

Supporting Statement for Paperwork Reduction Act Submission
Leasing – Statistical Documentation Required for a Guarantor of a Residual Value
12 CFR Part 714
OMB Control Number 3133-0151
July 2013

A. Justification

1. Explain the circumstances that make the collection of information necessary. Identify any legal or administrative requirements that necessitate the collection.

Section 714.5 of NCUA's leasing rule requires a federal credit union engaged in leasing to obtain or have on file financial documentation demonstrating that the guarantor of an estimated residual value has the resources to meet the guarantee.

Estimated residual value is the projected future value of leased property at lease end. The accuracy of the estimated residual values used in a lease program is a fundamental element in the success or failure of a lease program. The higher the estimated residual values used by a federal credit union, the greater the potential for loss. To mitigate this risk, the leasing rule requires that if the amount of the estimated residual value relied on by the federal credit union to satisfy the full payout lease requirement exceeds 25% of the original cost of the leased property, the credit union must obtain a guarantee of the excess from a financially capable party.

If the guarantor cannot meet its guarantee, a federal credit union may suffer serious financial loss. Accordingly, it is important that a federal credit union has statistics on file documenting that a guarantor has the financial resources and capability to meet the guarantee. If the guarantor is an insurance company, the federal credit union may satisfy this record keeping requirement by obtaining and maintaining information demonstrating that the insurance company has a rating equivalent to a B+ or better from a major rating company.

2. Indicate how, and by whom, and for what purpose the information is to be used. Except for a new collection, indicate the actual use the agency has made of the information received from the current collection.

A federal credit union will use the information to analyze and evaluate the financial capabilities and resources of a party that guarantees the residual value used in a leasing arrangement.

3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g., permitting electronic submission of responses, and the basis for the decision for adopting this means of collection. Also describe any consideration of using information technology to reduce burden.

Not applicable.

4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in Item 2 above.

This information collection is unique to federal credit unions and is not duplicated elsewhere.

5. If the collection of information impacts small business or other small entities (Item 5 of OMB Form 83-1), describe any methods used to minimize burden.

The burden is minimal if any. The vast majority of small federal credit unions do not engage in leasing activities. For those that might, they may choose to use an insurance company as guarantor and minimize the burden by obtaining a rating from a major rating company. These ratings are obtainable quickly and easily over the internet.

6. Describe the consequences to Federal program or policy activities if the collection is not conducted or is conducted less frequently, as well as any technical or legal obstacles to reducing burden.

As stated above, it is important that a federal credit union has statistics on file documenting that a guarantor has the financial resources and capability to meet the guarantee. Otherwise, a federal credit union may suffer serious financial loss resulting in a risk to the National Credit Union Share Insurance Fund.

7. Explain any special circumstances that would cause an information collection to be conducted in a manner inconsistent with 5 CFR § 1320.5(d) (2).

There are no special circumstances.

8. Describe efforts to consult with persons outside the agency.

Notice of the proposed information collection and request for public comment was published with a 60-day comment period in the Federal Register on August 16, 2013 (78 FR 50117). NCUA did not receive any comments regarding the collection.

9. Explain any decision to provide any payment or gift to respondents, other than remuneration of contractors or grantees.

There is no decision to provide any payment or gift to respondents.

10. Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or agency policy.

There is no assurance of confidentiality.

11. Provide additional justification for any questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private.

There are no questions of a sensitive nature.

12. Burden Estimate.

NCUA estimates that approximately 35 federal credit unions are engaged in leasing activities and that it will take an average of one to 2 hours to collect and analyze the information. Thus, if each of them had granted 5 leases with excess residual value the total annual collection burden is estimated to be no more than 350 hours.

13. Provide an estimate of the total annual cost burden to respondent or record keepers resulting from the collection of information.

The estimated cost to federal credit unions is minimal. A detailed major rating company report on a particular insurer, for example, currently costs about \$60.00. Individual insurer ratings may be obtained for less than that.

14. Provide estimates of annualized cost to the Federal government.

No costs to the Federal government.

15. Explain the reasons for any program changes or adjustments reported in Items 13 or 14 of the OMB Form 83-1.

This is a reinstatement of a previously approved collection. There are no program changes.

16. For collections of information whose results will be published, outline plans for tabulation and publication. Address any complex analytical techniques that will be used. Provide the time schedule for the entire project, including beginning and ending dates of the collection of information, completion of report, publication dates, and other actions.

There are no plans to publish results.

17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.

The NCUA is not seeking to not display the expiration date for OMB approval.

18. Explain each exception to the certification statement identified in item 19, "Certification for Paperwork Reduction Act Submissions," of OMB Form 83-1.

There are no exceptions to the certification statement.