



## "ADVANCES TO HOUSING ASSOCIATES"

OMB NUMBER 2590-0001

SUPPORTING STATEMENT

### A. Justification

#### 1. Circumstances Necessitating the Collection of Information

Section 10b of the Federal Home Loan Bank Act (Bank Act)<sup>1</sup> establishes the requirements for making Federal Home Loan Bank (Bank) advances to nonmember mortgagees, which are referred to as “housing associates” in the regulations of the Federal Housing Finance Agency (FHFA).<sup>2</sup> Section 10b also establishes the eligibility requirements an applicant must meet in order to be certified as a housing associate.

Part 1264 of FHFA’s regulations implements the statutory eligibility requirements and establishes uniform review criteria the Banks must use in evaluating applications from entities that wish to be certified as a housing associate. Specifically, § 1264.4 implements the statutory eligibility requirements and provides guidance to an applicant on how it may satisfy those requirements.<sup>3</sup> Section 1264.5 authorizes the Banks to approve or deny all applications for certification as a housing associate, subject to the statutory and regulatory requirements.<sup>4</sup> It also permits an applicant to appeal a Bank’s decision to deny certification to FHFA.

In part 1266 of FHFA’s regulations, subpart B governs Bank advances to housing associates that have been approved under part 1264. Section 1266.17 establishes the terms and conditions under which a Bank may make advances to housing associates.<sup>5</sup> Specifically, § 1266.17(e) imposes a continuing obligation on a certified housing associate to provide information necessary to determine if it remains in compliance with applicable statutory and regulatory requirements, as set forth in part 1264.<sup>6</sup>

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<sup>1</sup> 12 U.S.C. §1430b.

<sup>2</sup> See 12 CFR § 1264.3.

<sup>3</sup> See 12 CFR § 1264.4.

<sup>4</sup> See 12 CFR § 1264.5.

<sup>5</sup> See 12 CFR § 1266.17.

<sup>6</sup> In 2010, FHFA transferred the regulations governing housing associates from part 926 of the regulations of the Federal Housing Finance Board, the former regulator of the Banks, to part 1264 of FHFA’s regulations, and transferred the regulations governing Bank advances from part 950 of the Finance Board’s regulations to part 1266 of FHFA’s regulations. In both cases the regulations were transferred without substantive or material changes. See 75 Fed. Reg. 8239 (Feb. 24, 2010); 75 Fed. Reg. 76622 (Dec. 9, 2010).



## **2. Use of Data**

The Banks use the information collection contained in §§ 1264.4 and 1264.5 to determine whether an entity satisfies the statutory and regulatory requirements to be certified initially, and to maintain its status as a housing associate eligible to receive Bank advances. FHFA may also use the information collection to determine whether to uphold or overrule a Bank's decision to deny housing associate certification to an applicant.

## **3. Use of Information Technology**

Banks may accept applications and reports in Adobe Portable Document Format (PDF) that are sent by email. Otherwise, the information collection does not involve the use of automated, electronic, mechanical or other technological collection techniques or other forms of information technology.

## **4. Efforts to Identify Duplication**

The information collection avoids duplication by requiring the submission of information that already is available to, or compiled by, an applicant for other purposes. For instance, an applicant may meet the requirement in section 10b(a) of the Bank Act and § 1264.4(a) of the regulations that it be approved under title II of the National Housing Act by submitting a current Department of Housing and Urban Development (HUD) Yearly Verification Report or other documentation issued by HUD stating that it is an approved mortgagee. Further, an applicant may meet the requirement in section 10b(a) of the Bank Act and § 1264.4(d) of the regulations that its principal activity in the mortgage field consists of lending its own funds and advances may be safely made by submitting previously prepared financial statements and other financial documents. To satisfy the other eligibility requirements, an applicant may provide copies of applicable federal, state or local laws and/or regulations.

## **5. Impact on Small Entities**

The information collection will not have a significant economic impact on a substantial number of small entities. The rule implements statutory requirements and is applicable to all applicants for certification and certified housing associates regardless of their size. FHFA does not have the authority to make adjustments to the statutory requirements to accommodate small entities.

## **6. Consequences of Less Frequent Collection and Obstacles to Burden Reduction**

If the information were not collected at the time an applicant seeks to be certified as a housing associate, the Banks would be unable to determine whether the applicant satisfies the statutory eligibility criteria and FHFA would be unable to determine whether to uphold or overrule a Bank's decision to deny housing associate certification to an applicant.



**7. Circumstances Requiring Special Information Collection**

There are no special circumstances requiring the information collection to be conducted in a manner identified by this item.

**8. Solicitation of Comments on Information Collection**

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 April 13, 2012. *See* 77 FR 22316 (Apr. 13, 2012). The 60-day comment period closed on June 12, 2012. FHFA received no comments. In addition, the FHFA contacted the Atlanta, Indianapolis, New York, and San Francisco Banks regarding the information collection. The Banks reviewed recent housing associate application activity and financial activity statements of certified housing associate members to determine the personnel required to prepare the necessary documentation and the average application processing time and cost. This resulted in a change in the burden estimates, which is discussed under item #15.

**9. Provision of Payments or Gifts to Respondents**

No payment or gift is provided to any respondent.

**10. Assurance of Confidentiality**

The Banks and FHFA will maintain the confidentiality of information obtained from respondents as required by applicable statute, regulation or agency policy.

**11. Questions of a Sensitive Nature**

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

**12. Estimates of the Hour Burden of the Information Collection**

The calculations that follow are based upon an annual average of one applicant for certification as a new housing associate and 68 existing certified housing associates. Based on historical experience, FHFA projects that in a five-year period, the agency may hear one appeal filed by an applicant that has been rejected for certification as a housing associate. Because of the infrequency of these appeals (in fact, one has never occurred), the burdens associated with the appeal process have not been included in the calculations below.

The estimated annualized hour burden for applicants and existing housing associates is 286 hours. This estimate is based on the following calculations:



(a) Applicants.

Analyst compiles and reviews the necessary documentation for application submission to the Bank.

- Processing time: 8 hours
- Total applications: 1
- Total hours: 8
- Hourly rate: \$38 (includes salary, benefits and overhead)
- Total cost: \$304

Outside Attorney reviews membership application to conform statutory and regulatory eligibility.

- Processing time: 6 hours
- Total applications: 1
- Total hours: 6
- Hourly rate: \$150 (includes salary, benefits and overhead)
- Total cost: \$900

(b) Current Housing Associates.

Analyst compiles and reviews the documentation to provide periodic financial statements to the Bank.

- Processing time: 1 hour
- Total housing associates: 68
- Total hours: 68
- Hourly rate: \$48 (includes salary, benefits and overhead)
- Total cost: \$3,264

Staff Attorney reviews the documentation to provide periodic financial statements to the Bank.

- Processing time: 3 hours
- Total housing associates: 68
- Total hours: 204
- Hourly rate: \$66 (includes salary, benefits and overhead)
- Total cost: \$13,464

Total Applicant and Housing Associate Burden:      Hours: 286      Cost: \$17,932



### **13. Estimated Total Annualized Cost Burden to Respondents**

Miscellaneous expenses related to housing associates application processing.

- Average cost/application: \$100
- Total applications: 1
- Total cost: \$100

Miscellaneous expenses related to housing associates providing periodic financial statements to Banks.

- Average cost handling/providing/mailling periodic financial statements: \$25
- Total housing associates: 68
- Total cost: \$1,700

Total Annualized Cost Burden to Applicants and Housing Associates: \$1,800

### **14. Estimated Cost to the Federal Government**

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

### **15. Reasons for Change in Burden**

The hourly and estimated annual cost burdens upon housing associates and applicants that are shown in this submission are higher than those which were shown in the Supporting Statement submitted with the request for renewal of this information collection in 2009. As mentioned under item #8, FHFA canvassed several Banks in order to update its burden estimates. These Banks, in turn, contacted several housing associates to request their input. FHFA learned that it is now typical for a housing associate (most of which are state housing finance agencies) to have an attorney review its financial reports before submitting the reports to a Bank. FHFA estimates that the average review time was about 3 hours for an annual submission and, because there are currently 68 housing associates, this resulted in an increase of 204 hours in the burden estimate. There was also an increase in the hourly burden estimate for applicants, but because there is typically only one applicant per year, this resulted in a minimal overall increase in the hourly burden.

FHFA has not included in the burden estimates time spent by the Banks in connection with this information collection as was mistakenly included in the 2009 Supporting Statements. The Banks are instrumentalities of the United States and, thus, are not subject to the information collection requirements of the Paperwork Reduction Act. *See* 44 U.S.C. § 3502(3)(A)(i). In addition, the burden estimate for FHFA has been reduced from three hours to zero. This is because FHFA would play a role in this collection only if an applicant were rejected by a Bank



and then appealed to FHFA to reverse that decision. Because such an appeal has never occurred, it was decided not to include a burden estimate for FHFA.

**16. Plans for Tabulation, Statistical Analysis and Publication**

The results of this information collection will not be published.

**17. If Seeking Approval to Not Display the Expiration Date for OMB Approval of the Information Collection, Explain the Reasons Why Display Would Be Inappropriate**

FHFA plans to display the expiration date for OMB approval.

**18. Explain Each Exception to the Topics of the Certification Statement Identified in "Certification for Paperwork Reduction Act Submission"**

There are no exceptions to the certification statement.

**B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS**

This information collection does not employ statistical methods.