

National Credit Union Administration
Supporting Statement

**Mergers of Federally-Insured Credit Unions;
Voluntary Termination or Conversion of Insured Status
12 CFR Part 708b
OMB No. 3133-0024**

The NCUA is proposing to amend the procedure a federal credit union (FCU) must follow to voluntarily merge with another credit union. The notice of proposed rulemaking (NPRM) proposes to clarify the contents and format of the member notice; require merging FCUs to disclose all merger-related financial arrangements for covered persons, increase the minimum member notice period, and provide procedures to allow member-to-member communications. Revisions are being made to currently approved information collections 3133-0182 (*Bank Conversions and Mergers, 12 CFR Part 708a*) and 3133-0024, to capture changes to the information collection requirements associated with this NPRM.

A. Justification

1. Circumstances that make the collection of information necessary

The Federal Credit Union Act requires written approval of the NCUA Board before one or more federally-insured credit unions merge or before a federally-insured credit union converts to nonfederal (private) share insurance or terminates federal share insurance and authorizes the NCUA Board to prescribe rules regarding mergers of federally-insured credit unions and changes in insured status (12 U.S.C. §§1752(7), 1766(a), 1785(b) and (c), 1786(a), (c), and (d), and 1789(a)). Part 708b of NCUA's rules sets forth the procedural and disclosure requirements for mergers of federally-insured credit unions, conversions from federal share insurance to nonfederal insurance, and federal share insurance terminations.

2. Purpose and Use of the Information

Part 708b is designed to ensure NCUA has sufficient information to determine whether to approve a proposed merger, share insurance conversion, or share insurance termination. It further ensures that members of credit unions have sufficient and accurate information to exercise their vote properly concerning a proposed merger, insurance conversion, or insurance termination. The rule also protects the property interests of members who may lose their federal share insurance due to a merger, share insurance conversion, or share insurance termination. The form and format necessary to comply with the requirements of part 708b are codified as subpart C and are available in the merger guidance manual.

3. Consideration Given to Information Technology

- Forms and formats for a credit union to use in communicating with its members and with NCUA about mergers and share insurance conversions and terminations are available in a guidance manual that itself is available electronically from NCUA's website. Forms are designed to be fillable.
- Credit unions may use electronic voting processes in obtaining the votes of their members on whether to approve a merger.

4. Efforts to Identify Duplication

The collection of information is unique to the circumstances of each credit union. The information is self-generated and is not available from any other government agency or other source.

5. Effect on Small Entities

This collection does not have a significant impact on a substantial number of small credit unions. For the most part, in a merger transaction a small credit union merges into a larger credit union. The larger credit union provides substantial assistance to the smaller credit union alleviating the economic burden. Share insurance conversion transactions are rare, four during the last year, and under Part 708b NCUA supplies the forms and format of the application. NCUA has not had a voluntary share insurance termination in decades.

6. Consequences of Not Conducting this Collection

If the information collection occurred less frequently, NCUA would be unable to determine whether to approve the proposed merger or share insurance conversion. Also, the credit union's members would not have sufficient information to evaluate the proposal.

7. Inconsistent with Guidelines 5 CFR §1320.5(d)(2)

This collection will not cause any information to be collected in a manner described in §1320.5(d)(2).

8. Consultations Outside of the Agency

A notice of proposed rulemaking was published on [Date] at [FR citation] soliciting comments amendments to 12 CFR part 701, 708, and 708b. Comments received in response to the information collection requirements contained in this rule will be addressed in the final rule.

9. Payment or Gift to Respondents

No payment or gift to respondents are made

10. Assurance of Confidentiality

Converting credit unions and merging credit unions must identify themselves to NCUA per federal statute. NCUA does not reveal any information in a credit union's conversion or merger materials unless required under the Freedom of Information Act.

11. Questions of a Sensitive Nature

No personally identifiable information (PII) is collected.

12. Estimated Burden of Information Collection

The categories of burden for credit unions complying with Part 708b may include the following:

IC 1. Mergers

Each year, there are approximately 214 mergers involving one or more federally-insured credit unions. NCUA estimates it will take the two merging credit unions approximately 35 hours between them to:

- a. Prepare the required merger documents (§708b.103)--15 hours;
- b. Collect and submit the required information to NCUA (§708b.104)—5 hours;
- c. Notice to Members. (§708b.106(b)(f)) would require a merging FCU to identify the physical locations of the merging credit union by street address, state whether each location is to be closed or retained, and list the branches of the continuing credit union by street address that are located in reasonable proximity to the merging credit union's locations. . – 138 hours;
- d. Member-to-member communications (§708b.106(d)) requires that a converting credit union requests to communicate with other members, the converting credit union provide such communication to other members – 70 hours;
- e. Requests review and determination of the propriety of materials to be provided in member-to-member communications (§708b.106(f)) – 350 hours;
- f. Provide the required insurance disclosures in other communications that the credit union plans to send to its members if the merger involves a share insurance conversion (§708b.206)—2 hours;
- g. Notify members of the proposed merger and send them the ballot (§§708b.106, 708b.303(a) and (b))—7 hours;

- h. Notify NCUA of the results of the merger vote (§§708b.107, 708b.303(c))—1 hour;
- i. Notify NCUA of the merger’s completion (§708b.108)—1 hour; and
- j. Notify members of the results of the merger and the possible effect on their insurance coverage (§708b.101(e))—4 hours.

The following table summarizes this information.

Mergers							
	Information Collection Activity	Annual Number of Respondents	Frequency of Response	Annual Responses	Hours per Response	Total Annual Burden Hours	Respondent Labor Cost (\$35 hourly rate)
a	708b.103	214	1	214	15	3,210	\$112,350
b	708b.104	214	1	214	5	1,070	37,450
c	708b.106, 708b.303(a) & (b)	214	1	214	7	1,498	52,430
d	708b.106(b)(6)	138	1	138	1	138	4,830
e	708b.106(d)(5)	35	1	35	2	70	2,450
f	708b.106(e) & (f)	35	1	35	10	350	12,250
g	708b.206	214	1	214	2	428	14,980
h	708b.107, 708b.303(c)	214	1	214	1	214	7,490
i	708b.108	214	1	214	1	214	7,490
j	708b.101(e)	214	1	214	4	856	29,960
	Subtotal	214		1,706		8,048	\$281,680

In cases where the continuing credit union is privately insured, the required merger documents include those discussing the insurance conversion.

IC 2. Share Insurance Conversions

Approximately four credit unions each year engage in share insurance conversions outside of the merger context. NCUA estimates there will be minimal burden in the form of collections of information, since NCUA provides forms and form language in the regulation. NCUA estimates that it will take each credit union a total of approximately 15 hours to:

- a. Prepare the required conversion documents and submit the required information to NCUA (§§708b.203, 708b.301(a))—4 hours;
- b. Notify members of the proposed conversion and send them the ballot (§§708b.204, 708b.301(b) and (c))—7 hours;
- c. Provide the required insurance disclosures in other communications that the credit union plans to send to its members (§708b.206)—2 hours;

- d. Notify NCUA of the results of the conversion vote (§708b.301(d))—1 hour; and
- e. Provide members notice of conversion of insurance (§708b.204(c))—1 hour.

The following table summarizes this information.

Share Insurance Conversions							
	Information Collection Activity	Annual Number of Respondents	Frequency of Response	No. of Responses per Respondent	Hours per Response	Total Annual Burden Hours	Respondent Labor Cost (\$35 hourly rate)
a	708b.203, 708b.301(a)	4	1	4	4	16	\$560
b	708b.204, 708b.301(b) and (c)	4	1	4	7	28	\$980
c	708b.206	4	1	4	2	8	\$280
d	708b.301(d)	4	1	4	1	4	\$140
e	708b.204(c)	4	1	4	1	4	\$140
	Subtotal	4		20		60	\$2,100

IC 3. Share Insurance Terminations

Currently no credit unions have engaged in share insurance terminations. If one or more credit unions does engage in a voluntary termination of insurance in the future, NCUA estimates there will be minimal burden in the form of collections of information on those credit unions. One respondent and response is being used as a placeholder associated with this information collection activity. Since there has been no activity under this information collection, a zero labor cost is being reported. NCUA estimates it will take each credit union approximately 12 hours to:

- a. Prepare the required termination documents and submit the required information to NCUA (§708b.201)—4 hours;
- b. Notify the members of the proposed termination and send them the ballot (§708b.202)—4 hours;
- c. Provide the required insurance disclosures in other communications that the credit union plans to send to its members (§708b.206)—2 hours;
- d. Notify NCUA of the results of the termination vote (§708b.201(d)(2))—1 hour; and
- e. Provide members notice of termination of insurance (§708b.202(c))—1 hour.

The following table summarizes this information.

Share Insurance Terminations						
Information Collection Activity	Annual Number of Respondents	Frequency of Response	No. of Responses per Respondent	Hours per Response	Total Annual Burden Hours	Respondent Labor Cost (\$35 hourly rate)
a 708b.201	1	1	1	4	4	\$0
b 708b.202	1	1	1	4	4	\$0
c 708b.206	1	1	1	2	2	\$0
d 708b.201(d)(2)	1	1	1	1	1	\$0
e 708b.202(c)	1	1	1	1	1	\$0
Subtotal	1		1		12	\$0

Summary				
Information Collection Activity	Number of Respondents	Total Annual Responses per Respondent	Total Annual Burden Hours	Total Annual Labor Cost
Mergers	214	1,706	8,048	\$281,680
Share Insurance Conversions	4	20	60	\$2,100
Share Insurance Terminations	1	1	12	\$0
Total	219	1,706	8,120	\$283,780

13. Estimates of Capital Start-up and Maintenance Costs

On very rare occasions, a merging credit union may need to get outside accounting assistance with GAAP consolidated financials or legal assistance with Hart Scott Rodino Act compliance issues. Since this would be very rare, we cannot compute an average cost for this service.

14. Costs to the Federal Government

The estimated total annualized cost to the Federal Government is approximately \$181,840, calculated as follows:

Mergers

NCUA spends an average of 15 employee-hours on pre- and post-merger processing and 4 employee-hours reviewing and supervising that processing. The wage rate for the processing is approximately \$40/hour, and the wage rate for review and supervision is approximately \$60/hour. The total NCUA cost for each merger is then 15 x \$40 (\$600) plus 4 x \$60 (\$240) = \$840. The aggregate annual cost for the 214 mergers is 214 x \$840, or \$179,760.

Share Insurance Conversions

The NCUA spends an average of 10 employee-hours on pre- and post-share insurance conversion processing and 2 employee-hours reviewing and supervising that processing. The wage rate for the processing is approximately \$40/hour, and the wage rate for review and supervision is approximately \$60/hour. The total NCUA cost for each share insurance conversion is then 10 x \$40 (\$400) plus 2 x \$60 (\$120) = \$520. The aggregate annual cost for the 4 share insurance conversions is 4 x \$520, or \$2,080.

15. Change in Burden

This is a revision associated with rulemaking. An increase of 558 hours affecting only Federal Credit Unions (FCU), is the result of additional disclosure of information to members under §708b.106, to include:

- A statement identifying the physical locations of the merging credit union by street address, stating whether each location is to be closed or retained, and a list of branches of the continuing credit union by street address that are located in reasonable proximity to the merging credit union's locations.
- Member-to-member communications sent by e-mail by the FCU, must notify members using the "reply" feature that the email would be directed to an address other than the requesting member's and identify to whom the response was sent.

Additionally, a detailed description of any merger-related financial arrangements involving covered persons is proposed. Currently only arrangements for covered persons that meet a certain threshold would be included in a member notice. The proposed rule would require FCU to disclose all information about compensation to covered persons; thus eliminating the threshold analysis. Current burden established for §708b.106 is seven hours as an average per FICU and even with the possible reduction, NCUA believes that the continued use of the seven hours is accurate.

It is proposed under §708b.104(a)(1) that a merger proposal include Board minutes for each of the merging and continuing credit union, covering at least two years prior to the date of the approval of the merger plan by the board of directors of both credit unions. No change in burden would be reported because this information is maintained by the FCUs and is readily available for inclusion in a proposal.

16. Plans for Publication

The information will not be published.

17. Request Non-display of the Expiration date of the OMB Control Number

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.

18. Exceptions to the Certification for the Paperwork Reduction Act Submission

There are no exceptions to the certification statement.

B. Collections of Information Employing Statistical Methods.

This collection does not employ statistical methods.