

**DRAFT SUPPORTING STATEMENT PENDING CLEARANCE OF 30-DAY
FEDERAL REGISTER NOTICE**



“MEMBERS OF THE BANKS”

OMB NUMBER 2590-0003

SUPPORTING STATEMENT

A. JUSTIFICATION

1. Circumstances necessitating the collection of information

Section 4 of the Federal Home Loan Bank Act (Bank Act) establishes the eligibility requirements an institution must meet in order to become a member of a Federal Home Loan Bank (Bank).¹ FHFA’s Bank membership regulation, located at 12 CFR part 1263, implements section 4 of the Bank Act by providing uniform requirements an institution must meet to be approved for Bank membership and review criteria a Bank must apply to determine if an institution satisfies the statutory and regulatory membership eligibility requirements, and by specifying the information and materials an institution must submit as part of its application.² Although the membership regulation authorizes the Banks to approve or deny applications for membership, it also provides institutions that have been denied membership in a Bank the option of appealing the decision to FHFA.³ The membership regulation also addresses the requirements for withdrawal from Bank membership and for the transfer of an institution’s membership from one Bank to another.⁴

This information collection may require four different types of submissions by Bank members or by institutions wishing to become a Bank member: (I) applications for membership and supporting materials; (II) notices of appeal to FHFA by institutions that have been denied membership by a Bank; (III) requests to withdrawal from Bank membership; and (IV) applications for transfer of membership to a different Bank and supporting materials. The information collection is necessary to enable a Bank to determine whether prospective and current Bank members, or transferring members of other Banks, satisfy the statutory and regulatory requirements to be certified initially and maintain their status as members eligible to obtain Bank advances. The collection is also necessary to inform a Bank of when to initiate the withdrawal process where a member so desires. On appeals, FHFA uses the information collection to determine whether to uphold or overrule a Bank's decision to deny Bank membership to an applicant.

2. Use of data

The Banks use the information collection to: (i) determine whether an institution satisfies the statutory and regulatory requirements for Bank membership; (ii) process member withdrawals;

¹ See 12 U.S.C. 1424.

² See 12 CFR part 1263.

³ See 12 CFR 1263.5.

⁴ See 12 CFR 1263.26; 1263.18(d), (e).



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and (iii) process member transfers to a different Bank district. When appropriate, FHFA uses the information collection to determine whether an institution that has been denied membership by a Bank should be permitted to become a member of that Bank.

3. Use of information technology

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 Thompson Media Group LLC (TMG), which calculates performance ratios required in the membership application process, to reduce the information collection burden.

4. Efforts to identify duplication

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, a respondent can submit information already required for the Federal Deposit Insurance Corporation Report of Condition and Income, audited financial statements, or the public portion of its Community Reinvestment Act examination.

5. Impact on small entities

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. Consequences of less frequent collection and obstacles to burden reduction

If the information is not collected at the times specified in the regulation, the Banks could not determine whether: (i) an institution satisfies the statutory and regulatory requirements for Bank membership; (ii) a member may withdraw; or (iii) a member may transfer to a different Bank district.

7. Circumstances requiring special information collection

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



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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 July 1, 2013. See 78 FR 39293 (July 1, 2013). The 60-day comment period closed on August 30, 2013. FHFA received no comments. FHFA also contacted Vicki Benson of the Federal Home Loan Bank of Boston, (617) 292-9647, Vicki.benson@fhlboston.com; Susan Krzus of the Federal Home Loan Bank of Chicago, (312) 565-5374, SKrzus@fhlbc.com; and Sondra Ekey of the Federal Home Loan Bank of Topeka, (785) 438-6007, Sondra.Ekey@fhlbTopeka.

9. Provision of payments or gifts to respondents

No payment or gift will be provided to any respondent.

10. Assurance of confidentiality

The Banks and FHFA 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

FHFA has analyzed the cost and hour burden for the four facets of this information collection: (I) membership applications; (II) appeals of membership denials; (III) withdrawals from membership; and (IV) transfers of membership to another Bank district.

The aggregate total annual cost to members and applicants is \$175,613. The estimated total annual hour burden is 2,261 hours. The estimated total annual number of submissions is 434. The method FHFA used to determine the annual cost and hour burden for each facet of the information collection is explained in detail below.

I. Membership Applications



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FHFA based the calculations upon an annual average of 157 applications for membership processed by the Banks.

The estimated annualized cost to applicants is \$135,365. The estimated annualized hour burden is 1,837 hours. These estimates are based on the following calculations:

Applicant Staff Analyst prepares the membership application.

- Processing time: 5.3 hours
- Total applications: 157
- Total hours: 832
- Hourly rate: \$54 (includes salary, benefits, and overhead)
- Total cost: \$44,933

Outside attorney reviews application to ensure compliance with statutory and regulatory requirements.

- Review time: 1.4 hours
- Total applications: 157
- Total hours: 220 hours
- Hourly rate: \$140 (includes salary, benefits, and overhead)
- Total cost: \$30,772

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

- Review time: 4 hours
- Total applications: 157
- Total hours: 628 hours
- Hourly rate: \$95 (includes salary, benefits, and overhead)
- Total cost: \$59,660

Applicant’s board of directors discusses and approves membership application.

- Review time: 1 hours
- Total applications: 157
- Total hours: 157

There are no charges/expenses for board of director reviews for membership applications as the review typically occurs at a regularly scheduled board of directors meeting.

II. Appellate Membership Application



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FHFA based the calculations upon an annual average of 1 appellate application processed by FHFA. No membership applicant has yet submitted an appellate application to FHFA. The estimated annualized cost to members is \$950. The estimated annualized hour burden is 10 hours. These estimates are based on the following calculations:

Management of appealing institution prepares and submits an appellate application to FHFA.

- Processing time: 10 hours
- Total appellate applications: 1
- Total hours: 10
- Hourly rate: \$95 (includes salary, benefits, and overhead)
- Total cost: \$950

III. Withdrawals From Membership

FHFA based the calculations upon an annual average of 275 Bank members requesting withdrawal, which includes members that must withdraw because they have been merged into another institution or otherwise relinquished their charter. The estimated annualized cost to Bank members is \$39,188. The estimated annualized hour burden is 413 hours. These estimates are based on the following calculations:

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

- Processing time: 1.5 hours
- Total notices: 275
- Total hours: 413
- Hourly rate: \$95 (includes salary, benefits, and overhead)
- Total cost: \$39,188

IV. Transfer of Membership

The estimated annualized cost to members is \$110. The estimated annualized hour burden is 1.5 hours. These estimates are based on the following calculations:

Management prepares request to transfer membership to another Bank district.

- Processing time: 1 hour
- Total requests: 1
- Total hours: 1
- Hourly rate: \$95 (includes salary, benefits, and overhead)
- Total cost: \$95



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

- Processing time: 0.5 hours
- Total requests: 1
- Total hours: 0.5
- Hourly rate: \$30 (includes salary, benefits, and overhead)
- Total cost: \$15

13. Estimated total annualized cost burden to respondents

FHFA has not identified any costs to respondents other than the hourly personnel costs detailed under item #12.

14. Estimated cost to the federal government

The estimated annual cost burden to FHFA is \$23,837 and 481 hours, calculated as follows:

I. Membership Applications

The estimated annualized cost to FHFA is \$23,079. The estimated annual hour burden is 471 hours. These estimates are based on the following calculations:

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

- Processing time: 3 hours
- Total applications: 157
- Total hours: 471
- Hourly rate: \$49 (includes salary, benefits and overhead)
- Total cost: \$23,079

II. Appellate Membership Application

The estimated annualized cost to FHFA is \$758. The estimated annual hour burden is 10 hours. These estimates are based on the following calculations:

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



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- Review time: 2 hours
- Total applications: 1
- Total hours: 2
- Hourly rate: \$49 (includes salary, benefits, and overhead)
- Total cost: \$98

Staff 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: \$70 (includes salary, benefits, and overhead)
- Total cost: \$280

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

III. Withdrawals from Membership

FHFA is not involved in membership withdrawals.

IV. Transfer of Membership

FHFA is not involved in transfer of membership determinations.

15. Reasons for change in burden

FHFA last requested review of this information collection in 2010. The Supporting Statement submitted at that time showed 5,564 burden hours and a total cost of \$535,549 imposed upon members/applicants by this collection. In comparison, item #12 of this Supporting Statement shows 2,261 burden hours and a total cost of \$175,613 imposed upon members/applicants. The main reason for the reduction in the burden of the member application process is the reduction in



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the time burden reported by applicants preparing the application materials from nearly nine hours per application to slightly above 5 average hours and, the time burden of member applicant attorney review time burden from an average of 8 hours to 4 hours. Additionally, additional cost reduction stems from the fact that the average number of applications for Bank membership that were filed annually in the three years preceding the submission fell from 283 in 2010 to 157 in 2013. Counter-balancing that reduction to some extent was an increase in the average number of withdrawals from Bank membership—from only 8 in 2010 to 275 in 2013. In 2010 only voluntary withdrawals were counted, whereas in the current review those members which withdrew due to acquisition and merger with another entity are now included.

The calculation of a new member’s Bank stock purchase requirement, which in 2010 accounted for 71 total hours and \$9,727 in cost, was removed from the burden estimates, because this activity is already subsumed within the burdens reported for FHFA’s “Capital Requirements for Federal Home Loan Banks” collection (OMB No. 2590-0002).

The estimated annual burden to the federal government fell from 873 hours/\$40,654 in 2010 to 481 hours/\$23,837 in 2013. This is mainly due to the fact that most of the decision-making authority over membership applications, transfers and withdrawals has now been given to the Banks and FHFA’s role in the process in primarily one of recordkeeping.

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 2010 Supporting Statement. 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).

16. Plans for tabulation, statistical analysis and publication

FHFA will not publish the results of this information collection.

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 identified in “Certification for Paperwork Reduction Act Submissions.”



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B. Collection of Information Employing Statistical Methods

The information collection does not employ statistical methods.