**SUPPORTING STATEMENT   
for the Paperwork Reduction Act Information Collection Submission for   
12 C.F.R. Part 702 Risk-Based Capital**

1. **JUSTIFICATION**
2. **Necessity of Information Collection**

This information will be collected in accordance with proposed amendments to the risk-based capital section of NCUA’s Rules and Regulations Part 702 (12 C.F.R. Part 702). The proposed rule would impose new information collection requirements on federally insured credit unions (FICUs). These requirements include the one-time review and updating by all FICUs of internal written policies on capital adequacy and any other internal policies impacted by the requirements of the proposed rule. This information is necessary to ensure a FICU maintains capital commensurate with its risk profile. Section 216 of the Federal Credit Union Act, 12 U.S.C. 1790d, mandates prompt corrective action for FICUs. Section 216(d) of the Act (12 U.S.C. 1790d(d)) addresses the risk-based net worth requirement for complex credit unions. The proposed rule would define a credit union as “complex” if the credit union’s quarter-end total assets exceed one hundred million dollars ($100,000,000), as reflected in its most recent Call Report. In addition, section 702.101(b) of the proposed rule would specifically require that a credit union defined as complex have a process for assessing its overall capital adequacy in relation to its risk profile and a comprehensive written strategy for maintaining an appropriate level of capital.

In addition, NCUA has determined that the proposed changes to Part 702 would have additional information collection requirements associated with updating data collection and reporting systems for preparing Call Reports. NCUA estimates that all FICUs will have to amend their procedures and systems for preparing Call Reports. However, NCUA will address the burden and provide a separate notice of these changes in other collections, such as the NCUA Call Report and Profile as part of its regular amendments separate from this proposed rule.

1. **Purpose and Use of the Information Collection**

NCUA will use the information collected to ensure a credit union’s capital is sufficient given its risk profile. Examiners will review risk-based capital plans as part of the routine examination and supervision process.

1. **Consideration Given to Information Technology**

Credit unions may maintain the requested information in any written form. Policies are maintained at the credit union and are not required to be submitted to NCUA directly.

1. **Duplication**

There is no duplication of information requested.

1. **Effect on Small Entities**

The rule minimizes the policy requirements for credit unions not defined as complex. Credit unions not defined as complex are exempt from the information collection requirement that a complex credit union must have a process for assessing its overall capital adequacy in relation to its risk profile and a comprehensive written strategy for maintaining an appropriate level of capital.

1. **Consequences of Not Conducting Collection**

If policy information is not collected, examiners will not have access to a credit union’s board approved plan for managing capital. This could lead to a credit union having capital insufficient for its risk profile.

1. **Inconsistencies with Guidelines in 5 CFR 1320.5(d)(2)**

There are no special circumstances. This collection is consistent with the guidelines in 5 CFR 1320.5(d)(2).

1. **Consultations Outside the Agency**

The proposed rule with a 90-day comment period soliciting comments on the proposed rule and this collection of information has been published in the Federal Register.

1. **Payment or Gift**

There is no intent by NCUA to provide payment or gifts for information collected.

1. **Confidentiality**

Credit union examination reports and any documents related thereto are exempt from the Freedom of Information Act disclosure, pursuant to exemption 8, 5 U.S.C. 552(b)(8).

1. **Sensitive Questions**

No questions of a sensitive nature are asked. The information collection does not collect any Personally Identifiable Information (PII).

1. **Burden of Information Collection**

The information collections are recordkeeping requirements. Currently, there are approximately 6,554 FICUs. NCUA estimates approximately 1,455 FICUs would qualify as complex under the proposed rule and approximately 5,099 FICUs would be considered non-complex credit unions. Complex credit unions constitute approximately 22% of all FICUs.

The hour burden and labor cost for each of the information collections related to the risk-based capital rule are detailed below:

Title of Information Collection: Risk-Based Capital policy implications for complex credit unions (proposed §702.101(b))

Affected Public: Complex Credit Unions

Estimated Number of Respondents: 1,455

Estimated Burden Per Respondent: One-time internal policy review and revision, 40 hours

Total Estimated Burden Hours: 58,200 hours

Estimated Average Hourly Wage: $31.89

Total Estimated Labor Cost: $1,855,998.00

Estimated Labor Cost per Respondent: $1,275.60

Title of Information Collection: Risk-Based Capital policy implications for non-complex credit unions (proposed §702.101(a))

Affected Public: Non-Complex Credit Unions

Estimated Number of Respondents: 5,099

Estimated Burden Per Respondent: One-time internal policy review and revision, 20 hours

Total Estimated Burden Hours: 101,980 hours

Estimated Average Hourly Wage: $31.89

Total Estimated Labor Cost: $3,252,142.00

Estimated Labor Cost per Respondent: $637.80

Summary of Total Estimated Annual Burden Hours and Labor Cost

One-time hour burden for policy review and revision--20 hours \* 5,099 credit unions (non-complex) = 101,980 hours, and 40 hours \* 1,455 credit unions (complex)) = 58,200 hours. 101,980 + 58,200 = 160,180 hours.

Total Estimated Cost for one-time policy review and revision—$1,855,998 + 3,252,142 = $5,108,140.00

*Note: The average hourly wage of $31.89 is calculated using call report data.*

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| **Information Collection Activity** | | **Number of Respondents** | **Frequency of Response (Annual (1), Quarterly (4), etc.)** | **Number of Responses** | **Burden**  **Hours per Response** | **Annual Hourly Burden** |
|  | | **(A)** | **(B)** | **(C)** | **(D)** | **(E)** |
| 1. | ***Risk-Based Capital Policy for Complex Credit Unions*** | 1,455 | 1 | 1,455 | 40 Hours | 58,200 Hours |
| 2. | ***Risk-Based Capital Policy for Non-Complex Credit Unions*** | 5,099 | 1 | 5,099 | 20 Hours | 101,980 Hours |
| **Total** | | **6,554** | **1** | **6,554** | **60 Hours** | **160,180 Hours** |

1. **Costs to Respondents**

Credit unions can comply with these requirements without purchasing additional equipment or materials. Credit unions may maintain the documents through various methods that do not result in additional costs.

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| **Information Collection Activity** | | **Annual Hourly**  **Burden**  **(see 12 above, item E)** | **Hourly $ Rate per Response** | **Total $ Amount** |
| 1. | ***Risk-Based Capital Policy for Complex Credit Unions*** | 58,200 Hours | $31.89 | $1,855,998 |
| 2. | ***Risk-Based Capital Policy for Non-Complex Credit Unions*** | 101,980 Hours | $31.89 | $3,252,142 |
| **Total** | | **160,180** **Hours** | **$31.89** | **$5,108,140** |

1. **Costs to Federal Government**

There is no additional cost to NCUA to review the risk-based capital policies. Examiners review these as part of the normal examination and supervision process.

1. **Changes in Burden**

There are no changes in burden; this is a new collection.

1. **Information Collection Planned for Statistical Purposes**

Not applicable. The information collection is not used for statistical purposes

1. **Approval to Omit OMB Expiration Date**

NCUA is not seeking approval to omit the expiration date.

1. **Exceptions to Certification for Paperwork Reduction Act Submissions**

This collection complies with the requirements in 5 CFR 1320.9.

1. **Collections of Information Employing Statistical Methods**

This collection does not involve statistical methods.