



## “CAPITAL REQUIREMENTS FOR THE FEDERAL HOME LOAN BANKS”

OMB NUMBER 2590-0002

### SUPPORTING STATEMENT

#### A. JUSTIFICATION

##### 1. Circumstances necessitating the collection of information

Each of the twelve regional Federal Home Loan Banks (Banks) is structured as a member-owned cooperative. An institution that is eligible for membership in a particular Bank must purchase and hold a prescribed minimum amount of the Bank’s capital stock in order to become and remain a member of that Bank.<sup>1</sup> With few exceptions, only an institution that is a member of a Bank may obtain access to secured loans, known as advances, or other products provided by that Bank.

Section 6 of the Federal Home Loan Bank Act (Bank Act) establishes the capital structure for the Banks and requires FHFA to issue regulations prescribing uniform capital standards applicable to all of the Banks.<sup>2</sup> These implementing regulations are set forth in 12 CFR parts 930, 931, 932, and 933: part 930 contains definitions applicable to the capital regulations; part 931 establishes the requirements for the Banks’ capital stock; part 932 establishes risk-based and total capital requirements for the Banks; and part 933 sets forth the requirements for the Banks’ “capital structure plans” under which each Bank establishes its own capital structure within the parameters of the statute and FHFA’s implementing regulations.

Both the Bank Act and FHFA’s regulations state that a Bank’s capital structure plan must require its members to maintain a minimum investment in the Bank’s capital stock, which is to be determined for each member in a manner prescribed by the board of directors of the Bank and reflected in the Bank’s capital structure plan.<sup>3</sup> Although each Bank’s capital structure plan establishes a slightly different method for calculating the required minimum stock investment for its members, each Bank’s method is tied to some degree to both the level of assets held by the member institution (typically referred to as a “membership stock purchase requirement”) and the amount of advances or other business engaged in between the member and the Bank (typically referred to as an “activity-based stock purchase requirement”).

Although the required information and the precise method through which it is collected differ from Bank to Bank, there are for each Bank typically two components to this information collection. First, in order to calculate and monitor compliance with its membership stock purchase requirement, a Bank typically requires each member to provide and/or confirm a quarterly or annual report on the amount and types of assets held by that institution. Second, at

---

<sup>1</sup> See 12 U.S.C. 1426(c)(1); 12 CFR 931.3, 1263.20

<sup>2</sup> See 12 U.S.C. 1426.

<sup>3</sup> See 12 U.S.C. 1426(c)(1); 12 CFR 933.2(a).



## **“Capital Requirements for the Federal Home Loan Banks” OMB Number 2590-0002: Supporting Statement**

the time it engages in a business transaction with a member, each Bank typically confirms with the member the amount of additional Bank capital stock, if any, the member must acquire in order to satisfy the Bank’s activity-based stock purchase requirement and the method through which the member will acquire that stock.

### **2. Use of data**

The Banks use this information collection to determine the amount of capital stock a member must purchase to maintain membership in and to obtain services from the Bank under its capital structure plan, and to confirm that its members are complying with the Bank’s stock purchase requirements.

### **3. Use of information technology**

Approximately 98% of the information collection is collected through electronic or other technological collection techniques.

### **4. Efforts to identify duplication**

The information collection avoids duplication by using data members already file on periodic call reports with their primary regulator.

### **5. Impact on small entities**

The information collection does not have a significant economic impact on a substantial number of small entities. The statutory requirements are applicable to all Banks and Bank members 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 related to satisfaction of the membership stock purchase requirement and the activity-based stock purchase requirement were not collected at the times specified, the Bank would be unable to monitor effectively its members’ compliance with statutory and regulatory capital stock requirements.



## “Capital Requirements for the Federal Home Loan Banks” OMB Number 2590-0002: Supporting Statement

### **7. Circumstances requiring special information collection**

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

### **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 39292 (July 1, 2013). The 60-day comment period closed on August 30, 2013. FHFA received no public comments. In addition, FHFA contacted: Suzanne Sellers of the Federal Home Loan Bank of Atlanta, (404) 888-8135, [ssellers@fhlbatl.com](mailto:ssellers@fhlbatl.com); Kelly Richmond of the Federal Home Loan Bank of Dallas, (214) 441-8525, [Kelly.richmond@fhlb.com](mailto:Kelly.richmond@fhlb.com); Michael Desiderio of the Federal Home Loan Bank of New York, (212) 441-6603, [Michael.Desiderio@fhlbny.com](mailto:Michael.Desiderio@fhlbny.com); and Karen Mefford of the Federal Home Loan Bank of Seattle, (206) 340-2348, [Kmeffo@fhlbsea.com](mailto:Kmeffo@fhlbsea.com).

### **9. Provision of payments or gifts to respondents**

No payment or gift will be provided to any respondent.

### **10. Assurance of confidentiality**

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

### **11. Questions of a sensitive nature**

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

### **12. Estimates of the hour burden of the information collection**

FHFA has analyzed the cost and hour burden for the two facets of this information collection: (I) membership stock purchase requirement; and (II) activity-based stock purchase requirement.

The aggregate total annual cost to members and daily borrowers is \$2,247,551. The estimated total annual hour burden is 34,574 hours. The estimated total annual number of submissions is 111,536. The method FHFA used to determine the annual cost and hour burden for each facet of the information collection is explained in detail below.



## **“Capital Requirements for the Federal Home Loan Banks” OMB Number 2590-0002: Supporting Statement**

### **I. Membership Stock Purchase Requirement**

The estimated annualized cost to Bank members is \$1,390,924. The estimated annualized hour burden is 21,595 hours. These estimates are based on the following calculations:

Bank member’s Accounting/Finance staff compiles information, and reviews and analyzes documents for submission to and from the Bank.

- Review Time: 0.43 hours per report
- Total Reports: 30,416 (7,604 members x 4 reports per member)
- Total Hours: 13,079
- Hourly Rate: \$52 (includes salary, benefits, and overhead)
- Total Cost: \$680,102

Bank member’s staff attorney reviews and analyzes documents for submission to and from the Bank.

- Review Time: 0.19 hours per report
- Total Reports: 30,416 (7,604 members x 4 reports per member)
- Total Hours: 5,779
- Hourly Rate: \$78 (includes salary, benefits, and overhead)
- Total Cost: \$450,765

Bank member’s management reviews and analyzes documents for submission to and from the Bank.

- Review Time: 0.09 hours per report
- Total Reports: 30,416 (7,604 members x 4 reports per member)
- Total Hours: 2,737
- Hourly Rate: \$95 (includes salary, benefits, and overhead)
- Total Cost: \$260,057

### **II. Activity-Based Stock Purchase Requirement**

FHFA based the calculations upon a daily average of 312 member borrowers submitting 1 response for each of the 260 business days during the year.

The estimated annualized cost to the members is \$856,627. The estimated annualized hour burden is 12,979 hours. These estimates are based on the following calculations:

Bank member initiates advance or mortgage sale and discusses capital stock support and document requirements with its Bank.



## **“Capital Requirements for the Federal Home Loan Banks” OMB Number 2590-0002: Supporting Statement**

- Review Time: 0.16 hours per report
- Total Reports: 81,120 (312 daily borrowers x 260 working days x 1 report)
- Total Hours: 12,979 hours
- Hourly Rate: \$66 (includes salary, benefits, and overhead)
- Total Cost: \$856,627

### **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 the Federal government is \$0.

### **15. Reasons for change in burden**

FHFA last requested review of this information collection in 2010. The Supporting Statement submitted at that time showed 3,023 burden hours and a total cost of \$123,943 imposed upon Bank members by this collection. In contrast, item #12 of this Supporting Statement shows 34,574 burden hours and a total cost of \$2,247,551 imposed upon members.

The primary reason for the increase in both burden hours and cost is that, because of a mathematical error in the calculations underlying the burden estimates for Bank members in the 2010 Supporting Statement, those burden estimates were reported at one-tenth of the amounts that should have been reported. Thus, the 2010 Supporting Statement should have reflected burden hours of 30,230 and a total cost of \$1,239,430 imposed upon Bank members by this collection. FHFA did not discover this error until it reviewed those calculations as part of the preparation for this submission.

In addition, FHFA canvassed several of the Banks in order to update its burden estimates. These Banks, in turn, each contacted several member institutions to request their input on the hour burden and cost estimates. As a result of the information received from this outreach, FHFA has revised both the “per item” review time and the “per hour” personnel cost for several of the components of this collection. In some cases, the estimated review time was reduced and in others, it was increased (from the figures that should have appeared in the 2010 submission). In most cases, the hourly personnel cost increased modestly.

For the membership stock purchase requirement, the newly-received information indicated that Bank members typically undertook legal and management reviews of the quarterly stock reports. These levels of review were not reflected in the 2010 materials, but have been added here. Overall, the total “per report” burden for this aspect of the collection rose from (what should



**“Capital Requirements for the Federal Home Loan Banks”  
OMB Number 2590-0002: Supporting Statement**

have been reported as) 0.5 hours in 2010 to 0.71 hours in 2013. This, combined with a decrease—from 8,093 to 7,604—in the total number of Bank members filing reports annually resulted in an increase in reported burden hours from (what should have been reported as) 16,190 hours in 2010 to 21,595 in 2013. Because of the addition of the legal and management reviews to the calculation, with their relatively higher per-hour personnel costs, the total estimated cost for that aspect of the collection rose from (what should have been reported as) \$663,790 in 2010 to \$1,390,924 in 2013.

For the activity-based stock purchase requirement, the estimated “per transaction” burden fell from (what should have been reported as) 0.5 hours in 2010 to 0.16 hours in 2013, based on the new information received from the Banks and their members. However, the average number of daily borrowers from the Banks rose from 108 in 2010 to 312 in 2013, causing the total estimated annual number of activity-based stock reports to rise from 28,080 to 81,120. The net result was a slight reduction in the estimated burden from (what should have been reported as) 14,040 hours to 12,979 hours.

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.”

**B. Collection of Information Employing Statistical Methods**

The information collection does not employ statistical methods.