

**SUPPORTING STATEMENT**  
**Paperwork Reduction Act Information Collection Submission**  
**Bank Conversions and Mergers, 12 C.F.R. Part 708a**  
**3133-0182**  
**2015**

**A. JUSTIFICATION**

**1. Necessity of Information Collection**

This is a request for reinstatement, with change, of the collections of information (ICs) in Part 708a of the National Credit Union Administration's (NCUA's) regulations (OMB Control No. 3133-0182). Part 708a covers the conversion of federally insured credit unions (credit unions) to mutual savings banks (MSBs) and mergers of credit unions into both mutual and stock banks (banks). Part 708a is organized into two subparts:

- (1) subpart A, Conversion of Insured Credit Unions to Mutual Savings Banks (§§708a.101 through 708a.113) (Subpart A); and
- (2) subpart C, Merger of Insured Credit Unions into Banks (§§708a.301 through 708a.312) (Subpart C).<sup>1</sup>

Part 708a requires credit unions that intend to convert to MSBs or merge into banks to provide notice and disclosure of their intent to convert or merge to their members and NCUA, and to conduct a membership vote. In addition, Subpart C requires credit unions that intend to merge into banks to determine the merger value of the credit union. Part 708a requires credit unions to provide additional information to NCUA at various points in the conversion or merger process.

These requirements are authorized under the Federal Credit Union Act, 12 U.S.C. §1785(b) and (c). They are also necessary to ensure safety and soundness in the credit union industry, and to protect the interests of credit union members in the charter conversion and merger contexts. The Act also authorizes the NCUA Board to prescribe regulations governing these transactions. 12 U.S.C. §§1766(a) and 1789(a).

Credit unions are required to comply with the following information collection requirements:

Subpart A - Conversion to MSB

- IC #1. Advance Notice of Intent to Convert. Section 708a.103(a) requires that a converting credit union prepare and publish an advance notice of intent to convert. (Disclosure requirement)

---

<sup>1</sup> Subpart B, a third subpart, is reserved.

- IC #2. Solicitation and Review of Member Comments. Sections 708a.103(a) and (b) require that a converting credit union solicit (by publication of the advance notice of intent to convert) and review member comments. (Disclosure requirement)
- IC #3. Consideration and Approval of Proposal to Convert. Section 708a.103(c) requires that a majority of the converting credit union's directors properly consider and affirmatively approve a proposal to convert. (Recordkeeping requirement)
- IC #4. Notice of Intent to Convert to NCUA and to Members. Section 708a.105 requires that a converting credit union give notice to NCUA of its intent to convert accompanied by copies of a notice of meeting to members, ballot for the meeting of members to be held to vote on the conversion proposal, and any other written materials provided to members. The preparation of the notice, ballot, and other written materials that are provided to NCUA requires collection and preparation of numerous items prescribed in the regulations. (Reporting requirement)
- IC #5. Certification of Support. Section 708a.105(a)(2) requires that a converting credit union prepare a director's certification of support for the conversion proposal and provide it to NCUA. (Reporting requirement)
- IC #6. Notice to Members and Member Vote on Proposed Conversion. Sections 708a.104 and 708a.106 require that a converting credit union provide notices to its members and conduct a member vote on the proposed conversion. A converting credit union must prepare and mail to its members a notice of its intent to convert and a notice of meeting of members to vote on the conversion proposal. Members must be allowed to vote either by mail or in person at a meeting. The notice to members must be provided to members three times. A ballot must be included with the final notice. The preparation of the notices to members and ballot requires collection and preparation of numerous items prescribed in the regulations. (Disclosure requirement)
- IC #7. Member Communications. Section 708a.104(f) requires that, when a member of a converting credit union requests to communicate with other members, the converting credit union provide such communication to other members. (Disclosure requirement)
- IC #8. Certification of Member Vote Results. Section 708a.107 requires that a converting credit union certify the results of the member vote to NCUA. (Reporting requirement)

### Subpart C – Merger into Bank

- IC #9. Merger Valuation. Section 708a.303(a) requires a merging credit union to obtain a merger valuation. (Recordkeeping requirement)
- IC #10. Advance Notice of Intent to Merge. Section 708a.303(b) requires, under certain circumstances, that a merging credit union prepare and publish an advance notice of intent to merge. (Disclosure requirement)
- IC #11. Solicitation and Review of Member Comments. Section 708a.303(c) requires that a merging credit union solicit (by publication of the advance notice of intent to merge) and review member comments. (Disclosure requirement)
- IC #12. Due Diligence, Consideration and Approval of Merger Proposal. Section 708a.303(d), and the associated due diligence requirement in §708a.304(d), require that a merging credit union conduct due diligence and the directors properly consider and affirmatively approve a proposal to merge. (Recordkeeping requirement)
- IC #13. Notice of Intent to Merge and Request for NCUA Authorization. Sections 708a.304(a) and (b) require that a merging credit union prepare and submit to NCUA a Notice of Intent to Merge and Request for NCUA Authorization (NIMRA). The preparation of the NIMRA, and the associated merger plan, requires collection and preparation of numerous items as specified in the regulations. (Reporting requirement)
- IC #14. Certification of Support for Merger. Section 708a.304(c) requires that a merging credit union prepare a director's certification of support for the merger proposal and merger plan and provide it to NCUA. (Reporting requirement)
- IC #15. Notice to Members and Member Vote on Proposed Merger. Sections 708a.305 and 708a.306 require that a merging credit union prepare and mail a notice and ballot to members and conduct a member vote on the proposed merger. Members must be allowed to vote either by mail or in person at a meeting. The notice to members must be provided to members twice. A ballot must be included with the final notice. The preparation of the notices to members and ballot requires collection and preparation of numerous items prescribed in the regulations. (Disclosure requirement)
- IC #16. Member Communications. Section 708a.305(g) requires that when a member of a merging credit union requests to communicate with other members, the merging credit union provide such communication to other members. (Disclosure requirement)

IC #17. Certification of Member Vote Results. Section 708a.307 requires that a merging credit union certify the results of the member vote to NCUA. (Reporting requirement)

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

### Subpart A – Conversion to MSB

The information is used by credit union members to determine if they wish to vote in favor of or in opposition to their credit union converting to an MSB. It is also used by NCUA to fulfill its statutory obligation to administer the membership vote.

### Subpart C – Merger into Bank

The information is used by credit union directors to determine if they should adopt a plan of merger into a bank. The information is also used by credit union members to determine if they wish to vote in favor of or in opposition to their credit union merging into a bank. It is used by NCUA to fulfill its statutory responsibility to approve or disapprove the merger.

## **3. Consideration Given to Information Technology**

The information collections (ICs) in Part 708a do not use automated, electronic, or mechanical means of collecting the information to any large extent. Credit union conversions to MSBs and credit union mergers into banks occur so infrequently and affect so few credit unions that it is not efficient or cost effective to devote resources to putting into place highly sophisticated means of collection.

## **4. Duplication**

No duplication is evident. The collection of the information is required only under the conversion and merger rules in Part 708a. There are no other related collections.

## **5. Effect on Small Entities**

The burden on the credit union industry under Part 708a is minimal. It is projected that in any given year, no more than one credit union will convert its charter to an MSB and that no more than one credit union will merge into a bank. The overwhelming majority of converting and/or merging credit unions will not be small credit unions (defined as credit unions with less than \$50,000,000 in assets).

## **6. Consequences of Not Conducting Collection**

Under both Subparts A and C, the IC, at a maximum, is a one-time or occasional occurrence for each credit union. The Federal Credit Union Act (Act) mandates the requirements for conversions and mergers. The Act requires NCUA to issue regulations applicable to such transactions. Without the information, NCUA could not fulfill its statutory obligation to administer the membership vote and to protect the interests of the members.

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

There are no such 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 comments was published in the Federal Register on August 28, 2015 (80 FR 52342) and on December 9, 2015 (80 FR 76583). No comments were received.

## **9. Payment of Gift**

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

## **10. Confidentiality**

Converting credit unions and merging credit unions must identify themselves to NCUA per federal statute. NCUA does not reveal any information in a credit union's conversion or merger materials unless required under the Freedom of Information Act.

## **11. Sensitive Questions**

No questions of a sensitive nature are asked.

## **12. Burden of Information Collection**

**Subpart A:** In the last five years, five credit unions have engaged in MSB conversion transactions. NCUA estimates it takes an average of approximately 300 hours to comply with the notice and disclosure requirements of Subpart A. Of the 300 hours, NCUA estimates that respondents will spend approximately 50 hours on recordkeeping, 42 hours on reporting, and 208 hours on third-party disclosure. Based on NCUA's experience, NCUA estimates that in the future one credit union will engage in an MSB conversion transaction in any given year, so that the total annual collection burden is estimated to be approximately 300 hours. Labor cost estimate: 1 respondent x 300 hours x \$40/hr. = \$12,000. The labor cost estimate (\$40) is based on the average hourly wage for senior, mid-level, administrative, and clerical credit union employees according to call report data.

**Subpart C:** In the last five years, no credit union has engaged in a bank merger transaction. If a credit union were to engage in a bank merger transaction in the future, NCUA estimates it will take an average of approximately 410 hours to comply with the merger valuation, notice, and disclosure requirements of Subpart C. Of the 410 hours, NCUA estimates that respondents will spend approximately 100 hours on recordkeeping, 102 hours on reporting, and 208 hours on third-party disclosure. NCUA estimates that in the future one credit union will engage in a bank merger transaction in any given year, so that the total annual collection burden is estimated to be approximately 410 hours. Labor cost estimate: 1 respondent x 410 hours x \$40/hr. = \$16,400. The labor cost estimate (\$40) is based on the average hourly wage for senior, mid-level, administrative, and clerical credit union employees according to call report data.

The aggregate estimated hour and labor cost burdens for each IC in Subparts A and C are summarized in the two tables below:

**Subpart A**

IC No.	Rule Section No.	Estimated Annual Burden (Hours):	Frequency	Labor Cost per Hour (Dollars):	Labor Cost per IC (Dollars):
IC #1	§708a.103(a)	3	1	\$40	\$120
IC #2	§§708a.103(a) and (b)	4	1	\$40	\$160
IC #3	§708a.103(c)	50	1	\$40	\$2,000
IC #4	§708a.105	40	1	\$40	\$1,600
IC #5	§708a.105(a)(2)	1	1	\$40	\$40
IC #6	§§708a.104, 708a.106	200	1	\$40	\$8,000
IC #7	§708a.104(f)	1	1	\$40	\$40
IC #8	§708a.107	1	1	\$40	\$40
<b>Total</b>		<b>300 hours</b>	<b>1</b>	<b>\$40</b>	<b>\$12,000</b>

**Subpart C**

IC No.	Rule Section No.	Estimated Annual Burden (Hours):	Frequency	Labor Cost per Hour (Dollars)	Labor Cost per IC (Dollars)
IC #9	§708a.303(a)	50	1	\$40	\$2,000
IC #10	§708a.303(b)	3	1	\$40	\$120
IC #11	§708a.303(c)	4	1	\$40	\$160
IC #12	§§708a.303(d), 708a.304(d)	50	1	\$40	\$2,000
IC #13	§§ 708a.304(a) and (b)	100	1	\$40	\$4,000
IC #14	§708a.304(c)	1	1	\$40	\$40
IC #15	§§708a.305, 708a.306	200	1	\$40	\$8,000
IC #16	§708a.305(g)	1	1	\$40	\$40
IC #17	§708a.307	1	1	\$40	\$40
<b>Total</b>		<b>410 Hours</b>	<b>1</b>	<b>\$40</b>	<b>\$16,400</b>

**Grand Total:** The total estimated annual hour burden under Subparts A and C of Part 708a is 710 hours (300 + 410 = 710). The total estimated labor cost burden is \$28,400, calculated as 710 hours X \$40/hour (\$12,000 + \$16,400 = \$28,400).

### **13. Costs to Respondents**

#### **Subpart A**

The external cost estimate for Subpart A does not include the hour burden and labor cost burden addressed in Item 12 above or costs to the government addressed in Item 14 below. NCUA estimates there are no capital and start-up costs and annual operation and maintenance costs associated with an MSB conversion transaction. These are one-time external cost estimates only for MSB conversion transactions, which would be one-time or occasional events for credit unions.

Section 708a.104(c)(5) of NCUA's conversion regulations requires a converting credit union to disclose to its members the estimated, itemized cost of the proposed conversion, including printing fees, postage fees, advertising, consulting and professional fees, legal fees, staff time, the cost of holding a special meeting, other costs of conducting the vote, and any other conversion-related expenses. 12 C.F.R. §708a.104(c)(5). NCUA has this information from the last three MSB conversion transactions. Based on this information, NCUA estimates that the total external cost to a converting credit union would range from approximately \$500,000 to \$2,000,000, depending on the asset size of the credit union, number of members, and complexity of its operations.

#### **Subpart C**

Because there have been no bank merger transactions since Part 708a was amended to add Subpart C in 2010, NCUA has no experiential basis to estimate external costs to merging credit unions, but anticipates they would fall into the same range as MSB conversion transactions, that is, from approximately \$500,000 to \$2,000,000, depending on the asset size of the credit union, number of members, and complexity of its operations.<sup>2</sup> These are one-time external cost estimates only for bank merger transactions, which would be one-time or occasional events for credit unions.

**Grand Total:** NCUA's estimate of total annual external costs to respondents under Subparts A and C of Part 708a ranges from approximately \$1,000,000 to \$4,000,000.

### **14. Costs to Federal Government**

The total estimated cost to the federal government is approximately \$10,500. This includes approximately: (1) 75 hours of staff time at the central office level for collection and review of the information and communicating with the converting credit union under Subpart A, multiplied by a labor rate of \$60/hour (subtotal \$4,500); and (2) 100 hours of staff time at the central office level for collection and review of the information and communicating with the merging credit union under Subpart C, multiplied by a labor rate of \$60/hour (subtotal \$6,000). Total: \$4,500 + 6,000 = \$10,500.

The average hourly wage for an Analyst and Attorney is based on the midpoint of NCUA's pay scale and the "All Other" locality rate.

---

<sup>2</sup> Subpart C does not require a merging credit union to disclose the estimated, itemized costs of the proposed merger.

**15. Changes in Burden**

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

**16. Information Collection Planned for 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

**B. Collection of Information Employing Statistical Methods.**

The collection does not employ statistical methods.