

SUPPORTING STATEMENT
for the Paperwork Reduction Act Information Collection Submission for
Notice of Change of Officials and Senior Executive Officers
3133-0121
2015

1. Necessity of Information Collection

The information collection is necessary under section 201 of the Federal Credit Union Act, as amended by section 914 of the Financial Institution Reform, Recovery, and Enforcement Act (FIRREA), Pub. Law 101-73. NCUA's regulations implement the statutory requirement in 12 C.F.R. §701.14 for federal credit unions and 12 C.F.R. § 741.205 for federally insured state-chartered credit unions. These provisions direct newly chartered or troubled credit unions to submit a notice to NCUA before making any changes to the credit union's officials (board of directors, committee members) or senior executive officers. NCUA may disapprove the proposed management change within 30 days of receiving the notice.

Specifically, the regulation requires that, within 10 calendar days of receipt, NCUA must inform the credit union either that the notice is complete, or that it must submit more information within 30 calendar days. The regulation also requires NCUA to issue a written decision of approval or disapproval to the individual and the credit union within 30 calendar days of receipt of the notice. Otherwise, the individual is approved. Section 747 (Subpart J) specifies the rights an individual or a credit union may exercise and procedures to follow in responding to an NCUA notice of disapproval.

NCUA uses Form 4063 "Notice of Change in Official or Senior Executive Officer" and Form 4063a "Individual Application for Approval of Official or Senior Executive Officer" to collect the information.

2. Purpose and Use of the Information Collection

NCUA has used the information to determine whether to disapprove the proposed management change. The notice provides NCUA with information about the prospective management official's competence, experience, character, integrity, personal history, business background, and a description of any pending litigation in which the management official is a litigant. State supervisory authorities likewise use the information to review the approval of new officials or senior executive officers at state chartered federally insured credit unions.

3. Consideration Given to Information Technology

Credit unions may use any information technology available to prepare the notices.

4. Duplication

The information collection, the information contained in the notices, is unique to each credit union and individual and is not duplicated.

5. Effect on Small Entities

FIRREA and the regulation require the same information to be collected from small entities as from other entities.

6. Consequences of Not Conducting Collection

The collection must be conducted to enable NCUA to make the determination of approval or disapproval of the officials, as required under FIRREA.

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 January 22, 2015 (80 FR 3255) and on May 28, 2015 (80 FR 30498). NCUA received no comments.

9. Payment or Gift

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

10. Confidentiality

Certain information obtained in the application form and any information obtained in additional background research 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. The Privacy Act Notice is contained in the application.

11. Sensitive Questions

The information collection includes the following Personally Identifiable Information:

- Name
- Social Security Number or Passport number
- Address
- Date of birth
- Place of birth
- Parent's names
- Telephone number
- Employment history
- Education history
- Criminal history

The information is mandated by statute. The Federal Credit Union Act section 212 requires the notice from insured credit unions to include the following information:

The identity, personal history, business background and experience of each person by whom or on whose behalf the acquisition is to be made, including his material business activities and affiliations during the past five years, and a description of any material pending legal or administrative proceedings in which he is a party and any criminal indictment or conviction of such person by a State or Federal court.

While some of the information may be considered sensitive, statute requires the institution and/or individual respondent provide the information.

Social security numbers are collected for NCUA to obtain credit reports and a background check on the individual. The Privacy Act notice is contained in the application.

A System of Records Notice (SORN) is not necessary because this information is not stored based on the individual's name or other personally identifiable information. NCUA stores this information based on the credit union under which the application was submitted.

12. Burden of Information Collection

NCUA estimates an average of 2 hours for the credit union to complete Form 4063 and 2 hours for the individual to complete the Form 4063a. This estimate includes time to gather and maintain data in the required form, review instructions, and complete the information collection.

NCUA calculated the total number of responses for troubled or newly chartered institutions by evaluating the number of credit unions that meet the definitions. Those credit unions that are newly chartered and also troubled, were removed from the total count of troubled institutions and included in the newly chartered category.

The number of credit unions meeting the definition of "in troubled condition" is calculated at 278. The average number of credit unions meeting the definition of newly chartered over the last three years is 5.

To calculate the number of potential responders for both forms, NCUA calculated the average number of senior executive officers (3 per institution) and the average number of officials (11 per institution).

Burden for credit unions "in troubled condition"

Based on the average number of senior executive officers and officials, the potential responders from the 278 credit unions in troubled condition is estimated at 3,892, as follows:

- 278 credit unions in troubled condition x 3 senior executive officers = 834 senior executive officers
- 278 credit unions in troubled condition x 11 officials = 3,058 officials

Total potential senior executive officers and officials = 3,892

Actual experience has been that roughly 10 percent of the total number of officials and senior executive offices are replaced in any given year. That reduces the actual estimated responders to be 389 per year for troubled institutions.

Burden for newly chartered credit unions

Based on the average number of senior executive officers and officials, the potential number of respondents from newly chartered credit unions is 70, as follows:

- 5 credit unions x 3 senior executive officers = 15 senior executive officers

- 5 credit unions x 11 officials = 55 officials
Total potential senior executive officers and officials = 70

Because there is a higher probability that an official or senior executive officer will be new in a newly chartered credit union, NCUA estimates that 50 percent of senior executive officers or officials are new in any given year for these institutions. This results in 35 estimated responders from newly chartered credit unions.

Total hourly burden

The number of estimated responders from credit unions in troubled condition (389) combined with the estimated number of responders from newly chartered credit unions (35) results in 424 estimated responders for Form 4063 and 424 estimated responders for Form 4063a. The combined total number of respondents for both forms is 848. This is a decrease from the 2011 OMB application because of a reduction in the number of troubled institutions.

Based on the time estimates of 2 hours per institution and 2 hours per individual, the total estimated reporting burden for the public to complete the forms is 1,696 hours, as follows:

- 424 estimated respondents for the Form 4063 x 2 hours per institution = 848 hours
- 424 estimated respondents for Form 4063a x 2 hours per individual = 848 hours

The combined total hours for both forms are 1,696 hours.

Of the 848 estimated respondents, we estimate that 15 percent will need to provide additional information. On average, we calculate that each request for additional information will take the respondent one hour. This results in an additional burden of 127 hours.

Of the 848, estimated respondents, we estimate that no more than five percent will request a reconsideration or appeal after being disapproved. On average, each reconsideration or appeal will take an additional 2 hours. This results in an additional burden of 84 hours.

Combined, the total estimated burden is 1,907 hours as follows:

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>Form 4063 completed by credit union staff</i>	424	1	424	2 Hours	848 Hours
2. <i>Form 4063a completed by prospective senior executive official or prospective official</i>	424	1	424	2 Hours	848 Hours

3. <i>Information collection to provide additional information</i>	127	1	127	1 Hour	127 Hours
4. <i>Information collection to file a reconsideration or appeal</i>	42	1	42	2 Hours	84 Hours
Total	1,017	5	1,017	9 Hours	1,907 Hours

13. Costs to Respondents

Estimated annualized cost to respondents is calculated by multiplying the hours per respondent by the respondent’s hourly wage. For the portion completed and submitted by credit unions, the average hourly rate was calculated using call report information. For the portion completed by prospective officials, an hourly rate of zero was used because these positions are voluntary and have no hourly expense associated with them. The portion completed by prospective senior executive officers are not completed by paid credit union staff, so no hourly rate was considered. The total sum of these anticipated collection activities is 424 respondents, resulting in 848 total burden hours.

The annualized cost to respondents was calculated as follows:

Information Collection Activity	Annual Hourly Burden (see 12 above, item E)	Hourly \$ Rate per Response	Total \$ Amount
1. <i>Form 4063 completed by credit union staff</i>	848 Hours	\$31.56	\$26,762.88
2. <i>Form 4063a completed by prospective senior executive officer or prospective official</i>	848 Hours	\$0.00	\$0.00
3. <i>Information collection to provide additional information</i>	127 Hours	\$31.56	\$4,008.12
4. <i>Information collection to file a reconsideration or appeal</i>	84 Hours	\$31.56	\$2,651.04
Total	1,907 Hours		\$33,422.04

Additionally, NCUA estimates an additional cost of \$1.50 per respondent for various printing and mailing activities. The total number of respondents for all collection activities outlined in the table above is 1,017. This results in additional cost to respondents of \$1,525.50, as follows:

- 1,017 respondents x \$1.50 = \$1,525.50

Based on this information, the estimated total cost to respondents is **\$34,947.54**.

14. Costs to Federal Government

NCUA staff time to review the application package, conduct additional background checks, and prepare correspondence, is estimated at 4 hours per occurrence. An occurrence is one change in official or senior executive officer, for which NCUA staff would review forms 4063 and 4063a. The break-down of time by full-time employee labor costs is as follows:

Staff Level	# Occurrences	# Hours per Occurrence	Total # Hours
<i>For review of Form 4063 and Form 4063a:</i>			
Examiner Field Staff	424	2	848
Regional Office Staff	424	2	848
<i>To request and review additional information:</i>			
Examiner Field Staff	0	0	0
Regional Office Staff	64	1	64
<i>To review and prepare information for reconsiderations and appeals:</i>			
Examiner Field Staff	0	0	0
Regional Office Staff	21	2	42
<i>Totals:</i>			
Examiner Field Staff			848
Regional Office Staff			954

Based on labor costs of \$55 per hour for examiner field staff and \$63 per hour for regional office staff, the total annual labor costs to the government are as follows:

- Examiner field staff – 848 hours @ \$43/hour = \$36,464.00
- Regional office staff – 954 hours @ \$49/hour = \$46,746.00

Total NCUA annual labor costs related to forms 4063 and 4063a is \$83,210.00.

Additionally, costs for background and credit checks, printing, assembly, and mailing are estimated at \$150 per occurrence. Based on estimated 2013 annual occurrences of 509, the total cost to the government for these activities totals \$76,350.

Combined total annual cost to the Federal government is \$159,560.00.

15. Changes in Burden

The estimated burden has decreased since the last submission, due to the decrease in the number of troubled credit unions.

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.