



## **“FEDERAL HOME LOAN BANK CAPITAL STOCK”**

**OMB NUMBER 2590-0002**

### **SUPPORTING STATEMENT**

This information collection was previously known as “Capital Requirements for the Federal Home Loan Banks.” The Federal Housing Finance Agency (FHFA or the Agency) is changing the name of the information collection to “Federal Home Loan Bank Capital Stock” to more accurately reflect the nature of the information collected.

#### **A. JUSTIFICATION**

##### **1. Circumstances necessitating the collection of information**

The Federal Home Loan Bank System consists of eleven regional Federal Home Loan Banks (Banks) and the Office of Finance (a joint office that issues and services the Banks’ debt securities). The Banks are wholesale financial institutions, organized under authority of the Federal Home Loan Bank Act (Bank Act) to serve the public interest by enhancing the availability of residential housing finance and community lending credit through their member institutions and, to a limited extent, through certain eligible nonmembers. Each Bank is structured as a regional cooperative that is owned and controlled by member institutions located within its district, which are also its primary customers. An institution that is eligible for membership in a particular Bank must purchase and hold a prescribed minimum amount of the Bank’s capital stock in order to become and remain a member of that Bank. With limited exceptions, only an institution that is a member of a Bank may obtain access to low cost secured loans, known as advances, or other products provided by that Bank.

Section 6 of the Bank Act establishes capital requirements for the Banks and requires the Federal Housing Finance Agency (FHFA) to issue regulations prescribing uniform capital standards applicable to all of the Banks.<sup>1</sup> Section 6 also establishes parameters relating to the Banks’ capital structures and requires that each Bank adopt a “capital structure plan” (capital plan) to establish, within those statutory parameters, its own capital structure and to establish requirements for, and govern transactions in, the Bank’s capital stock.<sup>2</sup> FHFA has designated 12 CFR part 1277 as the location for its regulations on Bank Capital Requirements, Capital Stock, and Capital Plans. Part 1277 currently includes regulations establishing requirements for the Banks’ capital stock (Subpart C; §§ 1277.20-.27) and for the Banks’ capital plans (Subpart D; §§ 1277.28-.29). Regulations governing the Banks’ capital requirements are currently located at 12 CFR parts 930 and 932 (in

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<sup>1</sup> See 12 U.S.C. 1426(a).

<sup>2</sup> See 12 U.S.C. 1426(b), (c).

the regulations of the former Federal Housing Finance Board), but will be moved into part 1277 in the near future.

Both the Bank Act and FHFA's regulations state that a Bank's capital plan must require its members to maintain a minimum investment in the Bank's capital stock, but both permit each Bank to determine for itself what that minimum investment is and how each member's required minimum investment is to be calculated.<sup>3</sup> Although each Bank's capital plan establishes a slightly different method for calculating the required minimum stock investment for its members, each Bank's method is tied to some degree to both the level of assets held by the member institution (typically referred to as a "membership stock purchase requirement") and the amount of advances or other business engaged in between the member and the Bank (typically referred to as an "activity-based stock purchase requirement").

A Bank must collect information from its members to determine the minimum capital stock investment each member is required to maintain at any point in time. Although the information needed to calculate a member's required minimum investment and the precise method through which it is collected differ somewhat from Bank to Bank, the Banks typically collect two types of information. First, in order to calculate and monitor compliance with its membership stock purchase requirement, a Bank typically requires each member to provide and/or confirm an annual report on the amount and types of assets held by that institution. Second, each the time a Bank engages in a business transaction with a member, the Bank typically confirms with the member the amount of additional Bank capital stock, if any, the member must acquire in order to satisfy the Bank's activity-based stock purchase requirement and the method through which the member will acquire that stock.

The OMB number for the information collection is 2590-0002, which is due to expire on December 31, 2016. The likely respondents include current and former Bank members and institutions applying for Bank membership.

## **2. Use of data**

The Banks use this information collection to determine the amount of capital stock a member must purchase to maintain membership in and to obtain services from the Bank under its capital plan, and to confirm that its members are complying with the Bank's stock purchase requirements.

## **3. Use of information technology**

Approximately 98% of the information collection is collected through electronic or other technological collection techniques.

## **4. Efforts to identify duplication**

The information collection avoids duplication by using data members already file on periodic call reports with their primary regulator.

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<sup>3</sup> See 12 U.S.C. 1426(c)(1); 12 CFR 1277.22, 1277.28(a).

## **5. Impact on small entities**

This information collection does not have a significant economic impact on a substantial number of small entities. The statutory requirements are applicable to all Banks and Bank members regardless of their size. FHFA does not have the authority to make adjustments to the statutory requirements to accommodate small entities.

## **6. Consequences of less frequent collection and obstacles to burden reduction**

If the information required to calculate an institution's membership and activity-based stock purchase requirements were not collected at the times specified, the Bank would be unable to monitor its members' ongoing compliance with the capital stock requirements established by the Bank Act, FHFA regulations, and the Bank's capital plan.

## **7. Circumstances requiring special information collection**

There are no special circumstances requiring the information collection to be conducted in a manner inconsistent with the guidelines provided in this Item #7.

## **8. Solicitation of comments on information collection**

In accordance with the requirements of 5 CFR 1320.8(d), FHFA published a request for public comments regarding this information collection in the *Federal Register* on October 7, 2016.<sup>4</sup> The 60-day comment period closed on December 6, 2016. FHFA received no public comments. In addition, FHFA contacted: Andy Locker of the Federal Home Loan Bank of Atlanta, (404) 888-5314, [ALocker@fhlbatl.com](mailto:ALocker@fhlbatl.com); Frank Haas of the Federal Home Loan Bank of Cincinnati, (513) 852-5705, [HaasSG@fhlbcin.com](mailto:HaasSG@fhlbcin.com); Kelly Richmond of the Federal Home Loan Bank of Dallas, (214) 441-8525, [Kelly.Richmond@fhlb.com](mailto:Kelly.Richmond@fhlb.com); and Gant Wellborn of the Federal Home Loan Bank of Topeka, (785) 438.6123, [Gant.Wellborn@fhlbtopeka.com](mailto:Gant.Wellborn@fhlbtopeka.com).

## **9. Provision of payments or gifts to respondents**

No payment or gift will be provided to any respondent.

## **10. Assurance of confidentiality**

The Banks will maintain the confidentiality of information obtained from their members as required by applicable statute, regulation, or FHFA policy.

## **11. Questions of a sensitive nature**

There are no questions of a sensitive nature in the proposed information collection.

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<sup>4</sup> See 81 FR 69819 (Oct. 7, 2016).

## 12. Estimates of the hour burden of the information collection

FHFA is seeking OMB clearance for two information collections under this control number: (I) the reporting of information needed to calculate a Bank member's membership stock purchase requirement; and (II) the reporting of information needed to calculate a Bank member's activity-based stock purchase requirement. The total estimated annualized hour burden imposed upon respondents by these two information collections is 15,230 hours. The estimated annualized cost associated with this burden estimate is \$1,319,520, which includes salaries, benefits, and overhead costs. These estimates are based on the following calculations:

### I. Membership Stock Purchase Requirement Submissions

The estimated annualized hour burden associated with the reporting to the Banks of information needed to calculate members' membership stock purchase requirements is 3,660 hours. The estimated annualized cost associated with this burden estimate is \$312,930.

Based on current Bank membership numbers, FHFA estimated that the average annual number of current and former members and applicants for membership that will be required to report information needed to calculate those institutions' membership stock purchase requirements will be 7,320, and that each institution will submit one report per year. FHFA then calculated the burden and cost estimates as follows:

Institution's Accounting/Finance staff compiles financial information and prepares and submits annual report to the Bank.

- Time per report: 0.15 hours
- Total reports: 7,320
- Total hours: 1,098
- Hourly rate: \$54 (includes salary, benefits, and overhead)
- Total cost: \$59,292

Institution's management reviews report and approves for submission to the Bank.

- Time per report: 0.35 hours
- Total reports: 7,320
- Total hours: 2,562
- Hourly rate: \$99 (includes salary, benefits, and overhead)
- Total cost: \$253,638

### II. Activity-Based Stock Purchase Requirement Submissions

The estimated annualized hour burden associated with the reporting to the Banks of information needed to calculate members' activity-based stock purchase requirements is 11,570 hours. The estimated annualized cost associated with this burden estimate is \$1,006,601.

FHFA estimated that the average number of daily transactions between Banks and members that will require the exchange of information to confirm the member's activity-based stock purchase requirement will be 341, and that there will be an average of 261 working days per year, resulting in an estimated 89,001 submissions annually. FHFA then calculated the burden and cost estimates as follows:

Employee of Bank member initiates advance or mortgage sale and discusses capital stock support and document requirements with its Bank.

- Time per report: 0.04 hours
- Total reports: 89,001 (341 average daily borrowers x 261 working days)
- Total hours: 3,560
- Hourly rate: \$60 (includes salary, benefits, and overhead)
- Total cost: \$213,602

Institution's Credit Officer/VP reviews financial information provided by Bank and verifies report to the Bank.

- Time per report: 0.09 hours
- Total reports: 89,001 (341 average daily borrowers x 261 working days)
- Total hours: 8,010
- Hourly rate: \$99 (includes salary, benefits, and overhead)
- Total cost: \$792,999

### **13. Estimated total annualized cost burden to respondents**

FHFA has not identified any costs to respondents other than the hourly personnel costs detailed under Item #12.

### **14. Estimated cost to the federal government**

The estimated annual cost burden to the Federal government is \$0.

### **15. Reasons for change in burden**

FHFA has decreased the estimated total annual burden hours to 15,230 from the 34,574 that were shown in the Supporting Statement submitted in connection with the 2013 renewal of this information collection. This decrease is due primarily to the fact that, while the prior Supporting Statement assumed that each Bank member would submit four quarterly reports per year to enable the Bank to calculate the member's membership stock purchase requirement, consultation with Banks' staff revealed that most Bank members are required to submit such reports only on an annual basis—that is, one per year. The estimates for IC (I) were therefore adjusted accordingly.

**16. Plans for tabulation, statistical analysis and publication**

FHFA will not publish the results of this information collection.

**17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons why display would be inappropriate**

FHFA plans to display the expiration date for OMB approval.

**18. Explain each exception to the topics of the certification statement identified in “certification for paperwork reduction act submission”**

There are no exceptions to the certification statement identified in “Certification for Paperwork Reduction Act Submissions.”

**B. Collection of Information Employing Statistical Methods**

The information collection does not employ statistical methods.