

National Credit Union Administration
Supporting Statement for Paperwork Reduction Act Submission
OMB Control No. 3133-0024
12 C.F.R. Part 708b
Mergers of Federally-Insured Credit Unions; Voluntary Termination or
Conversion of Insured Status
July 2013

A. Justification

1. Circumstances that make the collection of information necessary.

The Federal Credit Union Act requires written approval of the NCUA Board before one or more federally-insured credit unions merge or before a federally-insured credit union converts to nonfederal (private) share insurance or terminates federal share insurance and authorizes the NCUA Board to prescribe rules regarding mergers of federally-insured credit unions and changes in insured status. 12 U.S.C. §§1752(7), 1766(a), 1785(b) and (c), 1786(a), (c), and (d), and 1789(a). Part 708b of NCUA's rules sets forth the procedural and disclosure requirements for mergers of federally-insured credit unions, conversions from federal share insurance to nonfederal insurance, and federal share insurance terminations. 12 C.F.R. Part 708b.

2. By whom, how, and for what purpose the information is to be used.

Part 708b is designed to ensure NCUA has sufficient information whether to approve a proposed merger, share insurance conversion, or share insurance termination. It further ensures that members of credit unions have sufficient and accurate information to exercise their vote properly concerning a proposed merger, insurance conversion, or insurance termination. The rule also protects the property interests of members who may lose their federal share insurance due to a merger, share insurance conversion, or share insurance termination.

3. Consideration of the use of improved information technology.

- Forms and formats for a credit union to use in communicating with its members and with NCUA about mergers and share insurance conversions and terminations are available in a guidance manual that itself is available electronically from NCUA's website.
- Credit unions may use electronic voting processes in obtaining the votes of their members on whether to approve a merger.

4. Efforts to identify duplication.

The collection of information (preparing the required merger, conversion, or termination documents, submitting the required information to NCUA, notifying members, notifying NCUA of the member vote, and notifying NCUA and members of the completion of the merger, conversion, or termination) is unique to the circumstances of each credit union. The information is self-generated and is not available from any other government agency or other source.

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

This collection does not have a significant impact on a substantial number of small credit unions. For the most part, in a merger transaction a small credit union merges into a larger credit union. The larger credit union provides substantial assistance to the smaller credit union alleviating the economic burden. Share insurance conversion transactions are rare, averaging about two a year, and under Part 708b NCUA supplies the forms and format of the application. NCUA has not had a voluntary share insurance termination in decades.

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

If the information collection occurred less frequently, NCUA would be unable to determine whether to approve the proposed merger or share insurance conversion. Also, the credit union's members would not have sufficient information to evaluate the proposal.

7. Special circumstances necessitating collection inconsistent with 5 C.F.R. §1320.5(d)(2).

This collection will not cause any information to be collected in a manner described in §1320.5(d)(2).

8. Efforts to consult with persons outside the agency.

Notice of the proposed information collection and request for comment was published in the Federal Register with a 60-day comment period. 78 Federal Register 43242 (July 19, 2013). No comments were received.

9. Explain any decision to provide any payment or gift to respondents.

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

10. Describe any assurance of confidentiality provided to respondents.

There are no assurances of confidentiality.

11. Additional justification for any question of a sensitive nature.

There are no questions of a sensitive nature.

12. Estimates of hour and cost burdens of the collection of information.

The total estimated annual burden hours under Part 708b for mergers, share insurance conversions, and share insurance terminations equal 8,424 hours. The estimated annualized labor cost burden equals \$336,960, calculated as 8,424 hours times \$40/hour.

The categories of burden for credit unions complying with Part 708b may include the following:

IC 1. Mergers

Each year, there are approximately 240 mergers involving one or more federally-insured credit unions. NCUA estimates it will take the two merging credit unions approximately 35 hours between them to

- a. Prepare the required merger documents (§708b.103)--15 hours;
 - b. Collect and submit the required information to NCUA (§708b.104)—5 hours;
 - c. Provide the required insurance disclosures in other communications that the credit union plans to send to its members if the merger involves a share insurance conversion (§708b.206)—2 hours;
 - d. Notify members of the proposed merger and send them the ballot (§§708b.106, 708b.303(a) and (b))—7 hours;
 - e. Notify NCUA of the results of the merger vote (§§708b.107, 708b.303(c))—1 hour;
 - f. Notify NCUA of the merger's completion (§708b.108)—1 hour; and
 - g. Notify members of the results of the merger and the possible effect on their insurance coverage (§708b.101(e))—4 hours.
- 240 respondents (the two merging credit unions together treated as one respondent) times 35 hours per respondent equals 8,400 total annual burden

hours associated with this collection of information. The estimated annualized labor cost burden equals \$336,000, calculated as 8,400 hours times \$40/hour.

The following table summarizes this information.

Mergers

Rule Number for Information Collection Activity	Annual Number of Respondents	Frequency of Response	Response Time per Respondent	Total Annual Burden Hours	Average Labor Rate/Hour	Annual Labor Cost Burden
708b.103	240	Once	15	3,600	\$40	\$144,000
708b.104	240	Once	5	1,200	\$40	\$48,000
708b.206	240	Once	2	480	\$40	\$19,200
708b.106, 708b.303(a) and (b)	240	Once	7	1,680	\$40	\$67,200
708b.107, 708b.303(c)	240	Once	1	240	\$40	\$9,600
708b.108	240	Once	1	240	\$40	\$9,600
708b.101(e)	240	Once	4	960	\$40	\$38,400
Subtotal	240	Once	35 hours	8,400 hours	\$40	\$336,000

IC 2. Share Insurance Conversions

Approximately two credit unions each year engage in share insurance conversions outside of the merger context. NCUA estimates there will be minimal burden in the form of collections of information, since NCUA provides forms and form language in the regulation. NCUA estimates that it will take each credit union a total of approximately 12 hours to:

- a. Prepare the required conversion documents and submit the required information to NCUA (§§708b.203, 708b.301(a))—4 hours;
- b. Notify members of the proposed conversion and send them the ballot (§§708b.204, 708b.301(b) and (c))—4 hours;
- c. Provide the required insurance disclosures in other communications that the credit union plans to send to its members (§708b.206)—2 hours;
- d. Notify NCUA of the results of the conversion vote (§708b.301(d))—1 hour; and
- e. Provide members notice of conversion of insurance (§708b.204(c))—1 hour.

Two respondents times 12 hours per respondent equals 24 total annual burden hours associated with this collection of information. The estimated annualized labor cost burden equals \$960, calculated as 24 hours times \$40/hour.

The following table summarizes this information.

Share Insurance Conversions

Rule Number for Information Collection Activity	Annual Number of Respondents	Frequency of Response	Response Time per Respondent	Total Annual Burden Hours	Average Labor Rate/Hour	Total Annual Labor Cost Burden
708b.203, 708b.301(a)	2	Once	4 hours	8	\$40	\$320
708b.204, 708b.301(b) and (c)	2	Once	4 hours	8	\$40	\$320
708b.206	2	Once	2 hours	4	\$40	\$160
708b.301(d)	2	Once	1 hour	2	\$40	\$80
708b.204(c)	2	Once	1 hour	2	\$40	\$80
Subtotal	2	Once	12	24	\$40	\$960

IC 3. Share Insurance Terminations

Approximately zero credit unions each year engage in share insurance terminations. If one or more credit unions does engage in a voluntary termination of insurance in the future, NCUA estimates there will be minimal burden in the form of collections of information on those credit unions. NCUA estimates it will take each credit union approximately 12 hours to:

- a. Prepare the required termination documents and submit the required information to NCUA (§708b.201)—4 hours;
- b. Notify the members of the proposed termination and send them the ballot (§708b.202)—4 hours;
- c. Provide the required insurance disclosures in other communications that the credit union plans to send to its members (§708b.206)—2 hours;
- d. Notify NCUA of the results of the termination vote (§708b.201(d)(2))—1 hour; and
- e. Provide members notice of termination of insurance (§708b.202(c))—1 hour.

Zero respondents times 12 hours per respondent equals zero total annual burden hours associated with this collection of information. The estimated annualized labor cost burden equals \$0, calculated as 0 hours times \$40/hour.

The following table summarizes this information.

Share Insurance Terminations

Rule Number for Information Collection Activity	Annual Number of Respondents	Frequency of Response	Response Time per Respondent	Total Annual Burden Hours	Average Labor Rate/Hour	Total Annual Labor Cost Burden
708b.201	0	Once	4 hours	0	\$40	\$0
708b.202	0	Once	4 hours	0	\$40	\$0
708b.206	0	Once	2 hours	0	\$40	\$0
708b.201(d)(2)	0	Once	1 hour	0	\$40	\$0
708b.202(c)	0	Once	1 hour	0	\$40	\$0
Subtotal	0	Once	12 hours	0 hours	\$40	\$0

The following table summarizes the foregoing:

Summary

Information Collection	Annual Number of Respondents	Total Annual Burden Hours	Total Annual Labor Cost Burden
Mergers	240	8,400	\$336,000
Share Insurance Conversions	2	24	\$960
Share Insurance Terminations	0	0	\$0
Total	242	8,424 hours	\$336,960

13. Estimates of annualized capital and start-up costs.

- (a) Total capital and start-up costs: None.
- (b) Total operation and maintenance and purchase of services:

The merging/converting credit union must make a mailing to its members. We estimate the costs of that mailing at approximately \$.75 per member and the average number of members in a merging credit at approximately 1,200. The estimated total annual cost to each respondent is $$.75 \times 1,200 = \900 . On very rare occasions, a merging credit union may need to get outside accounting assistance with GAAP consolidated financials or legal assistance with Hart Scott Rodino Act compliance issues. Since this would be very rare, we cannot compute an average cost for this service.

The estimated total annual cost (other than labor hours) to respondents is $242 \text{ respondents} \times \$900/\text{respondent} = \$217,800$.

14. Estimates of annualized Federal Government costs.

The estimated total annualized cost to the Federal Government is approximately \$202,640, calculated as follows:

Mergers

NCUA spends an average of 15 employee-hours on pre- and post-merger processing and 4 employee-hours reviewing and supervising that processing. The wage rate for the processing is approximately \$40/hour, and the wage rate for review and supervision is approximately \$60/hour. The total NCUA cost for each merger is then $15 \times \$40$ (\$600) plus $4 \times \$60$ (\$240) = \$840. The aggregate annual cost for the 240 mergers is $240 \times \$840$, or \$201,600.

Share Insurance Conversions

The NCUA spends an average of 10 employee-hours on pre- and post-share insurance conversion processing and 2 employee-hours reviewing and supervising that processing. The wage rate for the processing is approximately \$40/hour, and the wage rate for review and supervision is approximately \$60/hour. The total NCUA cost for each share insurance conversion is then $10 \times \$40$ (\$400) plus $2 \times \$60$ (\$120) = \$520. The aggregate annual cost for the 2 share insurance conversions is $2 \times \$520$, or \$1,040.

15. Explanation of change in burden.

This is a reinstatement of a previously approved collection. The change in hour and cost burden is attributable to a decrease in the number of credit unions engaging in mergers and share insurance conversions and an increase in the estimated costs to credit unions and NCUA.

16. Information collections data planned to be published for statistical use.

NCUA does not intend to employ the use of statistics or the publication thereof for this information collection.

17. Explanation of seeking not to display the expiration date for OMB approval of the information collection.

NCUA is not seeking to not display the expiration date for OMB approval of the information collection.

18. Exception to the certification statement.

NCUA does not request an exception to the certification of this information collection.

B. Collections of Information Employing Statistical Methods.

This collection does not employ statistical methods.