

SUPPORTING STATEMENT
PREPAID ASSESSMENTS: APPLICATION FOR EXEMPTION, APPLICATION FOR
WITHDRAWAL OF EXEMPTION, AND TRANSFER NOTICE

INTRODUCTION

The FDIC requested OMB approval for three collections of information related to the FDIC's assessment regulations that required insured depository institutions to prepay, on December 30, 2009, their estimated, quarterly, risk-based assessments for the fourth quarter of 2009, and for all of 2010, 2011, and 2012. The FDIC began to offset prepaid assessments on March 30, 2010, representing payment for the fourth quarter of 2009. Any prepaid assessment not exhausted by June 30, 2013, will be returned to the institution. The notice of proposed rulemaking appeared at 74 F.R. 51063 (Oct. 2, 2009); the final rule appeared at 74 F.R. 59056 (Nov. 17, 2009).

Under the final rule, an insured depository institution could apply to the FDIC for an exemption from its assessment prepayment; the application explained why the prepayment would significantly impair the institution's liquidity or otherwise create extraordinary hardship, and contained a full explanation of the need for the exemption and include supporting documentation, such as financial statements, and any other relevant information that the FDIC deemed appropriate.

Under the final rule, an institution that the FDIC exempted from prepayment on the grounds that prepayment would adversely affect the safety and soundness of the institution could request that the FDIC allow the institution to nevertheless prepay its assessments for the next three years; the application explained why the exemption was not needed, with supporting documentation, including financial statements, cash flow projections, and other relevant information that the FDIC deemed appropriate. All applications for exemption or to have an exemption withdrawn have been resolved by the FDIC; no further exemptions or applications are possible under the regulation.

Going forward, when an insured depository institution enters into an agreement to transfer any portion of its prepaid assessment to another insured depository institution, it must continue to notify the FDIC's Division of Finance of that transaction by submitting a written agreement signed by the legal representatives of both institutions, including documentation that each representative has the legal authority to bind the institution. To date, five institutions have transferred prepaid assessments to other institutions, and have submitted the required signed written agreements. The FDIC anticipates that approximately fifteen institutions may submit transfer information in the coming year.

A. JUSTIFICATION

1. Circumstances and Need

The FDIC's assessment authority is set forth in Section 7 of the Federal Deposit Insurance Act, 12 U.S.C. § 1817(b) and (c) and the FDIC relies upon this authority in administering the present regulation. No further exemptions or requests for exemption or

requests to have exemptions withdrawn are permissible under the regulation. The regulation continues to permit an insured institution to transfer any portion of its prepaid assessment to another insured depository institution, provided that the institutions notify the FDIC's Division of Finance and submit a written agreement signed by the legal representatives of both institutions. In their submission to the FDIC, the institutions must include documentation that each representative has the legal authority to bind their institutions. Adjustments to the institutions' prepaid assessments are made by the FDIC on the next assessment invoice that is made available via *FDICconnect* at least 10 days after the FDIC receives the written agreement.

2. Use of Information Collected

Transfer information: Institutions must notify the FDIC of the transfer of any portion of their prepaid assessments so that the FDIC can accurately track the transfer of prepaid assessments and apply the prepaid assessments to the appropriate institution. The need for credit transfer information will expire when all prepaid assessments have been exhausted or when any remaining prepaid assessments are returned to institutions after June 30, 2013.

3. Use of Technology to Reduce Burden

Transfer information is provided in the same manner that institutions now provide transfer information for the one-time assessment credits issued by the FDIC in 2007. The FDIC requires a written agreement signed by the legal representatives of both institutions, with documentation as to legal authority to bind the institution. As a result, no special efforts have been undertaken by the FDIC to use improved information technology to reduce the burden associated with the transfer information.

4. Efforts to Identify Duplication

Transfer information regarding prepaid assessments is available only from the parties to any transfer and not from any other source.

5. Minimizing the Burden on Small Banks

Providing transfer information regarding prepaid assessments is no more burdensome for small institutions than the present process for notifying the FDIC of transfer of the one-time assessment credits issued by the FDIC in 2007.

6. Consequences of Less Frequent Collection

Transfer information is required only when an institution transfers all or a portion of its prepaid assessments. The FDIC requires the information so that it can accurately track the transfer of prepaid assessments and apply the prepaid assessments to the appropriate institution. Because the prepaid assessments will be exhausted or returned to institutions after June 30, 2013, the need to provide this information will expire at that time.

7. Special Circumstances

There are no special circumstances.

8. Summary of Public Comments

No comments were received on the Paperwork Reduction Act implications of the proposal.

9. Payment of Gift to Respondents

No payment or gift will be provided to respondents.

10. Confidentiality

Transfer information will not likely contain confidential supervisory information.

11. Information of a Sensitive Nature

Transfer information will not likely contain confidential supervisory information.

12. Estimate of Annual Burden

a. No further Applications for Exemption or Applications to Withdraw Exemption are possible.

b. Transfer of Assessments Notice

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| Number of annual respondents thereafter) | 15 (second year, declining |
| Reports per annual respondent per year | 1 |
| Hours required to prepare notice | 2 |
| Burden in hours | 30 |
| Total Burden in Hours | 30 |

13. Estimate of Total Annual Cost Burden

Not applicable.

14. Estimate of Total Annual Cost to the Federal Government

None

15. Reason for Program Changes or Adjustments

Transfers of prepaid assessments may be ongoing until June 30, 2013.

16. Publication

Transfer information is used by the FDIC to accurately track the transfer of prepaid assessments and apply the prepaid assessments to the appropriate institution and is not publicly disclosed.

17. Display of Expiration Date

Not applicable.

18. Exceptions to Certification

None.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

Not applicable.