

**Supporting Statement  
for the Paperwork Reduction Act Information Collection  
Submission for 12 C.F.R. Part 702, Prompt Corrective Action  
3133-0154  
2015**

**JUSTIFICATION**

**1. Necessity of Information Collection**

NCUA is requesting reinstatement of the previously approved collection of information related to NCUA's regulation on Prompt Corrective Action (PCA), 12 C.F.R. Part 702. The information collection is required under section 216 of the Federal Credit Union Act (12 U.S.C. §1790d). Section 216 mandates PCA requirements for federally insured credit unions (FICUs) that become less than well capitalized. Section 216 requires the NCUA Board to (1) adopt, by regulation, a system of PCA to restore the net worth of inadequately capitalized FICUs; and (2) develop an alternative system of PCA for new credit unions that carries out the purpose of PCA while allowing an FICU reasonable time to build its net worth to an adequately capitalized level. Part 702 implements the statutory requirements. To achieve this, various information collections are required on occasion as the circumstances require. Part 702 contains the following information collection requirements (ICRs):

- **IC 1.** Request for NCUA approval prior to taking specific actions when operating under a Discretionary Supervisory Action,
- **IC 2.** Appeal to the NCUA Board of certain Mandatory Conservatorship, Liquidation, or Other Corrective Action,
- **IC 3.** Request for approval to charge regular reserves or pay dividends if the action would cause the credit union's net worth to fall below adequately capitalized and the action is not included in an approved net worth restoration plan (NWRP),
- **IC 4.** Submission of a NWRP and resubmission of a NWRP when there has been a change in the credit union's net worth category or the plan was denied by NCUA,
- **IC 5.** Request from a small or new credit union for assistance in developing an NWRP or revised business plan (RBP),
- **IC 6.** Request for a waiver of the earnings transfer requirement if the credit union is below well capitalized,
- **IC 7.** Written notice from a new credit union if its net worth classification declines,
- **IC 8.** New credit union submission of a RBP if the credit union's net worth classification declines or a RBP is denied by NCUA, and
- **IC 9.** Request for approval of a risk mitigation credit if elected by the credit union.

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

The purpose of PCA is to resolve the problems of FICUs at the least possible long-term loss to the National Credit Union Share Insurance Fund (NCUSIF). NCUA requires various information collections to meet the purpose of PCA. Part 702 establishes a framework of discretionary and mandatory supervisory actions, applicable according to a credit union's net worth ratio, designed primarily to restore and improve the net worth of FICUs. Some of these supervisory actions require a credit union to request approval prior to taking specific actions. Credit unions meeting certain criteria are required to submit plans detailing how they will improve their net worth position. Additionally, Part 702 allows for various waivers to the requirements outlined in Part 702. NCUA uses the information to determine whether the credit union is restoring its net worth in accordance with PCA or to determine whether a waiver of certain requirements is warranted.

**3. Consideration Given to Information Technology**

Credit unions may use any information technology available to submit the required information.

**4. Duplication**

The information collection is unique to each credit union and is not duplicated.

**5. Effect on Small Entities**

The statute and regulation require the same information to be collected from small entities as from other entities. The regulation allows small and new entities to request assistance in developing a NWRP or RBP.

**6. Consequences of Not Conducting Collection**

The FCU Act mandates the requirements for PCA. NCUA needs the information collected to ensure credit unions are complying with PCA requirements. The consequence of noncompliance would be severe because noncompliance could lead to large losses to the NCUSIF.

**7. Inconsistencies with Guidelines in 5 C.F.R. §1320.5(d)(2)**

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

**8. Consultations Outside the Agency**

The required Federal Register notice with a 60-day comment period soliciting comments on this collection of information was published on January 22, 2015 (80 Fed. Reg. 3256). NCUA received no comments.

**9. Payment or Gift**

No payment or gift is provided to respondents.

**10. Confidentiality**

Certain credit union information obtained in this information collection or as part of NCUA's supervisory process is confidential and exempt from release under the Freedom of Information Act. The information will be kept private to the extent permitted by law.

## 11. Sensitive Questions

There are no questions of a sensitive nature.

## 12. Burden of Information Collection

The rule includes multiple information collections (ICs), each of which would be submitted on occasion as the circumstances require. All of the ICs are reporting burdens. The annual estimated number of respondents and estimated burden hours were calculated for each IC using historical submission data. The burden and cost for each one is detailed below.

### IC 1. Requests for NCUA Approval Prior to Taking Specific Actions if Operating Under a Discretionary Supervisory Action. (§702.202(b)(1), §702.203(b)(1), §702.204(b)(1), §702.202(b)(8), §702.203(b)(9), §702.204(b)(9), §702.203(b)(10), §702.204(b)(10), §702.204(b)(12))

Credit unions that have been directed to comply with discretionary supervisory actions may be required to request NCUA approval prior to taking certain actions related to the credit union's operations.

Estimated Number of Respondents: 1

Estimated Burden per Respondent: 2 hours

Total Estimated Burden: 2 hours

Estimated Average Hourly Wage: \$31.89

Total Estimated Annual Cost: \$63.78

### IC 2. Appeal to the NCUA Board of Certain Mandatory Conservatorship, Liquidation or Other Corrective Action. (§702.204(c)(4))

Under the FCU Act, NCUA is required to conserve, liquidate, or take other corrective action against a credit union meeting certain criteria related to its net worth. Affected credit unions may appeal the action to the NCUA Board.

Estimated Number of Respondents: 1

Estimated Burden per Respondent: 20 hours

Total Estimated Burden: 20 hours

Estimated Average Hourly Wage: \$31.89

Total Estimated Annual Cost: \$637.80

### IC 3. Request for Approval to Charge Regular Reserves or Pay Dividends if the Action Would Cause the Credit Union's Net Worth to Fall Below the Adequately Capitalized Classification and the Action is not otherwise included in an Approved Net Worth Restoration Plan. (§702.401(c)(2), §702.403(b)(2))

Estimated Number of Respondents: 100

Estimated Burden per Respondent: 1 hour

Total Estimated Burden: 100 hours

Estimated Average Hourly Wage: \$31.89

Total Estimated Annual Cost: \$3,189

**IC 4. Submission of a Net Worth Restoration Plan (NWRP) and Resubmission of a NWRP that has been denied by NCUA or Because There was a Change in the Credit Union's Net Worth Category after Submission of a NWRP. (§702.202(a)(2), §702.203(a)(2), §702.204(a)(2), §702.206(a)(3), §702.206(g)(1), §702.206(h))**

Estimated Number of Respondents: 115  
Estimated Burden per Respondent: 24 hours  
Total Estimated Burden: 2,760 hours  
Estimated Average Hourly Wage: \$31.89  
Total Estimated Annual Cost: \$88,016.40

**IC 5. Request from a Small Credit Union or New Credit Union for Assistance in Developing a NWRP or Revised Business Plan. (§702.206(b), §702.307(a))**

Estimated Number of Respondents: 15  
Estimated Burden per Respondent: 32 hours  
Total Estimated Burden: 480 hours  
Estimated Average Hourly Wage: \$31.89  
Total Estimated Annual Cost: \$15,307.20

**IC 6. Request for Waiver of Earnings Transfer Requirement (§702.201(b))**

Estimated Number of Respondents: 400  
Estimated Burden per Respondent: 1 hour  
Total Estimated Burden: 400 hours  
Estimated Average Hourly Wage: \$31.89  
Total Estimated Annual Cost: \$12,756.00

**IC 7. Written Notice from a New Credit Union if its Net Worth Classification Declines. (§702.302(b))**

Estimated Number of Respondents: 3  
Estimated Burden per Respondent: 1 hour  
Total Estimated Burden: 3 hours  
Estimated Average Hourly Wage: \$31.89  
Total Estimated Annual Cost: \$95.67

**IC 8. New Credit Union Submission of a Revised Business Plan if the Credit Union's Net Worth Classification Declines or a Revised Business Plan is Denied by NCUA. (§702.304 (a)(2), §702.305(a)(2), §702.306(f)(1))**

Estimated Number of Respondents: 6  
Estimated Burden per Respondent: 12 hours  
Total Estimated Burden: 72 hours  
Estimated Average Hourly Wage: \$31.89  
Total Estimated Annual Cost: \$2,296.08

**IC 9. Approval of Risk Mitigation Credit. (§702.108(b))**

Credit unions meeting certain criteria may request approval of a risk mitigation credit for use in calculating its risk based net worth requirement.

Estimated Number of Respondents: 1

Estimated Burden per Respondent: 10 hours

Total Estimated Burden: 10 hours

Estimated Average Hourly Wage: \$31.89

Total Estimated Annual Cost: \$318.90

<b>Information Collection Activity</b>	<b>Number of Respondents</b>	<b>Frequency of Response (Annual (1), Quarterly (4), etc.)</b>	<b>Number of Responses</b>	<b>Burden Hours per Response</b>	<b>Annual Hourly Burden</b>
	<b>(A)</b>	<b>(B)</b>	<b>(C)</b>	<b>(D)</b>	<b>(E)</b>
1 <i>Requests for NCUA Approval Prior to Taking Specific Actions when Operating Under a Discretionary Supervisory Action.</i>	1	On Occasion	1	2 Hours	2 Hours
2 <i>Appeal to the NCUA Board of Certain Mandatory Conservatorship, Liquidation or Other Corrective Action.</i>	1	On Occasion	1	20 Hours	20 Hours
3 <i>Request for Approval to Charge Regular Reserves or Pay Dividends if the Action</i>	100	On Occasion	100	1 Hour	100 Hours

	<b><i>Would Cause the Credit Union's Net Worth to Fall Below Adequately Capitalized and the Action is not Included in an Approved Net Worth Restoration Plan (NWRP).</i></b>					
4	<b><i>Submission of a NWRP and Resubmission of a NWRP that has been denied by NCUA or Because There was a Change in the Credit Union's Net Worth Category.</i></b>	115	On Occasion	115	24 Hours	2,760 Hours
5	<b><i>Request from a Small Credit Union or New Credit Union for Assistance in Developing a NWRP or Revised Business Plan (RBP).</i></b>	15	On Occasion	15	32 Hours	480 Hours
6	<b><i>Request for Waiver of Earnings Transfer</i></b>	400	On Occasion	400	1 Hour	400 Hours

	<i>Requirement if the Credit Union is Below Well-Capitalized.</i>					
7	<i>Written Notice from a New Credit Union if its Net Worth Classification Declines.</i>	3	On Occasion	3	1 Hour	3 Hours
8	<i>New Credit Union Submission of a RBP if the Credit Union's Net Worth Classification Declines or a RBP is Denied by NCUA.</i>	6	On Occasion	6	12 Hours	72 Hours
9	<i>Request for approval of Risk Mitigation Credit if Elected by the Credit Union.</i>	1	On Occasion	1	10 Hours	10 Hours
<b>Total</b>		<b>642</b>	<b>On Occasion</b>	<b>642</b>	<b>103 Hours</b>	<b>3,847 Hours</b>

**Total Annual Hourly Burden = 3,847 Hours**

### 13. Costs to Respondents

The total hourly burden cost for all ICRs is \$122,680.83. This is based on an average hourly wage of \$31.89, calculated using call report data. There are no additional equipment or materials required to comply with these information requests and the submissions can be provided in various no-cost formats.

Information Collection Activity	Annual Hourly	Hourly \$ Rate	Total \$
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	<b>Burden (see 12 above, item E)</b>	<b>per Response</b>	<b>Amount</b>
1. <i>Requests for NCUA Approval Prior to Taking Specific Actions when Operating Under a Discretionary Supervisory Action</i>	2 Hours	\$31.89	\$63.78
2. <i>Appeal to the NCUA Board of Certain Mandatory Conservatorship, Liquidation or Other Corrective Action.</i>	20 Hours	\$31.89	\$637.80
3. <i>Request for Approval to Charge Regular Reserves or Pay Dividends if the Action Would Cause the Credit Union's Net Worth to Fall Below Adequately Capitalized and the Action is not Included in an Approved Net Worth Restoration Plan (NWRP).</i>	100 Hours	\$31.89	\$3,189.00
4. <i>Submission of a NWRP and Resubmission of a NWRP that has been denied by NCUA or Because There was a Change in the Credit Union's Net Worth Category.</i>	2,760 Hours	\$31.89	\$88,016.40
5. <i>Request from a Small Credit Union or New Credit Union for Assistance in Developing a NWRP or Revised Business Plan (RBP).</i>	480 Hours	\$31.89	\$15,307.20
6. <i>Request for Waiver of Earnings Transfer Requirement if the Credit Union is Below Well-Capitalized.</i>	400 Hours	\$31.89	\$12,756.00
7. <i>Written Notice from a New Credit Union if its Net Worth Classification Declines.</i>	3 Hours	\$31.89	\$95.67
8. <i>New Credit Union Submission of a RBP if the Credit Union's Net Worth Classification Declines or a RBP is Denied by NCUA.</i>	72 Hours	\$31.89	\$2,296.08



9. <i>Request for approval of Risk Mitigation Credit if Elected by the Credit Union.</i>	10 Hours	\$31.89	\$318.90
<b>Total</b>	<b>3,847 Hours</b>	<b>\$31.89</b>	<b>\$122,680.83</b>

#### 14. Costs to Federal Government

The total hours and cost for NCUA staff to review and act upon these information collections are as follows:

<b>Information Collection</b>	<b># of Annual Requests</b>	<b>Hours to Review</b>	<b>Total Annual Hours</b>
<i>1. Requests for NCUA Approval Prior to Taking Specific Actions when Operating Under a Discretionary Supervisory Action.</i>	1	2	2
<i>2. Appeal to the NCUA Board of Certain Mandatory Conservatorship, Liquidation or Other Corrective Action.</i>	1	20	20
<i>3. Request for Approval to Charge Regular Reserves or Pay Dividends if the Action Would Cause the Credit Union's Net Worth to Fall Below Adequately Capitalized and the Action is not Included in an Approved Net Worth Restoration Plan (NWRP).</i>	100	1	100
<i>4. Submission of a NWRP and Resubmission of a NWRP that has been denied by NCUA or Because There was a Change in the Credit Union's Net Worth Category.</i>	115	24	2760
<i>5. Request from a Small Credit Union or New Credit Union for Assistance in Developing a NWRP or Revised Business Plan (RBP).</i>	15	24	360
<i>6. Request for Waiver of Earnings Transfer Requirement if the Credit Union is Below Well-Capitalized</i>	400	4	1,600
<i>7. Written Notice from a New Credit Union if its Net Worth Classification Declines.</i>	3	1	3
<i>8. New Credit Union Submission of a RBP if the Credit Union's Net Worth Classification Declines or a RBP is Denied by NCUA.</i>	6	12	72
<i>9. Request for approval of Risk Mitigation Credit if Elected by the Credit Union</i>	1	10	10
<b>Total Estimated Annual Hours</b>			<b>4,927</b>

<b>Average Hourly Wage for an Analyst (Based on the Midpoint of NCUA’s Pay Scale and the “All Other” Locality Rate)</b>	<b>\$49</b>
<b>Total Estimated Cost to NCUA</b>	<b>\$241,423</b>

**15. Changes in Burden**

The estimated burden hours have decreased due to the decreasing number of credit unions. This submission shows an increase in costs to respondents and NCUA because costs to respondents and NCUA were not included in the previous submission.

**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 are not seeking approval to omit the expiration date.

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

This collection complies with the requirements in 5 C.F.R. §1320.9.

The collection does not involve statistical methods