

**Supporting Statement for the
Request for Extension of Time to Dispose of Assets Acquired in
Satisfaction of Debts Previously Contracted
(FR 4006; OMB No. 7100-0129)**

Summary

The Board of Governors of the Federal Reserve System (Board), under delegated authority from the Office of Management and Budget (OMB), proposes to extend for three years, without revision, the Request for Extension of Time to Dispose of Assets Acquired in Satisfaction of Debts Previously Contracted (FR 4006; OMB No. 7100-0129). A bank holding company (BHC) that acquired voting securities or assets through foreclosure in the ordinary course of collecting a debt previously contracted (DPC) may not retain ownership of those shares or assets for more than two years without prior Federal Reserve approval. There is no formal reporting form (the FR 4006 designation is for internal purposes only) and each request for extension must be filed with the Reserve Bank that has direct supervisory responsibility for the BHC. The FR 4006 is required to obtain the Reserve Bank's consent to hold DPC shares or assets beyond the two-year permissible holding period. The Federal Reserve uses the information provided in the request to fulfill its statutory obligation to supervise BHCs. The annual burden for the FR 4006 is estimated to be 325 hours.

Background and Justification

Under section 4(c)(2) of the Bank Holding Company Act (BHC Act) and section 225.22(d)(1) of the Bank Holding Companies and Change in Bank Control (Regulation Y), a BHC is not required to seek prior Federal Reserve approval before acquiring voting securities or assets, acquired by foreclosure or otherwise, in the ordinary course of collecting a DPC property, if the DPC property is divested within two years of acquisition. However, the two-year period may be extended by the Federal Reserve for up to three additional years and for up to five additional years (for a total of 10 years) in the case of certain types of DPC property. The BHC Act and Regulation Y specify the standards that should be considered in granting extensions for different types of DPC property. A request for extension must be filed by letter with the appropriate Reserve Bank. The Federal Reserve System uses the information in the request to determine whether the proposed extension is consistent with prudential supervisory and financial standards and that the request is also in the public interest.

Description of the Information Collection

The request for extension only applies to a BHC that is unable to divest of a specific DPC property within two years of initial acquisition. The BHC's letter to the Reserve Bank must describe the efforts made, to date, to effect divestiture (including reasons for any delay in the pace of divestiture) and include financial and descriptive data with respect to assets as well as the sales price of any related divested assets. Generally, extensions are requested for a period of one year, although in appropriate circumstances the Federal Reserve may grant an extension request of longer than one year. In determining whether to approve a request, the Federal Reserve takes into consideration whether the BHC has made a good faith effort to dispose of the property, the value of the property relative to the organization's capital, the effect that selling or retaining the property would have on the financial condition of the BHC (and any affected subsidiary), and the

BHC's supervisory record. The information collected serves to identify potentially unsound situations and to encourage timely compliance with the divestiture requirement contained in the statute and regulation. The Federal Reserve monitors the BHC's efforts to effect an orderly divestiture and may require divestiture before the end of the approved period if supervisory concerns warrant such action.

Time Schedule for Information Collection

This information collection is event generated. The first request for extension must be filed by a BHC, no later than 30 days before the second anniversary of the date that the specific DPC property was originally acquired. Subsequent requests for extension must be filed before expiration of the previously authorized holding period. Most requests are filed annually. The Federal Reserve responds to extension requests in writing in a timely manner.

Legal Status

The Board's Legal Division has determined that the FR 4006 is authorized pursuant to sections 4(a) and 4(c)(2) of the BHC Act (12 U.S.C. §§ 1843(a) and (c)(2)) and the Board's Regulation Y (12 CFR 225.22(d) and 225.140). Section 4(a) of the BHC Act generally prohibits a BHC from acquiring voting shares of a nonbank company (12 U.S.C. § 1843(a)). However, section 4(c)(2) of the BHC Act provides an exception to this general rule and permits BHCs to hold shares acquired in satisfaction of a debt previously contracted in good faith for two years from the date on which they were acquired (12 U.S.C. § 1843(c)(2)). In addition, the Board is authorized to extend the two year period under certain circumstances upon application from a BHC. The Board's Regulation Y extends this prohibition and exception to assets acquired in satisfaction of a debt previously contracted (12 CFR 225.140) and provides procedures for such exceptions (12 CFR 225.22(d)(1)).

The FR 4006 is required to obtain the benefit of being permitted to retain ownership of voting securities or assets acquired through foreclosure in the ordinary course of collection of a debt previously contracted for more than two years. The information collected is not considered confidential. However, individual respondents may request that the information be kept confidential on a case-by-case basis. If a respondent requests confidential treatment, the Board will determine whether the information is entitled to confidential treatment on an ad hoc basis in connection with such request.

Consultation Outside the Agency

On April 7, 2016, the Board published a notice in the *Federal Register* (81 FR 20384) requesting public comment for 60 days on the extension, without revision, of the FR 4006. The comment period for this notice expired on June 6, 2016. The Board did not receive any comments. On June 29, 2016, the Board published a final notice in the *Federal Register* (81 FR 42357).

Estimate of Respondent Burden

Based upon prior experience and review, the respondent burden for this extension request is estimated to average five hours per submission. The respondent burden varies depending upon

the complexity of the individual situation. The Federal Reserve received 65 requests for extension over the last two years. The total respondent burden for the FR 4006 is estimated to be 325 hours annually. These reporting requirements represent less than 1 percent of total Federal Reserve System paperwork burden.

FR 4006	<i>Number of respondents¹</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Request for extension of time to dispose of assets acquired in satisfaction of debts previously contracted	65	1	5	325

The total annual cost to the public for this information collection is estimated to be 17,274.²

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

Costs associated with the processing of this extension request are minimal. Storage of the reported information is not automated. Because there is no standard reporting form, there are no printing or distribution costs.

¹ Of these respondents, one is considered a small entity as defined by the Small Business Administration (i.e., entities with less than \$550 million in total assets) www.sba.gov/contracting/getting-started-contractor/make-sure-you-meet-sba-size-standards/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 \$65, 15% Lawyers at \$66, and 10% Chief Executives at \$89). 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 2015*, published March 30, 2016 www.bls.gov/news.release/ocwage.t01.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.