



“MEMBERS OF THE BANKS”

OMB NUMBER 2590-0003

SUPPORTING STATEMENT

A. Justification

1. Section 4 of the Federal Home Loan Bank Act (Bank Act) establishes the eligibility requirements an institution must meet to become a member of a Federal Home Loan Bank (Bank). *See* 12 U.S.C § 1424. Part 1263 – the membership regulation – implements section 4 of the Bank Act. *See* 12 CFR part 1263. The membership regulation provides uniform application requirements an applicant for Bank membership must meet, and review criteria a Bank, and where appropriate, the Federal Housing Finance Agency (FHFA), must apply to determine whether an applicant satisfies the statutory and regulatory membership requirements. More specifically, the regulation implements the statutory eligibility requirements and provides guidance to an applicant on how it may satisfy the requirements. It authorizes a Bank to approve or deny each membership application and permits an applicant to appeal a Bank denial to FHFA. The regulation also imposes a continuing obligation on a current Bank member to provide information necessary to determine if it remains in compliance with applicable statutory and regulatory eligibility requirements.

2. The Banks and, where appropriate, the FHFA use the information collection to determine: (i) if an institution satisfies the statutory and regulatory membership requirements; (ii) a member’s initial capital stock purchase in a Bank; (iii) member withdrawals; and, (iii) where a member transfers to a different Bank district.

3. The information collection permits the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology. Respondents can use these techniques or technologies, such as Sheshunoff Information Services Inc., which calculates performance ratios required in the membership application process, to reduce the information collection burden.

4. The information collection avoids duplication because it requires the submission of information that already is available to, or compiled by, respondents for other purposes. For instance, an applicant can submit information already required for the Federal Deposit Insurance Corporation Report of Condition and Income, Office of Thrift Supervision Thrift Financial Report, audited financial statements, or the public portion of the Community Reinvestment Act examination.

5. The information collection does not have a significant economic impact on a substantial number of small entities. The membership regulation implements statutory requirements and is applicable to all institutions regardless of their size. FHFA does not have the authority to make adjustments to the statutory requirements to accommodate small entities.

6. If the information is not collected at the times specified in the regulation, the Banks and, where appropriate, the FHFA could not determine whether: (i) an institution satisfies the statutory and regulatory membership requirements; (ii) a new member purchases the correct amount for its initial stock subscription; (iii) a member may withdraw; or (iv) a member can transfer to a different Bank district.

7. There are no special circumstances requiring FHFA to conduct the information collection in a manner inconsistent with the guidelines provided in Question 7.

8. In accordance with the requirements of 5 CFR § 1320.8(d), FHFA published a request for public comments regarding this information collection in the *Federal Register* on March 29, 2010. *See* 75 FR 15431 (Mar. 29, 2010). The 60-day comment period closed on May 28, 2010. FHFA received one comment that referred to another proposed collection of information that was not related to this collection. FHFA also contacted Vicki Benson of the Boston Bank (617) 292-9647, Vicki.benson@fhlboston.com; Michael Sims of the Dallas Bank, (214) 441-8760, mike.sims@fhlb.com; and Kevin Gottlieb of the New York Bank, (212) 441-6756, Kevin.gottlieb@fhlbny.com.

9. No payment or gift will be provided to any respondent.

10. The Banks and FHFA 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. FHFA has analyzed the cost and hour burden for the four facets of the information collection – membership application process, initial capital stock calculation, membership withdrawals, and transfer of membership to another Bank district. The aggregate total annual cost and hour burden for the information collection is as follows:

	<u>FHFA</u>	<u>Banks</u>	<u>Applicants/Members</u>	<u>TOTALS</u>
Cost:	\$40,654	\$444,150	\$535,549	\$1,020,353
Hours:	873	4,663	5,564	11,100

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

I. Membership Application and Appeal Process

FHFA based the calculations upon an annual average of 283 applications for membership processed by the Banks and 1 appellate application processed by FHFA. The aggregate total annual cost and hour burden is as follows:



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	<u>FHFA</u>	<u>Banks</u>	<u>Membership Applicants</u>	<u>TOTALS</u>
Cost:	\$39,742	\$429,279	\$521,136	\$990,157
Hours:	859	4,358	5,458	10,675

A. FHFA's Annualized Burden – Membership Application and Appellate Application Process

The estimated annualized cost to FHFA is \$39,742. The estimated annual hour burden is 859 hours. These estimates are based on the following calculations:

Financial analyst reviews appellate application to ensure compliance with statutory and regulatory membership eligibility requirements.

- Review time: 2 hours
- Total applications: 1
- Total hours: 2
- Hourly rate: \$46 (includes salary, benefits, and overhead)
- Total cost: \$92

Attorney reviews appellate application to confirm eligibility and to ensure the absence of any special legal issues.

- Review time: 4 hours
- Total applications: 1
- Total hours: 4
- Hourly rate: \$54 (includes salary, benefits, and overhead)
- Total cost: \$216

Management reviews appellate application and Bank and FHFA staff recommendations and makes a determination on the application.

- Review time: 4 hours
- Total applications: 1
- Total hours: 4
- Hourly rate: \$95 (includes salary, benefits, and overhead)
- Total cost: \$380

Financial analyst tracks all Bank membership applications and associated docket number requests and performs general clerical functions.

- Processing time: 3 hours
- Total applications: 283
- Total hours: 849
- Hourly rate: \$46 (includes salary, benefits and overhead)
- Total cost: \$39,054



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B. Banks’ Annualized Burden – Membership Application Process

The estimated annualized cost to the Banks is \$429,279. The estimated annualized hour burden is 4,358 hours. These estimates are based on the following calculations:

Credit/financial analyst reviews application to ensure compliance with statutory and regulatory membership eligibility requirements.

- Review time: 10 hours
- Total applications: 283
- Total hours: 2,830
- Hourly rate: \$46 (includes salary, benefits, and overhead)
- Total cost: \$130,180

Attorney reviews application to confirm eligibility and ensure the absence of any special legal issues.

- Review time: 1 hour
- Total applications: 283
- Total hours: 283
- Hourly rate: \$132 (includes salary, benefits, and overhead)
- Total cost: \$37,356

Management reviews application and staff recommendations regarding membership eligibility.

- Review time: 4.4 hours
- Total applications: 283
- Total hours: 1,245
- Hourly rate: \$160 (includes salary, benefits, and overhead)
- Total cost: \$199,200

Research on applicants’ directors and officers, preparation of membership certificates, and other administrative costs related to membership application processing.

- Average cost per application: \$21
- Total applications: 283
- Total cost: \$5,943

Obtain copies of the supervisory and Community Reinvestment Act examination reports.

- Average cost per examination report: \$100
- Total reports: 566 (283 applicants x 2 reports)
- Total cost: \$56,600



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C. Applicants' Annualized Burden – Membership Application Process

The estimated annualized cost to applicants is \$521,136. The estimated annualized hour burden is 5,458 hours. These estimates are based on the following calculations:

Applicant Staff Analyst prepares the membership application.

- Processing time: 8 hours
- Total applications: 283
- Total hours: 2,264
- Hourly rate: \$47 (includes salary, benefits, and overhead)
- Total cost: \$106,408

Attorney reviews application to ensure compliance with statutory and regulatory requirements.

- Review time: 1 hour
- Total applications: 283
- Total hours: 283
- Hourly rate: \$125 (includes salary, benefits, and overhead)
- Total cost: \$35,375

Management reviews and then presents the application to the board of directors for approval.

- Review time: 9.75 hours
- Total applications: 283
- Total hours: 2,759
- Hourly rate: \$137 (includes salary, benefits, and overhead)
- Total cost: \$377,983

Applicant's Board of Directors discusses and approves membership application.

- Review time: 0.5 hours
- Total applications: 283
- Total hours: 142

Applicants noted there were no charges/expenses for board of director reviews for Bank membership as the review would occur at a regularly scheduled, board of directors meeting.



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Appellate Applications

Applicant management prepares and submits an appellate application to FHFA.

- Processing time: 10 hours
- Total appellate applications: 1
- Total hours: 10
- Hourly rate: \$137 (includes salary, benefits, and overhead)
- Total cost: \$1,370

II. Initial Capital Stock Calculation

FHFA based the calculations upon an annual average of 283 applications for membership. The aggregate total annual cost and hour burden is as follows:

	<u>FHFA</u>	<u>Banks</u>	<u>New Members</u>	<u>TOTALS</u>
Cost:	\$0	\$12,780	\$9,727	\$22,507
Hours:	0	284	71	355

A. FHFA’s Annualized Burden – Initial Capital Stock Subscription Calculation

The FHFA is not involved in the calculation of initial capital stock purchase requirements.

B. Banks’ Annualized Burden – Initial Capital Stock Subscription Calculation

The estimated annualized cost to the Banks is \$12,780. The estimated annualized hour burden is 284 hours. These estimates are based on the following calculations:

Administrative assistant provides capital stock subscription calculation worksheet to member and requests confirmation of financial data.

- Processing time: 0.5 hours
- Total applications: 283
- Total hours: 142
- Hourly rate: \$39 (includes salary, benefits, and overhead)
- Total cost: \$5,538

Sr. Credit/financial analyst reviews member financial data and initial capital stock subscription requirement.

- Review time: 0.5 hours
- Total applications: 283
- Total hours: 142
- Hourly rate: \$51 (includes salary, benefits, and overhead)



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- Total cost: \$7,242

C. Members' Annualized Burden – Initial Capital Stock Subscription Calculation

The estimated annualized cost to members is \$9,727. The estimated annualized hour burden is 71 hours. These estimates are based on the following calculations:

Management confirms accuracy of the capital stock subscription calculation.

- Review time: 0.25 hours
- Total members: 283
- Total hours: 71
- Hourly rate: \$137 (includes salary, benefits, and overhead)
- Total cost: \$9,727

III. Withdrawals From Membership

FHFA based the calculations upon an annual average of 8 notices of intent to withdraw from membership. The aggregate total annual cost and hour burden is as follows:

	<u>FHFA</u>	<u>Banks</u>	<u>Members</u>	<u>TOTAL</u>
Cost:	\$912	\$1,436	\$3,836	\$6,184
Hours:	14	12	28	54

A. FHFA’s Annualized Burden – Withdrawals from Membership

The estimated annualized cost to FHFA is \$912. The estimated annual hour burden is 14 hours. These estimates are based on the following calculations:

Program/financial analyst reviews notice of intent to withdraw from membership to ensure compliance with statutory and regulatory requirements.

- Review time: 0.5 hours
- Total withdrawal requests: 8
- Total hours: 4
- Hourly rate: \$46 (includes salary, benefits, and overhead)
- Total cost: \$184

Management analyst reviews analyst's summary on member's notice of intent to withdraw and prepares letter of acknowledgement for member.

- Review time: .25 hours
- Total withdrawal requests: 8



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- Total hours: 2
- Hourly rate: \$66 (includes salary, benefits, and overhead)
- Total cost: \$132

Attorney reviews of letter of withdrawal acknowledgement to member and reviews to confirm absence of any special legal issues.

- Review time: 0.5 hours
- Total applications: 8
- Total hours: 4
- Hourly rate: \$54 (includes salary, benefits, and overhead)
- Total cost: \$216

Management reviews member withdrawal and signs of letter of withdrawal acknowledgement.

- Review time: 0.5 hours
- Total applications: 8
- Total hours: 4
- Hourly rate: \$95 (includes salary, benefits, and overhead)
- Total cost: \$380

B. Banks' Annualized Burden – Withdrawals from Membership

The estimated annualized cost to the Banks is \$1,436. The estimated annual hour burden is 12 hours. These estimates are based on the following calculation:

Administrative assistant receives and reviews records for member’s notice of intent to withdraw.

- Review time: .5 hours
- Total withdrawal requests: 8
- Total hours: 4
- Hourly rate: \$39 (includes salary, benefits, and overhead)
- Total cost: \$156

Management reviews on member’s notice of intent to withdraw.

- Review time: 1 hour
- Total withdrawal requests: 8
- Total hours: 8
- Hourly rate: \$160 (includes salary, benefits, and overhead)
- Total cost: \$1,280



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C. Members’ Annualized Burden – Withdrawals from Membership

The estimated annualized cost to Bank members is \$3,836. The estimated annualized hour burden is 28 hours. These estimates are based on the following calculations:

Management prepares and submits a notice of intent to withdraw from membership.

- Processing time: 3.5 hours
- Total notices: 8
- Total hours: 28
- Hourly rate: \$137 (includes salary, benefits, and overhead)
- Total cost: \$3,836

IV. Transfer of Membership

FHFA based the calculations upon an annual average of 2 requests from members to transfer membership to another Bank district. The aggregate total annual cost and hour burden is as follows:

	<u>FHFA</u>	<u>Banks</u>	<u>Members</u>	<u>TOTALS</u>
Cost:	\$0	\$655	\$850	\$1,505
Hours:	0	9	7	16

A. FHFA’s Annualized Burden – Transfer of Membership

The FHFA generally is not involved in transfer of membership determinations.

B. Banks’ Annualized Burden – Transfer of Membership

The estimated annualized cost to the Banks is \$655. The estimated annualized hour burden is 9 hours. These estimates are based on the following calculations:

Program/financial analyst reviews request to transfer membership to another Bank district.

- Review time: 2 hours
- Total requests: 2
- Total hours: 4
- Hourly rate: \$48 (includes salary, benefits, and overhead)
- Total cost: \$192

Attorney reviews request to transfer membership to another Bank district to ensure compliance with statutory and regulatory requirements.



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- Review time: 1 hour
- Total requests: 2
- Total hours: 2
- Hourly rate: \$132 (includes salary, benefits, and overhead)
- Total cost: \$264

Management reviews staff recommendation regarding transfer of membership.

- Review time: 0.5 hours
- Total requests: 2
- Total hours: 1
- Hourly rate: \$160 (includes salary, benefits, and overhead)
- Total cost: \$160

Board of Directors discusses and approves transfer of membership.

- Review time: 0.5 hours
- Total applications: 2
- Total hours: 1

The Banks noted there were no charges/expenses for board of director reviews of requests for membership transfers as the review would occur at a regularly scheduled, board of directors meetings.

Administrative assistant prepares and submits notice of determination on transfer of membership to FHFA.

- Processing time: 0.5 hours
- Total requests: 2
- Total hours: 1
- Hourly rate: \$39 (includes salary, benefits, and overhead)
- Total cost: \$39

C. Members’ Annualized Burden – Transfer of Membership

The estimated annualized cost to members is \$850. The estimated annualized hour burden is 7 hours. These estimates are based on the following calculations:

Management prepares request to transfer membership to another Bank district.

- Processing time: 3 hours
- Total requests: 2
- Total hours: 6
- Hourly rate: \$137 (includes salary, benefits, and overhead)



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- Total cost: \$822

Administrative assistant prepares and submits to the Bank a request to transfer membership to another Bank district.

- Processing time: 0.5 hours
- Total requests: 2
- Total hours: 1
- Hourly rate: \$28 (includes salary, benefits, and overhead)
- Total cost: \$28

13. FHFA has not identified any costs to respondents other than the costs discussed in detail under Question 12.

14. The estimated annual cost burden to the Federal government is \$40,654. The method used to determine these costs is discussed in detail under Question 12.

15. FHFA reported adjustments in Items 13 and 14 of this supporting statement to reflect better estimates, costs and hour burden updates. Adjustments reported on the burden worksheets are explained below:

I. Membership Application and Appeal Process

The overall cost of membership application processing has decreased from \$778,320 to \$519,766 because the review for membership conducted by the applicant’s Board of Director occurs at regularly scheduled Board of Directors meetings, therefore accounting for this expense is not necessary. The number of membership applications has increased from 240 to 283 and the hour burden has increased from 4,680 to 5,448 because the member applicants are processing and submitting more applications. Additionally, the overall cost of appeal processing has increased from \$510 to \$1,370 due to the Cost-of-Living Adjustment (COLA) increases applied to the hourly rate.

II. Initial Capital Stock Calculation for Applicants

The number of capital stock subscription applications has increased from 240 to 283 and the hour burden has increased from 24 to 71 because the member applicants are processing and submitting more subscription applications. The overall cost of subscription processing has increased from \$3,168 to \$9,727 due to COLA increases applied to the hourly rate.



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III. Withdrawals of Membership

Applications for membership withdrawals have decreased, therefore the number of notices of intent to withdraw have decreased from 14 to 8, the hour burden has decreased from 49 to 28 and the overall cost has decreased from \$6,468 to \$3,836.

IV. Transfer of Membership

The overall cost to process transfers of membership has increased from \$819 to \$850 due to COLA increases applied to the hourly rate.

16. FHFA will not publish the results of this information collection.

17. FHFA plans to display the expiration date for OMB approval.

18. There are no exceptions to the certification statement identified in “Certification for Paperwork Reduction Act Submissions.”

B. Collection of Information Employing Statistical Methods

The information collection does not employ statistical methods.