

**Supporting Statement for
Real Estate Lending and Appraisals
12 CFR 34
OMB Control No. 1557-0190**

A. Justification

1. Circumstances that make the collection necessary:

Twelve CFR Part 34 contains a number of reporting and recordkeeping requirements. Subpart B (Adjustable-Rate Mortgages (ARM)) and Subpart E (Other Real Estate Owned) contain reporting requirements. Subpart C (Appraisal Requirements) and Subpart D (Real Estate Lending Standards) contain recordkeeping requirements.

Subpart B, § 34.22(a) requires that for ARM loans, the loan documentation must specify an index or combination of indices to which changes in the interest rate will be linked. Section 34.22(b) provides notice procedures to be used when seeking to use an index other than that described in paragraph (a). The requirements in this subpart were originally adopted following the passage of the Depository Institutions Deregulation and Monetary Control Act of 1980 (DIDMCA). The authority for this subpart is found at 12 U.S.C. 371.

Subpart C, § 34.41(b) provides minimum standards for the performance of real estate appraisals, including the requirement that they be written and contain sufficient information and analysis to support the institution's decision to engage in the transaction. This subpart was adopted pursuant to title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), 12 U.S.C. 3331 et seq., which directed the Federal banking agencies to publish appraisal rules for federally-related transactions.

Subpart D, § 34.62 requires each national bank to adopt and maintain written policies that establish appropriate limits and standards for extensions of credit that are secured by liens on or interests in real estate, or that are made for the purpose of financing permanent improvements to real estate. Real estate lending policies must also be reviewed and approved by the bank's board of directors at least annually. This subpart was adopted pursuant to section 304 of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), 12 U.S.C. 371(a) and 1828(o), which required each insured depository institution to adopt and maintain comprehensive written real estate lending policies.

Subpart E, regarding Other Real Estate Owned (OREO), states in § 34.83(b) that banks must maintain documentation adequate to reflect their efforts to dispose of OREO. After holding OREO for one year, banks must state by resolution or other official action its plans for its use and make the resolution or other action available for inspection by bank examiners pursuant to § 34.84. Section 34.85 requires banks to develop a prudent real estate collateral evaluation policy to monitor the value of each parcel of OREO. Section 34.86(b) requires banks to notify the appropriate supervisory office at least 30 days before implementing a development or improvement plan for OREO under certain circumstances. This subpart was issued in 1993 to

simplify the legal treatment of OREO. It brought OCC's regulations into conformity with Financial Accounting Standards Board standards and incorporated statutory changes made by DIDMCA and FIRREA. The authority for this subpart can be found at 12 U.S.C. 29.

2. Use of the information:

These regulations are required by statute and are used by the agencies to ensure the safe and sound operation of financial institutions.

3. Consideration of the use of improved information technology:

Banks may adopt any existing technology relevant to the information, as long as the information is retrievable for examination use.

4. Efforts to identify duplication:

This is a recordkeeping requirement that is unique to each bank. The information is not compiled for any other reason, and no duplicate information exists.

5. Methods used to minimize burden if the collection has a significant impact on substantial number of small entities:

This rule imposes on banks, regardless of size, only the minimum burden necessary to fulfill statutory requirements, to ensure safe and sound operation, and to minimize risk to the deposit insurance fund.

6. Consequences to the Federal program if the collection were conducted less frequently:

The collection of information is the minimum necessary to comply with Federal law. Less frequent collection would make the program unworkable and would not be in the public interest.

7. Special circumstances necessitating collection inconsistent with 5 CFR Part 1320:

This collection is conducted in a manner consistent with the guidelines in 5 CFR 1320.6.

8. Efforts to consult with persons outside the agency:

The OCC published a *Federal Register* notice regarding this renewal of the information collections in 12 CFR Part 34 on April 21, 2010 (75 FR 20883). No comments were received.

9. Payment to respondents:

None.

10. Any assurance of confidentiality:

No assurance of confidentiality is given.

11. Justification for questions of a sensitive nature:

There are no questions of a sensitive nature.

12. Burden estimate:

The OCC estimates that 1,650 national banks will spend 94,095 burden hours to review and maintain the records required under 12 CFR Part 34 Subpart B (Adjustable-Rate Mortgages), Subpart C (Appraisal Requirements) and Subpart D (Real Estate Lending Standards) and file the reports required by Subpart E (Other Real Estate Owned).

Subpart B (reporting):

550 banks; 550 respondents @ 6 hours = 3,300 burden hours

Subpart C (recordkeeping):

1,650 banks; 1,650 recordkeepers @ 35.0 hours = 57,750 burden hours

Subpart D (recordkeeping):

1,650 banks; 1,650 recordkeepers @ 20.0 hours = 33,000 burden hours

Subpart E (reporting):

9 respondents; 9 responses @ 5.0 hours = 45 burden hours

Total Burden:

Recordkeeping	1,650 national banks	@ 55.00 hours	=	90,750 burden hours
Reporting	550 national banks	@ 6.00 hours	=	3,300 burden hours
Subpart B				
Reporting	9 national banks	@ 5.00 hours	=	45 burden hours
Subpart E				
Total Burden	1,650 national banks	@ 55.00 hours	=	94,095 burden hours

The OCC estimates the cost of the hour burden to respondents/recordkeepers as follows:

Clerical:	20 % x	94,095	=	18,819	@ \$25	=	\$	470,475
Managerial/technical:	60 % x	94,095	=	56,457	@ \$60	=	\$	\$33,387,420
Senior mgmt/professional:	10 % x	94,095	=	9,410	@ \$100	=	\$	941,000
Legal:	10 % x	94,095	=	9,410	@ \$100	=	\$	941,000
Total:								\$35,739,895

13. Estimates of annualized costs to respondents:

Not applicable.

14. Estimate of annualized costs to the government:

Not applicable.

15. Changes in Burden:

Total difference in burden:

Former:	1,800 national banks	1,800 responses	102,650 burden hours
New:	1,650 national banks	1,650 responses	94,095 burden hours
Difference:	- 150 national banks	- 150 responses	- 8,555 burden hours

The decrease in the number of respondents is due to the decrease in the number of national banks. The increase in the number in responses is due to the correction of a calculation error in our last submission.

16. Information regarding collections whose results are planned to be published for statistical use:

Not applicable. The OCC has no plans to publish the data for statistical purposes.

17. Display of expiration date:

Not applicable.

18. Exceptions to certification statement:

None.

B. Collections of Information Employing Statistical Methods

Not applicable.