

Supporting Statement for Paperwork Reduction Act Submission

**OMB Control Number 3133-0170
National Credit Union Administration
12 C.F.R. Part 713**

Fidelity Bond and Insurance Coverage for Federal Credit Unions

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.**

Part 713 of the National Credit Union Administration's (NCUA) regulations implements NCUA's authority established in the Federal Credit Union Act to require federal credit unions (FCU) to arrange for adequate fidelity coverage for officers and employees having custody of or responsibility for handling funds. 12 U.S.C. §1761b(2). The rule describes the responsibilities of credit union boards of directors in this area and establishes coverage and deductible limits. The attached regulation describes the information that NCUA requires.

The regulation raises a Paperwork Reduction Act issue in that it requires an FCU to monitor its eligibility to qualify for the higher deductible and to notify the NCUA if its financial condition changes and it loses its eligibility for the higher deductible. This requirement enables NCUA to monitor the FCU's financial condition for safety and soundness purposes and helps to assure that FCUs are properly and adequately protected against potential losses due to insider abuse such as fraud and embezzlement.

- 2. Indicate how, 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.**

The regulation calls for an FCU that falls out of eligibility for the higher deductible to obtain a policy with the required coverage and to notify the appropriate NCUA regional office of its changed status and confirming that it has obtained the required coverage. The information will be used by the regional office in its efforts to monitor credit unions for safe and sound operations and is critically important in helping to avert or minimize losses to the National Credit Union Share Insurance Fund (NCUSIF), which provides federally guaranteed account insurance for all federally insured credit unions. Adequate insurance coverage can avert a credit union from failing due to insolvency; alternatively, where insolvency and failure do occur, the NCUA, in its capacity as receiver for the failed FCU, can recoup some of its losses through a claim under an insurance policy.

- 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 burdens.**

The rule calls for a confirmation by the credit union that it has taken necessary action and has procured fidelity insurance coverage in the prescribed amount. As such, the information is unique to the facts of each case and not amenable to automation.

- 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.**

Eligibility for the higher deductible permissible under the rule is a function, in part, of the credit union's financial condition. Several NCUA rules already call for the monitoring and reporting of this information, and such monitoring is a matter of good business practice in any case. Credit unions may rely on the form 5300 call report, which must be filed quarterly, in reviewing whether they continue to qualify for the higher deductible. As noted in the response to the preceding section, however, the specific notice to NCUA about having obtained the required coverage is unique and not addressed in any of our other rules.

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

The provisions in the rule that allow for a higher deductible are dependent on asset size in addition to financial condition. This information collection is minimal in that it requires the FCU to provide its regional office with notice of its disqualification from participating in the higher deductible option and that it has obtained the required coverage.

- 6. Describe the consequence 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.**

The rule's requirements for written confirmation to the regional office are triggered, if at all, only when a change in the credit union's financial condition requires it to lower its deductible. Failure to provide this confirmation to the NCUA would diminish its knowledge about the financial condition of FCUs and could result in losses to the NCUSIF.

7. Explain any special circumstances that would cause an information collection to be conducted in a manner inconsistent with the guidelines set out in 5 C.F.R. 1320.6.

No special circumstances exist that would cause this collection to be conducted in a manner inconsistent with OMB guidelines.

8. Describe efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and recordkeeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.

Notice of the proposed collection and a request for public comment was published in the Federal Register with a 60-day comment period on July 19, 2013 (78 FR 43231). No comments were received regarding this collection.

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

NCUA will not make any payment, gift or remuneration to anyone in connection with the information collection.

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

Certain financial information about credit unions is publicly available through the filing of quarterly call reports. However, a credit union's eligibility for a higher fidelity bond and insurance deductible is not public information. Like information contained in an agency examination report, this information is exempt from public disclosure under exemption 8 of the Freedom of Information Act. 5 U.S.C. 522(b)(8)

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 related to Part 713.

12. Provide estimates of the hour burden of the collection of information.

NCUA estimates it will take an average of one hour for a credit union to provide notice to both its bond carrier and its regulator of its changed status. Based on NCUA's information, FCUs that fall out of eligibility for the higher deductible is minimal.

Thus, the burden associated with this collection of information may be summarized as follows:

Number of Respondents:	5
Estimated Time per Response:	1 hour
Notice to regulators:	1 hour x 5 credit unions = 5 hours
Estimated Total Annual Burden:	5 hours

13. Provide an estimate of the total annual [non-hour] cost burden to respondents or recordkeepers resulting from the collection of information.

There is no submission or filing fee associated with making this information available to the NCUA. Any ancillary costs such as copying charges or postage would be de minimis.

14. Provide estimates of annualized cost to the Federal government. Also, provide a description of the method used to estimate cost, which should include quantification of hours, operational expenses (such as equipment, overhead, printing, and support staff), and any other expense that would not have been incurred without this collection of information.

As noted above, NCUA conducts regular, periodic examinations of FCUs. Insofar as these examinations consider all aspects of an FCU's business, including evaluation of required insurance coverage, there is no additional cost to the NCUA (or any other agency) relating to the information collection contained in this rule.

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

This is a reinstatement. There are no program changes.

16. For collections of information whose results will be published, outline plans for tabulation and publication.

As noted above, the information sought under this rule is exempt from disclosure under the Freedom of Information Act. There are no plans to publish or disseminate any of the information publicly.

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.

NCUA is not seeking to not display the expiration date.

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

There are no exceptions to the certification statement identified in Item 19 of the OMB Form 83-I.

B. Collections of Information Employing Statistical Methods

This collection does not employ statistical methods.