

Supporting Statement
12 C.F.R. Part 708a, Bank Conversions and Mergers
Request for a New Collection of Information
OMB Control No. 3133-xxxx

A. Justification

1. Circumstances that make the collection necessary:

12 C.F.R. Part 708a (§§708a.1 through 708a.13) (“Part 708a”) covers the conversion of insured credit unions to mutual savings banks (“MSBs”). Part 708a requires insured credit unions that intend to convert to MSBs to provide notice and disclosure of their intent to convert to their members and the National Credit Union Administration (“NCUA”). It also requires insured credit unions to provide additional information to NCUA at various points in the conversion process. These requirements are authorized under the Federal Credit Union Act, 12 U.S.C. §1785(b)(2). They are also necessary to ensure safety and soundness in the credit union industry, and to protect the interests of credit union members in the charter conversion context.

NCUA is proposing to amend Part 708a in several respects, including adding new regulations regarding mergers of insured credit unions into banks. The proposed amendments would reorganize Part 708a into three new subparts: (1) subpart A, titled Conversion of Insured Credit Unions to Mutual Savings Banks (renumbered as §§708a.101 through 708a.113) (“Subpart A”); (2) subpart B, which would be reserved; and (3) subpart C, titled Merger of Insured Credit Unions into Banks (new §§708a.301 through 708a.312) (“Subpart C”).

The proposed amendments would not change the information collection requirements in newly designated Subpart A. Proposed Subpart C contains new information collection requirements.

Proposed Subpart C requires insured credit unions that intend to merge into banks (both mutual and stock banks) to determine the merger value of the credit union and provide notice and disclosure of their intent to merge to their members and NCUA. It also requires insured credit unions to provide additional information to NCUA at various points in the merger process. These requirements are authorized under the Federal Credit Union Act, 12 U.S.C. §§1785(b)(1) and 1785(c). They are also necessary to ensure safety and soundness in the credit union industry, and to protect the interests of credit union members in the merger context. The proposed rule was published in the Federal Register. 75 Fed. Reg. 15574 (Mar. 29, 2010); 75 Fed. Reg. 17083 (Apr. 5, 2010) (technical correction).

2. Use of the information:

Subpart A: The information will be used by credit union members to determine if they wish to vote in favor of or in opposition to their credit union converting to a mutual savings bank (MSB). It will also be used by NCUA to fulfill its statutory obligation to administer the membership vote.

Subpart C: The information will be used by credit union directors to determine if they should adopt a plan of merger with a bank. The information will also be used by credit union members to determine if they wish to vote in favor of or in opposition to their credit union merging into a bank. It also will be used by NCUA to fulfill its statutory responsibility to approve or disapprove the merger.

3. Consideration of the use of improved information technology:

The collections of information in Part 708a do not use automated, electronic or mechanical means of collecting the information to any large extent. Credit union conversions to MSBs and credit union mergers into banks occur so infrequently and affect so few credit unions that it is not efficient or cost effective to devote resources to put in place highly sophisticated means of collection.

4. Efforts to identify duplication:

No duplication is evident. Collection of the information is required only under the conversion and merger rules in Part 708a. There are no other related collections.

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

The burden under Part 708a is minimal. It is expected that no more than three credit unions per year will convert their charters to MSBs and that no more than one credit union per year will merge into a bank. The large majority of converting and/or merging credit unions will not be small credit unions.

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

Under both Subparts A and C, the information collection, at a maximum, is a one-time occurrence per credit union.

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

There are no such special circumstances.

8. Efforts to consult with persons outside the agency:

The notice and request for comments on the proposed collection of information requirements were contained in the preamble to the proposed rule published in the Federal Register. 75 Fed. Reg. 15574, 15585-86 (Mar. 29, 2010). The 60-day comment period ended on May 28, 2010.

NCUA received 40 comments on the proposed rule. There were no comments on the estimated hour burden or cost burden on respondents. Accordingly, and after careful review, NCUA has made no changes in the estimated information collection requirements of the rule.

9. Payment to respondents:

No payments or gifts have been provided to respondents.

10. Any assurance of confidentiality:

Converting credit unions and merging credit unions must identify themselves to NCUA per federal statute. NCUA does not reveal any information in a credit union's conversion or merger materials unless required under the Freedom of Information Act.

11. Justification for questions of a sensitive nature:

The collections do not involve questions of a sensitive nature.

12. Burden estimate:

The total estimated annual burden hours under Subparts A and C equal 1,674 hours.

NCUA estimates that it will take an average of approximately 320 hours to comply with the notice and disclosure requirements of Subpart A. Of the estimated 320 hours, 120 of these hours are attributed to reporting, 200 of these hours are attributed to third-party disclosure. NCUA also estimates that about three insured credit unions will convert to MSBs per year, so that the total annual collection burden is estimated to be about 960 hours.

NCUA estimates that it will take approximately 714 hours to comply with the merger valuation, notice, and disclosure requirements of proposed Subpart C. Of the estimated 714 hours, NCUA estimates that respondents will spend about 202 hours on reporting and about 512 hours on third-party disclosure. NCUA also estimates that one insured credit union will merge into a bank per year, so that the total annual collection burden is estimated to be about 714 hours.

The estimate for proposed Subpart C is calculated as follows:

Proposed §708a.303(a) requires a merging credit union to obtain a merger valuation. NCUA estimates that it will take a credit union approximately 50 hours to obtain such a merger valuation.

Proposed §708a.303(b) requires, under certain circumstances, that a merging credit union prepare and publish an advance notice of intent to merge. NCUA estimates that it will take a credit union approximately 2 hours to prepare an advance notice of intent to merge.

Proposed §708a.303(c) requires that a merging credit union solicit and review member comments. NCUA estimates that it will take a credit union approximately 10 hours to solicit and review any member comments.

Proposed §708a.303(d) and the associated due diligence requirement in §708a.304(d) require that a merging credit union's directors conduct due diligence and affirmatively approve a proposal to merge. NCUA estimates that it will take the directors approximately 50 hours to properly consider and approve such a proposal.

Proposed §708a.304(a) and (b) require that a merging credit union prepare and submit to NCUA a Notice of its Intent to Merge and Request for NCUA Authorization ("NIMRA") to conduct a member vote. The preparation of the NIMRA, and the associated merger plan, requires collection and preparation of numerous items, and NCUA estimates this collection and preparation will take approximately 100 hours.

Proposed §708a.304(c) requires that a merging credit union prepare a director's certification of support for the merger proposal and plan. NCUA estimates this collection and preparation will take approximately 1 hour.

Proposed §§708a.305 and 708a.306 require that a merging credit union conduct a member vote on the proposed merger. Members must be allowed to vote either by mail or in person at a special meeting. NCUA estimates the preparation and mailing of notices and ballots, and the collection of ballots, will take approximately 500 hours.

Proposed §708a.305(g) requires that, when a member of a merging credit union requests to communicate with other members, the merging credit union provide such communication to other members at the expense of the requesting member. NCUA estimates the associated burden on the merging credit union at zero hours.

Proposed §708a.307 requires that a merging credit union certify the results of the member vote to NCUA. NCUA estimates that the preparation of the certification will take approximately 1 hour.

The following table summarizes this information.

Proposed Rule Section (part 708a, subpart C)	Estimated Associated Burden (Hours):
§708a.303(a)	50
§708a.303(b)	2
§708a.303(c)	10
§708a.303(d) and §708a.304(d)	50
§708a.304(a) and §708a.304(b)	100
§708a.304(c)	1
§708a.305 and §708a.306	500
§708a.305(g)	0
§708a.307	1
Total Estimated Burden Hours (per Respondent) =	714
Estimated Number of Respondents (Annual) =	x 1
Total Annual Burden Hours =	714

13. Estimate of annualized costs to respondent:

Subpart A: The estimated annualized cost to a respondent is approximately \$12,800, calculated as 320 hours times \$40/hour. This is internal cost, not external costs (e.g., purchases of goods and services) as would be reported in section 14 of OMB 83-I.

Subpart C: The estimated annualized cost to a respondent is approximately \$28,560, calculated as 714 hours times \$40/hour. This is internal cost, not external costs (e.g., purchases of goods and services) as would be reported in section 14 of OMB 83-I.

14. Estimate of annualized costs to the government:

The total estimated annualized cost to the government is approximately \$12,000. This includes approximately: (1) 100 hours of staff time at the regional and central office level for collection and review of the information and communicating with the converting credit union, multiplied by a labor rate of \$60/hour; and (2) 100 hours of staff time at the regional and central office level for collection and review of the information and communicating with the merging credit union, multiplied by a labor rate of \$60/hour.

15. Change in burden:

There is no change in burden as this is a new collection.

16. Collection of information whose results will be published:

NCUA will not publish the results.

17. Display of expiration date:

NCUA is not seeking approval to not display the expiration date.

18. Exceptions to certification statement:

There are no exceptions to the certification statement.

B. Collection of Information Employing Statistical Methods.

The collection does not employ statistical methods.