

**SUPPORTING STATEMENT
For the Paperwork Reduction Act Submission**

**For the Truth in Savings
Disclosure and Recordkeeping Requirements under 12 U.S.C. 4301 et seq. and 12 CFR 707
(OMB Control No. 3133-0134)**

A. JUSTIFICATION

1. Necessity of Information Collection:

The Truth in Savings Act, 12 U.S.C. 4301 et seq., (TISA) requires depository institutions to disclose to consumers certain information, including interest rates, dividends, bonuses, and fees associated with their deposit accounts and accompanying services. TISA directed the Federal Reserve Board (FRB) to issue a final regulation, governing depository institutions other than credit unions. FRB promulgated the TISA regulation, known as Regulation DD, 12 CFR Part 230. The Dodd-Frank Wall Street Reform and Consumer Protection Act transferred FRB's rulemaking authority for TISA to the Consumer Financial Protection Bureau (CFPB).

TISA also directed the National Credit Union Administration (NCUA) to promulgate a TISA regulation governing credit unions. Section 272(b) of TISA, 12 U.S.C. 4311(b), mandated that NCUA regulation be "substantially similar" to those issued by FRB (and now CFPB), but NCUA may take into account the unique nature of credit unions and the limitations under which they may pay dividends.

To implement TISA, NCUA published its TISA regulation, 12 CFR 707, which applies to all credit unions whose accounts are either insured by, or eligible to be insured by, the National Credit Union Share Insurance Fund, except for any credit union that has been designated as a corporate credit union and any non-automated credit union that has \$2 million or less in assets (together, "credit unions"). In addition, the advertising rules apply to any person who advertises an account offered by a credit union. NCUA's TISA regulation requires credit unions to disclose fees, dividend rates and other terms concerning accounts to members or potential members before they open accounts.

NCUA's TISA regulation requires credit unions to provide specific disclosures when an account is opened, when a disclosed term changes or a term account is close to renewal, on periodic statements of account activity, in advertisements, and upon a member's or potential member's request. 12 CFR 707.4, 707.5, 707.6, 707.8. Credit unions that provide periodic statements are required to include information about fees imposed, the annual percentage yield (APY) earned during those statement periods, and other account terms. The requirements for creating and disseminating account disclosures, change in terms notices, term share renewal notices, statement disclosures, and advertising disclosures are necessary to implement TISA's purpose of providing the public with information that will permit informed comparisons of accounts at financial institutions.

The collection of information pursuant to Part 707 is triggered by specific events and disclosures and must be provided to consumers within the time periods established under the regulation. There are no reporting forms associated with TISA. To ease the compliance cost (particularly for small credit unions), model clauses and sample forms are appended to the regulation.

Recordkeeping: Credit unions must retain evidence of compliance for a minimum of two years after the disclosures are required to be made or an action is required to be taken. 12 CFR 707.9(c).

Disclosure: Part 707 covers accounts held by members primarily for personal, family, or household purposes. The disclosure requirements associated with Part 707 are described below.

Account Disclosures (Part 707.4): Credit unions are required to provide account disclosures containing rate and fee information to a member upon request. Account disclosures must also be provided prior to opening an account or before services are provided, whichever is earlier. The purpose of the disclosure requirement is to provide members and prospective members with the type and amount of any fees that may be imposed, the dividend rate and the APY that will be paid on the account, and other key terms.

Subsequent Disclosures (Part 707.5): Change-in-terms notice (Part 707.5(a)). Credit unions are required to provide 30 days' notice of any change that may reduce the APY or adversely affect members. Certain types of event, such as changes in the dividend rate and APY for variable rate accounts, are exempt from this requirement.

Notice prior to maturity (Part 707.5(b)). Credit unions are required to provide notices prior to maturity for certain term share accounts. The timing and content requirement of the notice varies depending on the term of the share account and whether it renews automatically:

- For term share accounts with a term less than or equal to one month, no advance notice is required.
- Advance notices for automatically renewable term share accounts with a maturity longer than one month may be sent either 30 days before maturity or, as an alternative, 20 calendar days before the end of a grace period, so long as the grace period is at least 5 days.
- For automatically renewable term share accounts with terms longer than one year, credit unions must disclose for the renewed account the terms disclosed at account opening, along with the maturity date.
- For automatically renewable term share accounts with maturities of one year or less but longer than one month, credit unions must disclose for the renewed account either (1) the terms disclosed at account opening, along with the maturity date, or (2) the date the existing account matures and new maturity date if the account is renewed, the dividend rate and APY for the new account (or the dates when they will be determined and a contact telephone number), and any difference in terms between the existing account and the new account.
- For nonrenewable term share accounts with a maturity of less than or equal to one year, no notice is required.
- For nonrenewable term share accounts with a maturity longer than one year, the notice must provide information on the maturity date and whether or not dividends will be paid after maturity, at least 10 days before maturity.

Periodic statement disclosures (Part 707.6): The regulation does not mandate that credit unions provide periodic statements. If a credit union chooses to provide periodic statements, however, the statements must contain specific information: the dollar amount of dividends earned and APY earned; the fees imposed on the account, itemized by type and dollar amount; and the total number of days in, or the beginning and ending dates of, the statement period.

Additional periodic statement disclosures (Part 707.11): Credit unions providing periodic statements must separately disclose on such statements the total amount of fees or charges imposed on the account for paying overdrafts and the total amount of fees charged for returning items unpaid. These disclosures must be provided for the statement period and for the calendar year-to-date.

Advertising (Part 707.8): The purpose of the advertising rules is to provide potential members with uniform and accurate information that they can use in deciding various accounts. Advertisements must not be misleading or inaccurate, describe an account as free if there is a maintenance fee associated with it or use the word profit when referring to dividends or interest on an account. Rates on return, if stated, must be stated as annual percentage yield (APY). Additionally, several other disclosures are required if the APY is stated, including variable rates, the minimum balance required to earn the APY, the minimum opening deposit, and effect of fees on the account. Term share accounts must disclose certain features including time requirements, early withdrawal penalties, and required dividend payouts. Further, if an advertisement discusses a bonus, the bonus must include the APY, the time requirements to obtain the bonus, the minimum balance required to obtain the bonus, the minimum required to open the account, and the timing for the bonus.

Additional advertising (Part 707.11): Advertisements promoting the payment of overdrafts must disclose the fees for the payment of each overdraft, the categories of transactions for which a fee for paying an overdraft may be imposed, the time period by which a member must repay or cover any overdraft, and the circumstances under which the credit union will not pay an overdraft.

2. Purpose and Use of the Information Collection:

Members and prospective members rely on the disclosures required by TISA and Part 707 to facilitate informed decision making regarding accounts offered by credit unions. Without this information, members would be severely hindered in their ability to assess the true costs and terms of the accounts offered.

Also, the record retention requirements enable NCUA to determine whether a credit union is in compliance with TISA and Part 707.

3. Consideration Given to Information Technology:

The regulation does not prescribe any particular form in which the collected information must be kept. Therefore, to the degree that credit unions have available to them technology that would simplify retaining the necessary information, they may use it to reduce the burden imposed by the regulation. For purposes of disclosure to the public, credit unions may also rely upon the Electronic Signatures in Global and National Commerce Act (E-Sign Act), 15 U.S.C. 7001, et seq., when complying with TISA and Part 707.

Use of electronic communications is also consistent with the Government Paperwork Elimination Act (GPEA), Title XVII of Pub. L. 105-277, codified at 44 U.S.C. 3504. The E-Sign Act and GPEA serve to reduce the compliance burden related to federal requirements, including Part 707, by enabling credit unions to use more efficient electronic media for disclosures and compliance.

4. Duplication:

Credit unions are the only source of information contained in the disclosures required by Part 707. No other federal law mandates these disclosures.

The recordkeeping requirement of Part 707 preserves the information a credit union uses in making disclosures regarding accounts. The credit union is the only source of this information. No other federal law mandates its retention. State laws do not duplicate these requirements, although some state may have other rules or regulations applicable to share accounts.

5. Effect on Small Entities:

Most credit unions, including small credit unions, use some degree of information technology in their business, and Part 707 permits credit unions to rely on technological support, among other alternatives, to meet their recordkeeping and disclosure requirements. This flexibility yields reduced recordkeeping and disclosure costs. (See number 3 above.) Moreover, as previously noted, Part 707 provides model clauses and sample forms that may be used in compliance with its requirements. Correct use of these clauses and forms insulates a credit union from liability as to proper format.

6. Consequences of Not Conducting Collection:

The disclosure requirements are needed to facilitate comparison cost shopping and to spur informed decision making regarding share accounts. Without these disclosure requirements, TISA provisions would not be effectuated.

If the record retention period were shortened, NCUA might find that credit union records needed to evaluate compliance with Part 707 no longer exist.

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:

NCUA solicited public comment in 2013 for the collection of information under OMB No. 3133-0134, through a 60-day notice (78 FR 47424, August 5, 2013) and a 30-day notice (78 FR 53978, September 26, 2013)¹ published in the *Federal Register*. NCUA received one comment regarding the collection which stated “that credit unions should be allowed to make the disclosures required under Part 707 in electronic form wherever feasible.” TISA requires NCUA

¹ A technical correction was published on November 22, 2013 (78 FR 70073).

to issue a regulation substantially similar to any final rule promulgated by CFPB, taking in to account the nature of credit unions. See 12 U.S.C. 4311. Under CFPB's Regulation DD and NCUA's Part 707, financial institutions may provide the disclosures in electronic form, subject to compliance with the consent and other applicable provisions of the E-Sign Act, 15 U.S.C. 7001 *et seq.* 12 CFR 707.3(a), 1030.3(a).

A subsequent notice was published in the *Federal Register* on April 18, 2016, at 81 FR 22648, to solicit comments from the public on the reinstate this collection of information and no comments were received.

9. Payment or Gift:

None.

10. Confidentiality:

This is a third-party disclosure requirement. Credit unions will not provide the information collected under Part 707 to NCUA.

11. Sensitive Questions:

No questions of a sensitive nature are asked. The information collection does not collect any Personally Identifiable Information (PII).

12. Burden of Information Collection:

The number of respondents includes the total number of credit unions based on NCUA Call Report ending on Q2 2015.

Total credit union count:	6,284
Federally chartered, federally insured credit unions:	3,856
State chartered, federally-insured credit unions:	2,303
State chartered, not federally insured credit unions:	125
Less non-automated federally-insured credit unions with assets under \$2 million (exempt):	37
Number of respondents	6,247

Truth in Savings 12 CFR Part 707	Number of Respondent s	Estimated Annual Frequency	Average Time per Response	Estimated Annual Burden Hours
Account Disclosures (707.4)	6,247	170	1.5 minutes	26,550
Subsequent Disclosures (707.5)				
•Change-in-Terms Notices (707.5(a))	6,247	380	1 minute	39,564
•Notices Prior to Maturity (707.5(b))	6,247	340	1 minute	35,400
Periodic Statement Disclosures (707.6, 707.11)	6,247	12	4 hours	299,856
Advertising (707.8, 707.11)	6,247	12	30 minutes	37,482
Total				438,852

The current total annual burden is estimated to be 438,852 hours for the 6,247 credit unions that are deemed to be respondents for purposes of PRA.² This estimated burden arises exclusively from the disclosures required under the regulation and is shown in the table above.³

² As noted previously, Part 707 provides model clauses and sample forms that may be used in compliance with TISA's disclosure requirements. Although the use of the model clauses and sample forms is optional, Section 269(b) of TISA provides that federally-insured credit unions that use these model clauses and sample forms will be in compliance with TISA's disclosure requirements. NCUA does not estimate any difference in burden for those federally-insured credit unions that do not use the model clauses or sample forms.

³ Based on feedback from the Office of Management and Budget regarding the previous estimates, NCUA's burden estimates have changed. The revised estimated annual burden is calculated by multiplying the number of credit unions that are deemed to be respondents by the estimated annual frequency and by the average time per response.

The annual cost for the respondents is estimated to be \$8,757,040 (at \$20 hourly cost) and is shown in the table below.

Information Collection Activity	Annual Hourly Burden	Hourly \$ Rate per Response	Total \$ Amount
Account Disclosures	26,550	\$ 20.00	\$ 531,000.00
Change-in-Terms Notices	39,564	\$ 20.00	\$ 791,280.00
Notices Prior to Maturity	35,400	\$ 20.00	\$ 708,000.00
Periodic Statement Disclosures	299,856	\$ 20.00	\$ 5,977,120.00
Advertising	37,482	\$ 20.00	\$ 749,640.00
Total	438,852	\$ 20.00	\$ 8,757,040.00

Other than the \$8,757,040 labor burden cost, any other costs to respondents would be associated with the usual and customary business practice.

13. Costs to Respondents:

Other than the costs to respondents that are associated with the usual and customary business practice, there are no capital start-up costs or ongoing operation and maintenance costs associated with this information collection.

14. Costs to Federal Government:

Since NCUA does not collect any information, the cost to NCUA is negligible.

15. Changes in Burden:

This is a reinstatement of a previously approved collection.

16. Information Collection Planned for Statistical Purposes

Not applicable. The information collection is not used for statistical purposes.

17. Display of Expiration Date Approval to Omit OMB Expiration Date:

Not applicable. Information collections are in the form of third-party disclosure requirements.

18. Exceptions to Certification for Paperwork Reduction Act Submissions:

This collection complies with the requirements in 5 CFR 1320.9.

B. Collections of Information Employing Statistical Methods:

This collection does not involve statistical methods.