

**SUPPORTING STATEMENT**  
**National Credit Union Administration**

**Leasing – 12 CFR Part 714**  
**OMB Control Number: 3133-0151**

**A. JUSTIFICATION**

**1. Circumstances Necessitating the Collection of Information**

Section 714.5 of NCUA’s Regulations requires a federal credit union engaged in leasing to obtain or have on file financial documentation demonstrating that the guarantor of an estimated residual value has the resources to meet the guarantee.

Estimated residual value is the projected future value of leased property at lease end. The accuracy of the estimated residual values used in a lease program is a fundamental element in the success or failure of a lease program. The higher the estimated residual values used by a federal credit union, the greater the potential for loss. To mitigate this risk, the leasing rule requires that if the amount of the estimated residual value relied on by the federal credit union to satisfy the full payout lease requirement exceeds 25 percent of the original cost of the leased property, the credit union must obtain a guarantee of the excess from a financially capable party.

If the guarantor cannot meet its guarantee, a federal credit union may suffer serious financial loss. Accordingly, it is important that a federal credit union documents that a guarantor has the financial resources and capability to meet the guarantee. If the guarantor is an insurance company, the federal credit union may satisfy this record keeping requirement by obtaining and maintaining information demonstrating that the insurance company has a rating equivalent to a B+ or better from a major rating company.

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

A federal credit union will use the information to analyze and evaluate the financial capabilities and resources of a party that guarantees the residual value used in a leasing arrangement.

**3. Consideration of Information Technology**

Not applicable.

**4. Duplication**

This information collection is unique to federal credit unions and is not duplicated elsewhere.

**5. Reducing Burden on Small Entities**

The burden is minimal if any. The vast majority of small federal credit unions do not engage in leasing activities. For those that might, they may choose to use an insurance company as guarantor and minimize the burden by obtaining a rating from a major rating company. These ratings are obtainable quickly and easily over the internet.

## **6. Consequences of Less Frequent Collection**

As stated above, it is important that a federal credit union document that a guarantor has the financial resources and capability to meet the guarantee. Otherwise, a federal credit union may suffer serious financial loss resulting in a risk to the National Credit Union Share Insurance Fund.

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

None. The collection is done within the guidelines.

## **8. Consultation Outside the Agency**

Notice of the proposed information collection and request for comment was published with a 60-day comment period in the *Federal Register* on January 25, 2017, at 82 FR 8438. NCUA did not receive any comments regarding the collection.

## **9. Payment or Gift**

Respondents receive no payments or gifts related to provision of this information.

## **10. Confidentiality**

No assurance of confidentiality is provided to respondents.

## **11. Questions of a Sensitive Nature**

The information collected is not of a personally sensitive nature. There is no collection or retention of personally identifiable information (PII).

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

NCUA estimates that approximately 68 federal credit unions are engaged in leasing activities and that it will take an average of 2 hours to collect and analyze the information.

Further, we estimate that each credit union will, on average, grant 5 leases per year where they rely on the excess residual value is greater than 25 percent of the original cost of the leased property. The total annual collection burden is estimated to be approximately 680 hours. At an hourly rate of \$35 per hour – the average wage for a credit union employee – the total annual cost burden is \$23,800.

## **13. Cost of Equipment, Materials, Contractors, and Maintenance**

There are no capital/start-up or ongoing operations/maintenance costs associated with this information collection.

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

NCUA staff will review the information as part of the regular examination process. Therefore, there is no additional cost to NCUA.

#### **15. Reasons for Change in Estimate of Burden**

The number of credit unions that offer leasing products has increased since the last collection request. The adjustment resulted in an increase in burden.

#### **16. Information Collection Planned for Statistical Purposes**

There is no plan to use this information for statistical purposes or to support publication of results.

#### **17. Display of OMB Expiration Date**

There are no traditional collection instruments associated with this collection of information (e.g. forms). The OMB control number and expiration date associated with this PRA submission will be displayed on the Federal government's electronic PRA docket at [www.reginfo.gov](http://www.reginfo.gov).

#### **18. Exceptions to Certification**

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.