal banking agencies are proposing a similar change in reporting frequency with which banks must submit Call Report Schedule RC-C, Part II.

9. Payment or Gift to Respondents

No gifts will be given to respondents.

10. Confidentiality

Information on the amount and number of noninterest-bearing transaction accounts over \$250,000 collected in Call Reports, TFRs, and FFIEC 002 reports would be publicly available.

11. Information of a Sensitive Nature

No information of a sensitive nature is requested.

12. Estimate of Annual Burden

With respect to the reporting of data on the amount and number of noninterest-bearing transaction accounts over \$250,000 under the Transaction Account Guarantee Program, assume that 95 percent (771 x 95%) 732 of OTS-insured depository institutions will participate in the program. OTS is citing 57.4 hours average for quarterly schedules and 2.0 hours average for schedules required only annually plus recordkeeping on an average on one hour.

The effect of these changes on the estimated annual reporting burden associated with the agency's currently approved collection of information is estimated as follows:

TFR Report:

OTS	Existing annual reporting burden:	186,085
	Increase in burden from changes (program change):	2,337
	Adjustment (reduction in the number of respondents):	(3,264)
	Revised estimate after changes and adjustment:	185,158 *

*(See attached table for the burden calculation)

13. Capital, Start-up, and Operating Costs

Insured depository institutions that will participate in the Transaction Account Guarantee Program maintain extensive internal recordkeeping systems concerning noninterest-bearing transaction accounts which generate data for these entities' managements' use in internal management reporting, risk management, and analysis and in external financial and regulatory reporting and disclosure. Participating institutions may need to modify certain elements of these internal recordkeeping systems to enable them to provide the information to be used by the FDIC

concerning the amount and number of noninterest-bearing transaction accounts over \$250,000. Although the reporting changes to support the Transaction Account Guarantee Program will result in start-up and operating costs, an estimate of such costs cannot be readily determined.

14. Estimates of Annualized Cost to the Federal Government

The cost to the agencies of the reporting changes that are the subject of this submission includes the cost of:

- developing reporting requirements, instructions, and data validation edits;
- computer processing (including developing, maintaining, and modifying software programs) associated with the agencies' systems for collecting and validating Call Reports, TFRs, and FFIEC 002 reports and the OTS systems for calculating and collecting assessments; and
- the agencies' personnel involved in the preceding tasks and in the review and validation of reported and calculated data.

The incremental costs associated with the implementation of the revisions to the currently approved collections of information that are the subject of this submission are encompassed within the agencies' personnel and data processing budgets and are not separately identifiable.

15. Reason for Change in Burden

OTS is citing a decrease in the burden due to a decrease in the number of respondents (811-771=40) resulting in an adjustment of (3,264) hours. OTS is citing an increase in the form of a program change of 2,337 due to additional data request elements.

16. Publication

The agencies will make the data on the amount and number of noninterest-bearing transaction accounts over \$250,000 reported by participating insured depository institutions publicly available as part of the data collected in the Call Report, the TFR, and the FFIEC 002 that is currently made available to the public.

17. Exceptions to Expiration Date Display

None.

18. Exceptions to Certification

None.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.

