

SUPPORTING STATEMENT
National Credit Union Administration

Purchase, Sale and Pledge of Eligible Obligations, 12 CFR 701.23
OMB No. 3133-0127

A. JUSTIFICATION

1. Necessity of Information Collection

The Federal Credit Union Act limits the amount of eligible obligations a federal credit union is permitted to purchase, sell, pledge, discount, receive or dispose of under Section 107(13). NCUA's rules and regulations further govern this limitation by prescribing additional requirements under §701.23. Specifically, a federal credit union must comply with the following information collections to purchase or sell eligible obligations:

- Develop written policies to purchase, sell, or pledge eligible obligations.
- Retain a written agreement and schedule of eligible obligations purchased in the purchasers office, when purchasing eligible obligations.
- Request written approval prior to purchasing eligible obligations of a liquidating credit union.
- Retain a written agreement and schedule of eligible obligations sold in the seller's officer, when selling eligible obligations.
- Retain copies of the original loan documents when pledging eligible obligations.
- Retain a written agreement and schedule of eligible obligations pledged in the credit union's office, when pledging eligible obligations.
- Establish a written policy for an incentive and bonus program if the credit union provides such bonuses and incentives related to the purchase, sale, and/or pledge of eligible obligations.
- Submit a written request to NCUA seeking expanded authority related to the purchase of eligible obligations from another federally insured credit union.
- Submit an appeal to the NCUA Board regarding a regional director's determination of the expanded authority request.

2. Purpose and Use of the Information Collection

The information collections will be used to ensure a credit union has instituted a safe and sound program related to the purchase, sale, and pledge of eligible obligations.

3. Consideration Given to Information Technology

Credit unions can use any method available to develop, retain, and submit the information collections.

4. Duplication

These information collections are not duplicated anywhere else.

5. Effect on Small Entities

These information collections will not have a significant burden on small entities. While all federal credit unions are able to engage in the purchase, sale, and pledge of eligible

obligations, most small entities will not participate in this activity. Those that elect to engage in this activity will be subject to the same requirements to ensure safety and soundness.

6. Consequences of Not Conducting Collection

If the information collection is not conducted, credit unions will not have documentation to show that the eligible obligation transactions are compliant with the regulations and are conducted in a safe and sound manner with credit union board approval.

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 April 18, 2016 (81 FR 22649). No public comments were received.

9. Payment or Gift

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

10. Confidentiality

Credit union examination reports and any documents related thereto are exempt from the Freedom of Information Act disclosure, pursuant to exemption 8, 5 U.S.C. 552(b)(8).

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

NCUA estimates that no more than 25 percent of federal credit unions are engaged in the purchase, sale, and/or pledge of eligible obligations. This results in approximately 954 potential federal credit union respondents. The specific number of respondents and estimated hour burden is outlined in more detail below.

Information Collection 1: Develop written policies to purchase, sell, or pledge eligible obligations.

Federal credit union respondents that already engage in this activity have existing policies in place. NCUA expects that no more than 50 federal credit unions per year will begin these transactions or make significant changes in how they make such transactions, necessitating development of a policy. The estimated time to develop a policy is 6 hours.

Information Collection 2: Retain a written agreement and schedule of eligible obligations purchased in the purchasers office, when purchasing eligible obligations.

Of the approximately 954 federal credit unions that may engage in this activity, all will need to retain written agreements. NCUA estimates that federal credit unions conduct, on average, 10 transactions per year. The estimated time to retain the written agreement and schedule is 0.25 hours.

Information Collection 3: Request written approval prior to purchasing eligible obligations of a liquidating credit union.

NCUA estimates that approximately 35 credit unions will request written approval to purchase eligible obligations of a liquidating credit union per year. The average time to complete and submit a request is 8 hours.

Information Collection 4: Retain a written agreement and schedule of eligible obligations sold in the seller's office, when selling eligible obligations.

Of the approximately 954 federal credit unions that may engage in this activity, all will need to retain written agreements. NCUA estimates that federal credit unions conduct, on average, 10 transactions per year. The estimated time to retain the written agreement and schedule is 0.25 hours.

Information Collection 5: Retain copies of the original loan documents when pledging eligible obligations.

Of the approximately 954 federal credit unions that may engage in this activity, all will need to retain original loan documents. NCUA estimates that federal credit unions conduct, on average, 10 transactions per year. The estimated time to retain the written agreement and schedule is 0.25 hours.

Information Collection 6: Retain a written agreement and schedule of eligible obligations pledged in the credit union's office, when pledging eligible obligations.

Of the approximately 954 federal credit unions that may engage in this activity, all will need to retain written agreements. NCUA estimates that federal credit unions conduct, on average, 10 transactions per year. The estimated time to retain the written agreement and schedule is 0.25 hours.

Information Collection 7: Establish a written policy for an incentive and bonus program if the credit union provides such bonuses and incentives related to the purchase, sale, and/or pledge of eligible obligations.

NCUA estimates that no more than 50 federal credit unions will begin conducting these transactions each year or make significant modifications to their incentive plans relating to these transactions, necessitating a new or revised policy. The estimated time to develop a policy is 2 hours.

Information Collection 8: Submit a written request to NCUA seeking expanded authority related to the purchase of eligible obligations from another federally insured credit union.

Based on historical data, less than 35 federal credit unions per year request expanded authority related to the purchase of eligible obligations from another federally insured credit union. The estimated burden to complete and submit this request is 8 hours.

Information Collection 9: Submit an appeal to the NCUA Board regarding a regional director's determination of the expanded authority request.

Less than 2 federal credit unions submit an appeal related to the expanded authority request per year. The estimated burden for completing and submitting an appeal is 20 hours.

	12 CFR 701.23	Information Collection Activity	No. Respondents	Reporting				Recordkeeping*			
				No. Response per Respondent (Frequency)	Annual Responses	Hours per Response	Total Burden	No. Response per Respondent (Frequency)	Annual Responses	Hours per Response	Total Burden
1	(b)(1)	Develop written policies to purchase, sell, or pledge eligible obligations.	50					1	50	6	300
2	(b)(3)(ii)	Retain a written agreement and schedule of eligible obligations purchased in the purchasers office, when purchasing eligible obligations.	954					10	9,540	0.25	2,385
3	(b)(3)(iii)	Request written approval prior to purchasing eligible obligations of a liquidating credit union.	35	1	32	8	280				
4	(c)(2)	Retain a written agreement and schedule of eligible obligations sold in the seller's officer, when selling eligible obligations.	954					10	9,540	0.25	2,385
5	(d)(1)(ii)	Retain copies of the original loan documents when pledging eligible obligations.	954					10	9,540	0.25	2,385
6	(d)(1)(iii)	Retain a written agreement and schedule of eligible obligations pledged in the credit union's office, when pledging eligible obligations.	954					10	9,540	0.25	2,385
7	(g)(2)(iii)	Establish a written policy for an incentive and bonus program if the credit union provides such bonuses and incentives related to the purchase, sale, and/or pledge of eligible obligations.	50					1	50	2	100
8	(h)(1)	Submit a written request to NCUA seeking expanded authority related to the purchase of eligible obligations from another federally insured credit union.	35	1	35	8	280				
9	(h)(1)	Submit an appeal to the NCUA Board regarding a regional director's determination of the expanded authority request.	2	1	2	20	40				
Sub-Total					72		600		38,260		9,940
TOTAL Burden Hours Requested											10,540

*NCUA provides record retention guidelines for credit unions in Appendix A to Part 749 and recommends that the credit union's board of directors approve a records retention schedule authorizing the disposal of certain records on a continual basis upon expiration of specified retention period. It is also advised that records, for a particular period, should not be destroyed until both a comprehensive annual audit by the supervisor committee and a supervisory examination by the NCUA have been made for that period.

Based on weighted compensation and employment data from the December 2015 Call Report, we estimate average hourly wage rate of credit union employees to be roughly \$35 per hour. Using this figure, we calculate a total financial cost to respondents of \$368,900.

13. Capital, Startup, and Operations and Maintenance Costs

All equipment needed to meet the recordkeeping requirement is equipment used for the customary and usual business of the credit union. Likewise conduct of the appraisals themselves is customary in real estate transactions. There is no special or additional equipment; therefore, there is no additional cost.

14. Costs to Federal Government

Most of the information collections will be reviewed as part of the normal exam process and will not result in additional cost to the federal governments. The only additional costs are from the following information collections.

- IC #3 requires credit unions to request written approval prior to purchasing eligible obligations of a liquidating credit union. NCUA estimates that it will take NCUA staff 8 hours, on average, to review and respond to a credit union's request to purchase eligible obligations of a liquidating credit unions. At a rate of \$85 per hour (average loaded hourly cost of an NCUA FTE), the estimated cost for NCUA to review these requests is \$23,800
- IC #8 requires credit unions to submit a written request to NCUA seeking expanded authority related to the purchase of eligible obligations from another federally insured credit union. NCUA estimates that it will take NCUA staff 6 hours, on average, to review and respond to a credit union's request for expanded authority. At a rate of \$85 per hour (average loaded hourly cost of an NCUA FTE), the estimated cost for NCUA to review these requests is \$17,850.
- IC #9 requires credit unions who wish to appeal a decision regarding expanded authority to submit an appeal to the NCUA Board regarding a regional director's determination of the expanded authority request. NCUA estimates that it will take NCUA staff 16 hours, on average, to review and respond to a credit union's appeal. At a rate of \$85 per hour (average loaded hourly cost of an NCUA FTE), the estimated cost for NCUA to review these requests is \$2,720.

15. Changes in Burden

The changes in burden reflect adjustments to make the estimates more consistent with experience with the program as well as consolidation of a number of existing collections under this OMB Control Number. This collection of information was previously collected under two expired collections, 3133-0127 and 3133-0046. Once this collection is reinstated, NCUA will no longer use – and will not seek reinstatement of – 3133-0046 for information related to this program.

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.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

This collection does not involve statistical methods.