

**Supporting Statement for the
Application for Conversion (Form 1680), Proxy Statement (Form 1681),
Offering Circular (Form 1682), and Order Form (Form 1683) (OMB No. 7100-0335)**

Summary

The Board of Governors of the Federal Reserve System, under delegated authority from the Office of Management and Budget (OMB), proposes to extend for three years, without revision, the following mandatory mutual stock conversion application forms:

- Application for Conversion (Form 1680; OMB No. 7100-0335),
- Proxy Statement (Form 1681; OMB No. 7100-0335),
- Offering Circular (Form 1682; OMB No. 7100-0335), and
- Order Form (Form 1683; OMB No. 7100-0335).

Sections 5(i) (standard conversions) and 5(p) (supervisory conversions) of the Home Owners' Loan Act (HOLA) authorize mutual to stock conversions. The four individual forms are all one-time submissions that are used by mutual holding companies requesting approval to convert to a stock institution. The Federal Reserve intends to update and revise the mutual stock conversion application forms to conform to Federal Reserve standards in the near future. The total annual reporting burden is estimated to be 5,000 hours.

Background and Justification

Institutions planning to convert from mutual to stock form must first request approval by submitting an Application for Conversion (Form 1680). The Federal Reserve determines from the conversion application whether the conversion will be fair and equitable to the mutual institution's members.

Mutual members cannot make an informed decision on whether to surrender their property rights in the converting association unless they are provided with full and accurate disclosure of the transaction; this information is provided through the Proxy Statement (Form 1681). Federal securities laws, which are enforced by the Securities and Exchange Commission (SEC), require that prospective stock purchasers be given full and accurate disclosure concerning the investment and the financial health of the institution issuing the securities. This information is provided through the Offering Circular (Form 1682).

In addition, all converting institutions are required to submit a business plan as provided in 12 C.F.R. § 239.53(b) and 239.55(b)(vii). The Federal Reserve believes that the converting institutions should be required to demonstrate how they plan to prudently deploy and utilize the conversion proceeds. Submission of a full appraisal is required, as governed by 12 C.F.R. § 239.55(b)(1)(ii) and 239.55(g)(2).

Description of Information Collection

The four individual forms (Form 1680, Form 1681, Form 1682, and Form 1683) are all one-time submissions that are used by mutual holding companies requesting approval to convert to a stock institution.

The Application for Conversion (Form 1680) is used to seek the Board's approval for a conversion. The required information includes a plan of conversion, an appraisal report of the organization, a business plan that describes the converting organization's use of conversion proceeds, and financial and managerial information.

The Proxy Statement (Form 1681) provides the mutual members of the applying organization with the information necessary to vote on the conversion transaction. The required information includes the notice of meeting, voting rights of the mutual members, the vote required for approval, and business, financial, and managerial information on the organization.

The Offering Circular (Form 1682) is prepared by the applying mutual organization and is reviewed by the Federal Reserve to ensure that the public receives adequate information about the applicant and the securities being offered. The offering circular contains substantially similar information included in the proxy statement to the members of the mutual organization.

Order Form (Form 1683) is reviewed by the Federal Reserve to ensure subscribers to the applicant's stock receive adequate disclosures regarding the purchase of applicant's stock. The required information includes instructions explaining how to complete the order form, the actions required to purchase shares in the offering, the number of shares available for purchase, and the subscription price of applicant's stock.

Time Schedule for Data Collection

The applications submitted with these forms are event generated and the data are not part of any published reporting series. If the application meets established criteria to be processed on a delegated basis, the Reserve Bank or Secretary of the Board generally acts on the proposal within 30 calendar days of submission of the application. If the proposal does not meet the criteria for processing under delegated authority, the application will be processed for action by the Board. Such an application will generally be acted on within 60 calendar days of submission of the application, unless an applicant is notified that the processing period is being extended and informed of the reasons for the extension.

Legal Status

The Board's Legal Division has determined that the mutual stock conversion forms are mandatory and authorized by section 10 of the Home Owners' Loan Act (HOLA), which provides generally that "the Board is authorized to issue such regulations...as the Board deems necessary or appropriate to enable the Board to administer and carry out the purposes of this section, and to require compliance therewith and prevent evasions thereof" (12 U.S.C. § 1467a(g)(1)). With respect to mutual holding companies, HOLA states that a mutual holding company "shall be subject to such regulations as the Board may prescribe" (12 U.S.C. § 1467a(o)(7)). Section 10 of HOLA also requires a savings and loan holding company to file "such reports as may be required by the Board" and provides that such reports "shall contain such information concerning the operations of such savings and loan holding company and its subsidiaries as the Board may require" (12 U.S.C. § 1467a(b)(2)).

Forms 1681, 1682, and 1683 are distributed to the owners of the mutual holding company; no issues of confidentiality should arise in connection with these forms. One of the elements required for the application on Form 1680 is a consolidated business plan showing how the capital acquired in the conversion will be used. Business plans are not considered confidential, although the applicant may request confidential treatment pursuant to sections (b)(4), of the Freedom of Information Act (5 U.S.C. § 552(b)(4)) for portions of the business plan if disclosure would likely result in substantial competitive harm. All such requests for confidential treatment would need to be reviewed on a case-by-case basis and in response to a specific request for disclosure.

Consultation Outside the Agency

On June 17, 2015, the Federal Reserve published a notice in the *Federal Register* (80 FR 34641) requesting public comment for 60 days on the proposal to extend, without revision, Form 1680, Form 1681, Form 1682, and Form 1683. The comment period for this notice expired on August 17, 2015. The Federal Reserve did not receive any comments. On September 11, 2015, the Federal Reserve published a final notice in the *Federal Register* (80 FR 54790).

Estimate of Respondent Burden

The current annual reporting burden for this series of reports is estimated to be 5,000 hours as shown in the following table. The annual burden for these applications represents less than 1 percent of total Federal Reserve System paperwork burden.

| | <i>Number of respondents¹</i> | <i>Annual frequency</i> | <i>Estimated average hours per response</i> | <i>Estimated annual burden hours</i> |
|--------------|--|-------------------------|---|--------------------------------------|
| Form 1680 | 10 | 1 | 299 | 2,990 |
| Form 1681 | 10 | 1 | 50 | 500 |
| Form 1682 | 10 | 1 | 150 | 1,500 |
| Form 1683 | 10 | 1 | 1 | <u>10</u> |
| <i>Total</i> | | | | 5,000 |

The total cost to the public is estimated to be \$258,750 for the mutual stock conversion forms.²

¹ Of these respondents, none are estimated to be small entities as defined by the Small Business Administration (i.e., entities with less than \$550 million in total assets) www.sba.gov/content/table-small-business-size-standards.

² Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rates (30% Office & Administrative Support at \$17, 45% Financial Managers at \$63, 15% Lawyers at \$64, and 10% Chief Executives at \$87). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), *Occupational Employment and Wages May 2014*, published March 25, 2015, www.bls.gov/news.release/ocwage.t01.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.

Sensitive Questions

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

Estimate of Cost to the Federal Reserve System

The information submitted in the applications is not automated. The cost to the Federal Reserve System of printing and mailing instructions is negligible.