

Supporting Statement
Paperwork Reduction Act Information Collection
Organization and Operation of a Federal Credit Unions - Loan Participations
12 C.F.R. Part 701.22
OMB Control No: 3133-0141
2015

1. Necessity of Information Collection

NCUA's regulations, 12 C.F.R. (§701.22) outline loan participation requirements. Loan participations pose inherent risk to the NCUSIF due to the interconnectedness between participants. Section 701.22 includes three collections requirements (1) maintenance of a written policy, (2) requirements on the purchasing credit union to have a written loan participation agreement, (3) options to apply for waivers from concentration limits. Section 741.225 extends the requirements of Section 701.22 of NCUA's regulations to Federally Insured State Chartered Credit Unions (FISCUs), noting there are strong indications of potential risk to the NCUSIF from FISCUs' loan participation activity.

Section 701.22 (b) requires credit unions that engage in loan participations to maintain a written loan participation policy defining underwriting standards and establishing maximum concentration limits. Concentration limits the policy must include are; the amount that may be purchased from any one originating lender, the amount of loan participations that may be purchased with respect to a single borrower or group of associated borrowers, and the amount that may be purchased by each loan type.

Section 701.22 (c) allows federally insured credit unions to apply for waivers from both the single originator and single borrower concentration limits. Credit unions can appeal waiver decisions to the NCUA board within 60 days of the decision notification.

Section 701.22 (d) requires the purchasing credit union to have a written loan participation agreement. The loan participation agreement must be properly executed, properly authorized, and retained in the office.

2. Purpose and Use of the Information Collection

Loan participations can strengthen the credit union industry by providing credit unions an opportunity to diversify their loan portfolios, improve earnings, generate loan growth and manage their balance sheets. NCUA examiners review the loan participation policy during regulatory examinations. Through these reviews, examiners determine whether the credit union is engaging in a safe and sound loan participation program. This part of the examination process helps prevent losses to credit unions and the NCUSIF.

The information provided in waiver requests permits NCUA staff to determine the appropriateness of granting a waiver.

3. Consideration Given to Information Technology

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

4. Duplication

The information provided in the loan participation regulation permits NCUA staff to determine the appropriateness of each credit union loan participation program. This information collection is not duplicated elsewhere.

5. Effect on Small Entities

The information required is not different for smaller institutions; thus the burden to small credit unions is no greater than for any other institution. Therefore, it is critical to the safety and soundness of the NCUSIF that loan participation programs adhere to appropriate standards, regardless of the credit union's size.

6. Consequences of Not Conducting Collection

Nearly half of all credit unions with assets over \$50 million hold or sell loan participations. The consequences for not establishing sound governance over loan participations can lead to high levels of delinquency and loan losses to credit unions. Significant loan losses will affect the overall financial performance of credit unions. The effects of a mismanaged loan participation program can extend throughout several credit unions; therefore, decreasing the financial stability of multiple credit unions across the country and weakening the entire credit union system. The effects of a weak credit union system could lead to losses to the NCUSIF.

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

Notice and request for comment was published in the federal register on August 28, 2015 [80 FR 52344] and on December 9, 2015 [80 FR 76583]. No comments were received.

9. Payment or Gift

No payment or gift is provided to respondents.

10. Confidentiality

Certain information obtained in the waiver request or as part of NCUA's supervisory process is confidential and exempt from release under the Freedom of Information Act.

11. Sensitive Questions

There are no questions of a sensitive nature.

12. Burden of Information Collection

Data, available as of June 2014, indicates that approximately 1,515 credit unions are participating in loan participations. NCUA estimates the total number of policy revision respondents as 1,515 creating an initial compliance burden of 4,545 hours, resulting in an annual 3 hour burden per respondent.

Assuming the quantity of loan participation waiver requests and waiver decision appeal requests remain consistent with past trends, NCUA estimates the burden of loan participation waivers and appeal requests to be minimal. NCUA estimates, the total number of annual waiver request respondents as 10 with a burden of 4 hours, resulting in an annual burden of 40 hours. NCUA estimates the total number of annual waiver decision appeals respondents as 1 with a burden of 4 hours, resulting in an annual burden of 4 hours.

Information Collection Activity	Responses	Burden (Hours)	Annual Hourly Burden
Update Loan Participation Policies	1,515	3	4,545
Waiver (includes approval from SSA and Board)	10	4	40
Appeals Process	1	4	4
Total	1,526	11	4,589

13. Costs to Respondents

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.

Based on this information, the estimate total cost to respondents is \$146,344.

The annual loan participation policy updates and waiver requirement burden is calculated below:

Information Collection Activity	#Responses	Burden (Hours)	Annual Hourly Burden	Hourly \$ Rate	Total \$ Amount
Update Loan Participation Policies	1,515	3	4,545	\$31.89	\$144,940
Waiver(includes approval from SSA and Board)	10	4	40	\$31.89	\$1,276
Appeals Process	1	4	4	\$31.89	\$128
Total	1,526	11	4,589		\$146,344

14. Costs to Federal Government

NCUA does not estimate additional staff time for the loan participation program reviews. These reviews will be completed during the credit union’s routine annual examinations.

NCUA staff time to review the waiver request, analyze the information provided and document a decision is estimated at 8 hours per occurrence (4 hours examiner staff and 4 hours office staff). The break-down of time by full-time employee labor costs is as follows:

Based on labor costs of \$43 per hour for examiner field staff and \$49 per hour for regional office staff, the total annual labor costs to the government are as follows:

NCUA Staff	Hours	Cost	Total Cost to Federal Government
Review of Loan Participation Waiver Request			
Examiner/Field Personnel	40	\$43	\$1,720
Office Personnel	40	\$49	\$1,960
Review of Waiver Decision Appeals			
Office Personnel	4	\$49	\$196
Total Cost to Federal Government			\$3,876

15. Changes in Burden

This is a reinstatement, with change, of a previously approved collection.

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

NCUA is 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 CFR 1320.9.

This collection does not involve statistical methods.