

SUPPORTING STATEMENT
for the Paperwork Reduction Act Information Collection Submission for
Federal Credit Union Ownership of Fixed Assets
Part 701.36 NCUA Rules and Regulations
2015

A. JUSTIFICATION

1. Necessity of Information Collection

Section 107(4) of the Federal Credit Union Act states in part that a federal credit union (FCU) shall have the power to purchase, hold, and dispose of property necessary or incidental to its operations. Section 701.36 of NCUA Rules and Regulations implements this statute and includes an information collection. Included within the rule is the opportunity for credit unions to apply for a waiver to any provision if they cannot comply with the requirements of the rule. NCUA reviews the information contained within the waiver to determine if the proposed action would adversely affect the financial soundness of the credit union or pose a risk to the National Credit Union Share Insurance Fund (NCUSIF). The ability to review actions which are not in compliance with Part 701.36 allows NCUA to provide appropriate oversight of the credit union and prevent risk to NCUSIF.

NCUA is proposing a change to Section 701.36. The proposal will provide regulatory relief to FCUs by eliminating the requirement that, for an FCU with \$1,000,000 or more in assets, the aggregate of all its investments in fixed assets must not exceed five percent of its shares and retained earnings, unless it obtains a waiver from NCUA. The regulatory language being removed requires the following (Chapter 12, Section 701.36(c)(i)):

(i) To seek a waiver, a federal credit union must submit a written request to its regional office. The request must: (1) describe the proposed investment; (2) indicate the approximate aggregate amount of fixed assets the federal credit union would hold after the investment (as a percentage of shares and retained earnings); and (3) fully explain why the federal credit union needs the waiver.

According to NCUA records, as of September 30, 2014, there were 3,707 FCUs with assets over \$1,000,000 and subject to the five percent aggregate limit on fixed assets. Of those, approximately 150 FCUs would prepare and file a new waiver request to exceed the five percent aggregate limit. This effort, which is estimated to create 15 hours burden per waiver, would no longer be required under the proposal, and therefore reduce the overall burden.

2. Purpose and Use of the Information Collection

There are four parts to the collection associated with the proposed rule: plan for full occupation of premises, waiver of requirement for partial occupation, waiver of requirement to dispose of abandoned property and waiver of prohibited transactions. NCUA reviews the information contained within the waiver to determine if the proposed action would adversely affect the financial soundness of the credit union or pose a risk to the National Credit Union Share Insurance Fund (NCUSIF). NCUA responds to waivers by either granting the request to operate

outside of Part 701.36, by denying the request or otherwise compromising to meet the needs of the credit union without raising safety and soundness concerns.

The proposed rule eliminates a fifth requirement previous associated with the rule, that of a waiver to the aggregate limit on fixed asset holdings. The proposed rule eliminates the aggregate limit and therefore reduces the overall information collection burden associated with the rule.

3. Consideration Given to Information Technology

The information collection associated with Part 701.36 of NCUA Rules and Regulations would not employ information technology, beyond permission submission via electronic mail. The waiver requirement is fundamentally manual, since the waiver request must be specific and unique to the requestor.

4. Duplication

There is no duplication of information collection. The information collection required to comply with Part 701.36 of NCUA Rules and Regulations, is specific to the rule. The waiver process comprising the information collection would not be applicable to any other information collection process.

5. Effect on Small Entities

The collection of information may impact small businesses or other small entities. As of September 30, 2014, 97 percent of federally chartered credit unions held less than \$1 billion total assets, 80 percent were below \$100 million in total assets, and 35% held less than \$10 million in total assets. These entities would only be required to submit information if they made strategic decisions to operate outside of current occupancy guidelines and were required to draft a plan or submit a waiver to NCUA. Therefore, if the entity operates within guidelines, there are options to avoid information collection. The majority of credit unions, large and small, would not be expected to submit information each year. NCUA estimates approximately 1% of credit unions would be impacted by the information collection.

6. Consequences of Not Conducting Collection

The paperwork burden associated with Part 701.36 of NCUA rules and regulations is associated with occupancy plans and waivers. These requirements are necessary to allow the NCUA to supervise federal credit unions for compliance with the Federal Credit Union Act (FCU Act), which authorizes federal credit unions to purchase, hold, and dispose of property necessary or incidental to its operations. If the information is not collected, the consequence would be that NCUA would be unable to assess compliance with the FCU Act.

7. 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).

8. Consultations Outside the Agency

NCUA has issued a release soliciting comment on the changes to “collection of information” requirements and associated paperwork burdens. A copy of the release is attached. Comments on NCUA releases are generally received from registrants, investors, and other market

participants. In addition, NCUA and staff participate in ongoing dialogue with representatives of various market participants through public conferences, meetings and informal exchanges. NCUA will consider all comments received prior to publishing the final rule, and will explain in any adopting release how the final rule responds to such comments, in accordance with 5 C.F.R. 1320.11(f).

9. Payment or Gift

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

10. 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).

11. Sensitive Questions

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

12. Burden of Information Collection

The proposed rule change reduces the annual burden for information collection by removing the provision which requires a waiver request for FCUs to exceed and aggregate limit of fixed assets. The four remaining parts of the information collection will not be amended.

- Annualized cost to respondents for the hour burdens for collections of information. *These estimates are submitted without change and have not been altered by the proposed rule change.*

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. <i>Plan for full occupation of premises</i>	15	1	15	15 Hours	225 Hours
2. <i>Waiver of requirement for partial occupation</i>	15	1	15	15 Hours	225 Hours
3. <i>Waiver of requirement to dispose of abandoned property</i>	10	1	10	10 Hours	100 Hours
4. <i>Waiver of prohibited transactions</i>	3	1	3	10 Hours	30 Hours
Total (Sum)	43	1	43		580 Hours

- Annualized reduction in burden due to proposed regulations removal of the aggregate limit applicable to ownership of fixed assets.

Information Collection Activity	Number of Respondents	Frequency of Response (Annual (1), Quarterly (4), etc.)	Number of Responses	Burden Hours per Response	Annual Hourly Burden Reduction
	(A)	(B)	(C)	(D)	(E)
1. <i>Removed waiver for aggregate fixed asset limit</i>	150	1	150	15 Hours	2250 Hours
Total (Sum)	150	1	150		2250 Hours

13. Costs to Respondents

Below is an estimate of the annual cost of the information collection activity. There are no estimated capital or start-up costs.

- The cost estimate should be split into two components: (a) a total capital and start-up cost component (annualized over three years for PRA approvals requested for three years) and (b) a total operation and maintenance and purchase of services component. The estimates should take into account costs associated with generating, maintaining, and disclosing or providing the information. Include descriptions of methods used to estimate major cost factors including system and technology acquisition, and the time period over which costs will be incurred. Capital and start-up costs include, among other items, preparation for collecting information such as purchasing computers and software; monitoring, sampling; and record storage facilities.

Information Collection Activity	Annual Hourly Burden (see 12 above, item E)	Hourly \$ Rate per Response	Total \$ Amount
1. <i>Plan for full occupation of premises</i>	225 Hours	\$ 31.89	\$ 7,175.25
2. <i>Waiver of requirement for partial occupation</i>	225 Hours	\$ 31.89	\$ 7,175.25
3. <i>Waiver of requirement to dispose of abandoned property</i>	100 Hours	\$ 31.89	\$ 3,189.00
4. <i>Waiver of prohibited transactions</i>	30 Hours	\$ 31.89	\$ 956.70
Total (Sum)	580 Hours	\$ 31.89	\$ 18,496.20

14. Costs to Federal Government

There are no costs to the federal government. Review of the information submission would be included within the customary expectations for credit union oversight responsibilities.

15. Changes in Burden

The proposed rule results in a reduction in overall burden. The proposal removes the provision of Part 701.36 which places an aggregate limit on the ownership of fixed assets. This change reduces the estimated burden by 2,280 hours each year.

16. Information Collection Planned for Statistical Purposes

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

17. Approval to Omit OMB Expiration Date

We request authorization to omit the expiration date on the electronic version of the form for design and IT project scheduling reasons. The OMB control number will be displayed.

18. Exceptions to Certification for Paperwork Reduction Act Submissions

This collection complies with the requirements in 5 CFR 1320.9.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

This collection does not involve statistical methods.