



"FEDERAL HOME LOAN BANK DIRECTORS"

OMB NUMBER 2590-0006

SUPPORTING STATEMENT

A. JUSTIFICATION

1. Circumstances necessitating the collection of information

Section 7 of the Federal Home Loan Bank Act (Bank Act) vests the management of each Federal Home Loan Bank (Bank) in its board of directors.¹ As required by section 7, each Bank's board comprises two types of directors: (1) member directors, who are drawn from the officers and directors of member institutions located in the Bank's district and who are elected every four years to represent members in a particular state in that district; and (2) independent directors, who are unaffiliated with any of the Bank's member institutions, but who reside in the Bank's district and are elected every four years on an at-large basis.² Section 7 and FHFA's implementing regulation, codified at 12 CFR part 1261, establish the eligibility requirements for both types of Bank directors and the qualifications for independent directors, and set forth the procedures for their election.

Under part 1261 of the regulations, each Bank must determine the eligibility of nominees to serve as member and independent directors on its board and administer the annual director election process. As part of this process, a Bank must require each candidate for either type of directorship, including any incumbent that may be a candidate for reelection, to complete and return to the Bank a form that solicits information about the candidate's statutory eligibility to serve and, in the case of independent director candidates, about his or her professional qualifications for the directorship being sought.³ Specifically, member director candidates are required to complete the *Federal Home Loan Bank Member Director Eligibility Certification Form (Member Director Eligibility Certification Form)*, while independent director candidates must complete the *Federal Home Loan Bank Independent Director Application Form (Independent Director Application Form)*.

Each Bank must also require all of its incumbent directors to certify annually that they continue to meet all eligibility requirements.⁴ Member directors do this by completing the *Member Director Eligibility Certification Form* again every year, while independent directors complete the abbreviated *Federal Home Loan Bank Independent Director Annual Certification Form (Independent Director Annual Certification Form)* to certify their ongoing eligibility.

¹ See 12 U.S.C. § 1427(a)(1).

² See 12 U.S.C. §§ 1427(b) and (d).

³ See 12 CFR 1261.7(c) and (f); 12 CFR 1261.14(b).

⁴ See 12 CFR 1261.12.



2. Use of Data

The Banks use the information collection contained in the *Independent Director Application Form* and part 1261 to determine whether individuals who wish to stand for election or re-election as independent directors satisfy the statutory eligibility requirements and possess the professional qualifications required under the statute and regulations. Only individuals meeting those requirements and qualifications may serve as an independent director.⁵ On an annual basis, the Banks use the information collection contained in the *Independent Director Annual Certification Form* and part 1261 to determine whether its incumbent independent directors continue to meet the statutory eligibility requirements.

The Banks use the information collection contained in the *Member Director Eligibility Certification Form* and part 1261 to determine whether individuals who wish to stand for election or re-election as member directors satisfy the statutory eligibility requirements. Only individuals meeting these requirements may serve as a member director.⁶ On an annual basis, the Banks also use the information collection contained in the *Member Director Eligibility Certification Form* and part 1261 to determine whether its incumbent member directors continue to meet the statutory eligibility requirements.

In practice, the Banks provide FHFA with copies of all completed forms, which the agency uses to monitor the Bank director election processes and to obtain information on the composition of the Banks' boards of directors and of the pool of individuals from which the directors are drawn. However, under the part 1261, the Banks are required to submit only the *Independent Director Application Forms* to FHFA. Once these forms are submitted, agency has two weeks to provide the Banks with any desired commentary relating to an independent director candidate.⁷

3. Use of Information Technology

Individuals have the option of completing each of the forms online in electronic form, although there currently is no mechanism for providing an electronic signature or for electronic submission of the form. Forms that are completed online must be printed out and submitted to the Bank in paper form with original signatures.

4. Efforts to Identify Duplication

The Banks are required by statute to collect the information requested on all three forms and this information is not available from any other source.

⁵ See 12 U.S.C. § 1427(a)(3).

⁶ See 12 U.S.C. § 1427(a)(3) and (b)(1).

⁷ See 12 CFR 1261.7(f).



5. Impact on Small Entities

The information collection does not have a significant economic impact on a substantial number of small entities. Respondents are individuals.

6. Consequences of Less Frequent Collection and Obstacles to Burden Reduction

If the information requested in the forms were not collected at the times specified in part 1261, the Banks would be unable to determine, and FHFA would be unable to monitor, whether prospective and incumbent Bank directors satisfy the statutory eligibility requirements and whether independent director candidates possess the professional qualifications required by statute.

7. Circumstances Requiring Special Information Collection

There are no special circumstances that would require FHFA to conduct the information collection 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 August 11, 2014. *See* 79 FR 46801 (Aug. 11, 2014). The 60-day comment period closed on October 10, 2014. FHFA received one comment letter, signed jointly by two Members of Congress, that suggested several revisions to the forms and questioned the accuracy of FHFA's burden estimate pertaining to completion of the *Independent Director Application Form*. For the reasons stated below, the agency has decided against making any of the suggested revisions or changing the burden estimate.

Citing the importance of diversity among Bank directors, the commenters suggested that FHFA revise the forms to include questions regarding the gender, race, ethnicity, and geographic location of the respondent. With respect to a respondent's geographic location, the application forms already address that issue by requiring respondents to provide their home and business addresses. With respect to the other three elements, FHFA anticipates obtaining that information through a separate rulemaking. In June 2014 FHFA issued a proposed rule to amend its regulations on Minority and Women Inclusion (MWI), located at 12 CFR part 1207. That proposal would require each Bank annually to request that each member of its board of directors voluntarily provide the Bank with information about his or her minority and gender classification. The Banks would then provide that information, on an aggregate basis and without including personally identifiable information, to FHFA as part of their annual MWI



reports to the agency.⁸ The comment period for that rulemaking ended on August 25, 2014, and FHFA is in the process of reviewing the comments received and developing a final rule. Because FHFA anticipates having in place another avenue for receiving information about the diversity of Bank boards of directors, it does not believe that it is necessary to collect that same information through the director application forms.

The Bank Act requires that at least two of each Bank's independent directors qualify as "public interest" directors—*i.e.*, that they have more than four years of experience representing consumer or community interests on banking services, credit needs, housing, or consumer financial protections.⁹ The commenters' second suggested revision relates to question 3 in the "Statutory Eligibility Requirements" section of the *Independent Director Application Form*, which asks respondents who are interested in serving as a "public interest" director to "provide information on how you have represented such consumer or community interests for more than four years." The commenters suggest that FHFA revise this question to require that each such respondent also be required to specify the "leadership role" that the individual has held in a "mission-driven organization."

The agency has declined to make this revision for several reasons. First, the principal purpose of the form is to determine whether the respondent satisfies the statutory and regulatory eligibility requirements for being a public interest director. While it has been FHFA's experience that most, if not all, of the Banks' "public interest" director candidates have in fact served in a leadership position with a "mission-driven" organization, the Bank Act does not require that an individual fulfill the "public interest" requirement in this particular manner in order to be eligible. If the question were to be revised as suggested, it would then imply that serving in such a position is a necessary means of fulfilling the eligibility requirements and would likely cause confusion among potential applicants about the actual eligibility requirements. Second, FHFA, which reviews the completed form for every individual a Bank proposes to nominate for an independent directorship, is unaware of any instance in recent years in which an applicant responding to question 3 has failed to specify the position or positions he or she held with any organization mentioned therein. In most cases, respondents have provided additional detail as to the duties undertaken while holding those positions. Both the Banks and FHFA review the information provided in order to confirm that the persons actually satisfy the statutory eligibility requirements for the public interest directorships. If an applicant for a "public interest" independent directorship did not include such information, it is likely that the Bank, or FHFA, would require the respondent to provide such information before he or she could be considered for the directorship. Finally, question 1 in the "Selection Criteria" section of the *Independent Director Application Form* already requests that applicants provide detailed information about their leadership experience, and their responses to that question should provide the Banks and FHFA with information about the leadership roles they have had with any consumer- or community interest-focused organizations.

⁸ See 79 FR 35960 (June 25, 2014). The proposed rule would also apply to the Bank System's Office of Finance.

⁹ See 12 U.S.C. § 1427(a)(3)(B)(ii).



The commenters' third suggested revision relates to question 2(G) in the "Selection Criteria" section of the *Independent Director Application Form*, which is intended to elicit information on experience that the respondent may have that is related to "the mission of the Banks." The question characterizes the Banks' mission as being "to support the housing finance activities of their members, which includes residential mortgage finance and community and economic development lending activities." Noting that "Congress has consistently defined the [Banks'] mission as serving both housing and community economic development needs of people and their communities," the commenters suggest that FHFA revise question 2(G) so that it instead describes the mission of the Banks as being to support the "housing and community economic development activities of its members." There is no specific definition of the Banks' mission. Nonetheless, since its inception in 1932, the principal activity of the Banks has been to support their members' residential housing finance business by providing loans to their members (known as "advances") that are secured by the members' assets, most typically other residential mortgage loans. In 1989, Congress further required the Banks to establish Affordable Housing Programs, through which members can support access to housing for persons with lower or moderate incomes, and to support their members' community and economic development activities. Thereafter, the Federal Housing Finance Board, FHFA's predecessor agency as regulator of the Banks, construed the "housing finance mission" of the Banks broadly, and to include two elements: providing support for their members' residential mortgage lending, and providing support for their members' community and economic development activities. FHFA has embraced the view that support for the members' community and economic development activities is a core aspect of the Banks' housing finance mission and believes that the existing language of the form, which explicitly refers to "community and economic development activities," is consistent with that view and need not be changed.

Finally, the commenters assert that FHFA's estimate that it will take a respondent an average of 3 hours to complete the *Independent Director Application Form* is too high and suggest that an estimate of one hour would be more accurate. The commenters argue that the types of individuals being considered for a Bank directorship would be likely to have already prepared similar information for other purposes, which could be drawn upon to reduce the time needed to complete the form. In deciding upon a burden estimate of 3 hours per form, FHFA considered the amount of time it would take an individual completing the form for the first time to: (1) read through the questions and background information to understand the statutory requirements and the reasoning behind the questions; (2) gather the information requested on the form and any additional materials he or she wishes to provide; (3) prepare narrative answers of sufficient detail to demonstrate his or her eligibility and qualifications to serve; and (4) sign the form and transmit it to the Bank. Undoubtedly, many respondents will have materials at hand containing relevant information that can be readily incorporated into the electronic version of the form, which may reduce the amount of time it will take them to complete the form. It may also be true that an incumbent seeking reelection may require less time to update a previously completed version of the form. Those situations will not necessarily be the case for all respondents, however, because FHFA has observed that a number of applicants still complete the eligibility forms by hand, which takes longer to do. Moreover, in developing its burden estimates for collections of information, it has been the agency's practice to err on the high side and not to assume that all respondents will use the most efficient methods for completing the forms.



Because there is no way of knowing what time-saving resources a respondent may be able to draw upon in completing the form, the agency has decided to retain the existing estimate of 3 hours.

9. Provision of Payments to Respondents

No payment or gift will be provided to any respondent.

10. Assurance of Confidentiality

FHFA and the Banks maintain the confidentiality of information obtained from respondents as required by applicable statute, regulation or agency policy.

11. Justification of Sensitive Questions

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

12. Estimated Burden of Information Collection

The estimated annualized hour burden imposed upon respondents by the information collection is 145 hours. The estimated annualized cost associated with this burden is \$38,280, which includes salaries, benefits, and overhead costs associated with review and completion of the forms. These estimates are based on the following calculations:

I. Member Director Eligibility Certification Form

The estimated annualized hour burden for all prospective and incumbent member directors associated with completion of the *Member Director Eligibility Certification Form* is 37 hours. The estimated annualized cost is \$9,768. These estimates are based on the following calculations:

Candidates for member directorships complete form in year of election to verify they are eligible to serve:

- Review/completion time per form: .25 hours
- Total forms/respondents: 68
- Total hours: 17
- Hourly rate: \$264 (includes salary, benefits, and overhead)
- Total cost: \$4,488



Incumbent member directors complete form annually to verify they remain eligible to serve:

- Review/completion time per form: .25 hours
- Total forms/respondents: 80
- Total hours: 20
- Hourly rate: \$264 (includes salary, benefits and overhead)
- Total cost: \$5,280

II. Independent Director Application Form

The estimated annualized hour burden for all prospective and incumbent member directors associated with completion of the *Independent Director Application Form* is 75 hours. The estimated annualized cost is \$19,800. These estimates are based on the following calculations:

Candidates for independent directorships complete form in year of election to verify they are eligible to serve and possess the required professional qualifications:

- Review/completion time per form: 3 hours
- Total forms/respondents: 25
- Total hours: 75
- Hourly rate: \$264 (includes salary, benefits, and overhead)
- Total cost: \$19,800

III. Independent Director Annual Certification Form

The estimated annualized hour burden for all prospective and incumbent member directors associated with completion of the *Independent Director Annual Certification Form* is 33 hours. The estimated annualized cost is \$8,712. These estimates are based on the following calculations:

Incumbent independent directors complete form annually to verify they remain eligible to serve:

- Review/completion time per form: .5 hours
- Total forms/respondents: 66
- Total hours: 33
- Hourly rate: \$264 (includes salary, benefits, and overhead)
- Total cost: \$8,712

13. Estimated Total Annual Cost Burden to Respondents

There are no additional costs associated with completion of the forms.



14. Estimated Cost to the Federal Government

The estimated annualized hour burden imposed upon the federal government by the information collection is 82 hours. The estimated annualized cost to the federal government associated with this burden is \$7,708, which includes salaries, benefits, and overhead costs associated with review and completion of the forms. These estimates are based on the following calculations:

I. Member Director Eligibility Certification Form

FHFA conducts no formal review of these forms.

II. Independent Director Application Form

FHFA staff reviews each form to ensure each independent director candidate is eligible to serve and possess the required professional qualifications:

- Review/Processing time: 3 hours
- Total forms: 25
- Total hours: 75
- Hourly rate: \$94 (includes salary, benefits, and overhead)
- Total cost: \$7,050

III. Independent Director Annual Certification Form

FHFA staff reviews each form to ensure each incumbent independent director remains eligible to serve:

- Review time: .1 hours
- Total Forms: 66
- Total hours: 7
- Hourly rate: \$94 (includes salary, benefits, and overhead)
- Total cost: \$658

15. Reasons for Change in Burden

FHFA has decreased the total estimated annualized hour burden imposed upon respondents by this information collection from 278 hours in its 2011 submission to 145 hours in this submission. It has also decreased the estimated annualized cost associated with this burden from \$68,944 in its 2011 submission to \$38,280 in this submission.



FHFA reduced the burden estimate for the *Member Director Eligibility Certification Form* from 70 hours in its 2011 submission to 37 hours in this submission. This reduction is due to two factors. First, the agency decreased the estimated annual number of member director nominees completing the form in the year of their candidacy from 100 to 68, based upon the actual average number member directorship candidates between 2011 and 2013. Second, the agency reduced the per form estimate for member directorship candidates from 0.5 to 0.25 to match its estimate for the amount of time it takes an incumbent director to complete the form. This is because it is the same form and requests minimal information.

FHFA reduced the burden estimate for the *Independent Director Application Form* from 180 hours in its 2011 submission to 75 hours in this submission. This reduction is due entirely to a reduction in the estimated annual number of independent director nominees completing the form from 60 to 25, based upon the actual average number independent directorship candidates between 2011 and 2013. The agency increased the burden estimate for the *Independent Director Annual Certification Form* from 28 hours in its 2011 submission to 33 hours in this submission to reflect an increase in the estimated annual number of incumbent independent directors completing the form from 55 to 66, based upon the actual average number incumbent independent directors between 2011 and 2013.

The agency has revised the associated cost estimates for respondents to reflect the changes in the burden estimates. It also increased the estimated hourly rates for respondents by 6.5 percent to reflect the increase in the Consumer Price Index for All Urban Consumers (CPI-U) between November 2010 and November 2013.

FHFA has increased the total estimated annualized hour burden imposed upon the Federal government by this information collection from 73 hours in its 2011 submission to 82 hours in this submission. It has also increased the estimated annualized cost associated with this burden from \$6,862 in its 2011 submission to \$7,708 in this submission. This increase is due entirely to an increase in the estimated review/processing time for the *Independent Director Application Form* from 1.5 hours to 3 hours to reflect actual experience over the last three years. This increase was offset somewhat by the lower estimate for the number of such forms received annually (discussed above) and by a decrease in the estimated review/processing time for the *Independent Annual Certification Form* from 0.5 hours to 0.1 hours to reflect actual experience. In order to reflect the recent general lack of increase in Federal salaries, the agency did not change the estimated hourly rate for these components.

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 Item 18.

B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS

The information collection does not employ statistical methods.

Attachments (Forms)