



“CAPITAL REQUIREMENTS FOR THE FEDERAL HOME LOAN BANKS”

OMB NUMBER 2590-0002

SUPPORTING STATEMENT

A. Justification

1. Section 6 of the Federal Home Loan Bank Act (Bank Act) establishes the capital structure for the Federal Home Loan Banks (Banks) and requires the Director of the Federal Housing Finance Agency (FHFA) to issue regulations prescribing uniform capital standards applicable to each Bank. 12 U.S.C. § 1426. Parts 930, 931, 932, and 933 of FHFA’s regulations implement the statutory capital structure for the Banks. 12 CFR parts 930, 931, 932, and 933. Part 930 establishes definitions applicable to risk management and the capital regulations; part 931 concerns Bank capital stock; part 932 establishes Bank capital requirements; and part 933 sets forth the requirements for Bank capital structure plans.

The Banks use the information collection to determine the amount of capital stock a member must purchase to maintain membership in and to obtain services from a Bank. More specifically, the provision of §§ 931.3 and 933.2(a) of FHFA’s regulations authorize a Bank to offer its members several options to satisfy required investments in capital stock as activity-based and /or membership stock purchase requirements. 12 CFR §§ 931.3 and 933.2(a). The information collection is necessary to provide the Banks with the flexibility to meet the statutory and regulatory capital structure requirements while allowing Bank members to choose the option best suited to their business requirements.

2. The Banks use the information collection to implement and maintain their statutory capital stock structure.

3. Approximately 98% of the information collection is collected through electronic or other technological collection techniques.

4. The information collection avoids duplication by using data members already file on periodic call reports with their primary regulator.

5. The information collection does not have a significant economic impact on a substantial number of small entities. The statutory requirements are applicable to all Banks and Bank members 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 related to satisfaction of a membership investment in capital stock requirement and an activity-based stock purchase requirement were not collected at the times specified, the members’ options in purchasing capital stock could be limited and the Bank and member would not be in compliance with statutory and regulatory requirements.



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

8. In accordance with the requirements of 5 C.F.R. § 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 no public comments. In addition, FHFA contacted S.G. Frank Haas of the Federal Home Loan Bank of Cincinnati, 513-852-7563, HaasSG@fhlbcin.com, Dave Manganaro of the Federal Home Loan Bank of Pittsburgh, 412-288-7355, dave.a.manganaro@fhlb-pgh.com, and Martin Schlossman of the Federal Home Loan Bank of Topeka, 785-438-6006, Martin.Schlossman@fhlbtopeka.com.

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

10. The Banks will maintain the confidentiality of information obtained from their members as required by applicable statute, regulation, or FHFA policy.

11. There are no questions of a sensitive nature in the proposed information collection.

12. FHFA has analyzed the cost and hour burden for the two facets of the information collection – membership stock purchase requirements and activity-based stock purchase requirements. The aggregate total annual cost and hour burden for the information collection is as follows:

	<u>Banks</u>	<u>Members</u>	<u>TOTAL</u>
Cost:	\$1,205,971	\$ 123,943	\$1,329,914
Hours:	37,859	3,023	40,882

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

I. Activity Based Stock Purchase Requirements

FHFA based the calculations upon an annual average of 5,755 borrowing members and a daily average of 108 member borrowing respondents, submitting 1 response for each of the 260 business days during the year. The aggregate total annual cost and hour burden is as follows:

	<u>Banks</u>	<u>Members</u>	<u>TOTAL</u>
Cost:	\$507,603	\$57,564	\$565,167
Hours:	15,331	1,404	16,735

A. Banks’ Annualized Burden – Activity Based Stock Purchase Requirements

The estimated annualized cost to the Banks is \$507,603. The estimated annualized hour burden is 15,331 hours. These estimates are based on the following calculations:



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Credit Analyst/Financial Analyst receives credit or mortgage sale request from member and compiles, inputs, and reviews member stock investment reports in detail to ensure compliance with applicable requirements.

- Review Time: 0.54 hours per report
- Total Reports: 28,080 (108 daily borrowing members x 260 working days x 1 report)
- Total Hours: 15,163
- Hourly Rate: \$33 (includes salary, benefits, and overhead)
- Total Cost: \$500,379

Accounting Officer reviews reports and staff recommendations regarding activity-based stock purchase requirements.

- Review Time: 0.006 hours per report
- Total Reports: 28,080 (108 daily borrowing members x 260 working days x 1 report)
- Total Hours: 168
- Hourly Rate: \$43 (includes salary, benefits, and overhead)
- Total Cost: \$7,224

B. Members’ Annualized Burden – Activity Based Stock Purchase Requirements

The estimated annualized cost to the members is \$57,564. The estimated annualized hour burden is 1,404 hours. These estimates are based on the following calculations:

Member initiates advance/mortgage sale and discusses financial and document requirements with their Bank.

- Review Time: 0.05 hours per report
- Total Reports: 28,080 (108 daily borrowers x 260 working days x 1 report)
- Total Hours: 1,404
- Hourly Rate: \$41 (includes salary, benefits, and overhead)
- Total Cost: \$57,564

II. Membership Maintenance Stock Requirements

FHFA based the calculations upon an annual average of 8,093 members submitting 4 reports per year. The aggregate total annual cost and hour burden is as follows:

	<u>Banks</u>	<u>Members</u>	<u>TOTAL</u>
Cost:	\$698,368	\$66,379	\$764,747
Hours:	22,528	1,619	24,147



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A. Banks’ Annualized Burden – Membership Maintenance Stock Requirements

The estimated annualized cost to the Banks is \$698,368. The estimated annualized hour burden is 22,528 hours. These estimates are based on the following calculations:

Computer/Program analyst collects and downloads member financial information, tests and validates data for capital stock calculation purposes, and prepares reports.

- Review Time: 0.628 hours per report
- Total Reports: 32,372 (8,093 members x 4 reports per member)
- Total Hours: 20,330
- Hourly Rate: \$31 (includes salary, benefits, and overhead)
- Total Cost: \$630,230

Financial Analyst takes follow-up calls from members to review member stock investment reports in detail to ensure compliance with applicable requirements.

- Review Time: 0.0679 hours per report
- Total Reports: 32,372 (8,093 members x 4 reports per member)
- Total Hours: 2,198
- Hourly Rate: \$31 (includes salary, benefits, and overhead)
- Total Cost: \$68,138

B. Members’ Annualized Burden – Membership Maintenance Stock Requirements

The estimated annualized cost to the members is \$66,379. The estimated annualized hour burden is 1,619 hours. These estimates are based on the following calculations:

Accounting/Finance staff compiles information, and reviews and analyzes documents for submission to and from the Bank.

- Review Time: 0.05 hours per report
- Total Reports: 32,372 (8,093 members x 4 reports per member)
- Total Hours: 1,619
- Hourly Rate: \$41 (includes salary, benefits, and overhead)
- Total Cost: \$66,379

13. FHFA has not identified any costs other than those discussed under Question 12.

14. The estimated annual cost burden to the Federal government is \$0.

15. FHFA reports 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:



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I. Activity Base Stock Purchase Requirements

The daily average of member borrowing respondents has decreased from 564 to 108, therefore the number of reports has decreased from 146,640 to 28,080, the hour burden has decreased from 7,332 to 1,404 and the total cost has decreased from \$300,612 to \$57,564. Additionally, the lower figure of 108 in member borrowing respondents reflects a more accurate estimate resulting in more sound calculations.

II. Membership Maintenance Stock Requirements

The annual average of members submitting reports has decreased from 8,105 to 8,093, therefore the number of reports has decreased from 32,420 to 32,372, the hour burden has decreased from 1,621 to 1,619, and the total cost has decreased from \$66,461 to \$66,379. Additionally, the lower figure of 8,093 in members submitting reports reflects a more accurate estimate resulting in more sound calculations.

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.