

National Credit Union Administration
SUPPORTING STATEMENT

Golden Parachute and Indemnification Payments, 12 CFR Part 750
OMB Control No. 3133-0183

A. JUSTIFICATION

1. Circumstances that make the collection of information necessary.

On May 26, 2011, NCUA published a final rule (76 FR 30510) that implements section 206(t) of the Federal Credit Union Act (FCU Act), by adding a new part 750 to NCUA's regulations. This rule prohibited, in certain circumstances, a federally insured credit union (FICU) from making golden parachute and indemnification payments to an institution-affiliated party (IAP). The purpose of this rule, which tracks closely to existing regulations applying to banks (12 CFR part 359), was to safeguard the National Credit Union Share Insurance Fund (NCUSIF) by preventing the wrongful or improper disposition of FICU assets and to inhibit rewards to IAPs who may be contributed to an FICU's troubled condition or, in the case of indemnifications, are the subject of certain types of administrative enforcement actions brought by the regulator. It is also intended to provide FICUs with greater clarity on the distinction between legitimate employee severance payments and improper gold parachute payments.

Section 750.6 requires requests for an FICU to make nondiscriminatory severance plan payments under §750.1(d)(2)(v) and golden parachute payments permitted by §750.4 to be submitted in writing to NCUA.

2. Purpose and Use of the Information Collection.

This information collection applies to natural person and corporate credit unions. The information will be used by the NCUA Board to review FICUs' waiver requests to determine whether an exception to the general prohibition on golden parachute payments should be approved.

An FICU will only be required to submit a written request to NCUA if they are seeking approval for a severance or golden parachute payment as an exception to the general prohibition under Part 750. It is likely that any request will be a one-time occurrence per requesting FICU.

In situations where a state chartered credit union or corporate credit union agrees to make a golden parachute payment, a written concurrence from the appropriate state supervisory authority must accompany the request to NCUA (§750.4(a)).

The NCUA uses this information to safeguard the National Credit Union Share Insurance Fund (NCUSIF) by preventing the wrongful or improper disposition of FICU assets and inhibit unwarranted rewards that can contribute to an FICU's troubled condition.

3. Use of Information Technology.

The FCU Act does not prescribe any particular form for this information collection. Therefore, FICUs may use any information technology available to reduce the burden imposed by the regulation.

4. Duplication of Information.

This collection of information is unique to each FICU and is not duplicated.

5. Efforts to Reduce Burden on Small Entities.

This collection does not have a significant impact on a substantial number of small credit unions.

6. Consequences of Not Conducting Collection.

If this information were not collected, NCUA would not be able to preventing the wrongful or improper disposition of FICU assets and inhibit unwarranted rewards that can contribute to an FICU's troubled condition. These safeguards are in place to safeguard the NCUSIF.

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 with Persons Outside the Agency

A 60-day notice was published in the *Federal Register* on December 19, 2017, at 82 FR 60219, soliciting comments from the public. No public comments were received in response to this notice.

9. Payment or Gifts to Respondents

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

10. Assurance of 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. Questions of a Sensitive Questions Nature

No questions of a sensitive nature are asked. Personally Identifiable Information (PII) is not collected.

12. Burden of Information Collection

As of December 31, 2017, there are 5,573 FICUs. This information collection will only affect troubled FICUs seeking approval to make a severance or golden parachute payment to an IAP. As of December 31, 2017, there were 196 problem FICUs with CAMEL 4 or 5 ratings. Of the 196 problem credit unions there are 175 having less than \$100 million in total assets that are unlikely to seek NCUA approval to make golden parachute payments, which leaves 21 FICUs eligible. These smaller FICUs are unlikely to seek NCUA approval to make golden parachute payments because these payments are more typically seen in the executive compensation of larger, more complex FICUs.

Of the remaining 21 larger problem FICUs, NCUA anticipates no more than 25 percent would seek NCUA approval to make a golden parachute payment.

Accordingly, NCUA estimates that approximately 5 FICUs will need to solicit NCUA approval in advance of making a severance or golden parachute payment within the scope of the rule and that preparing the request for approval may take four hours: 5 FICUs x 4 hours = 20 hours.

State chartered credit union or corporate credit union are required to obtain written concurrence to from their state supervisory authority to accompany the request, NCUA estimates 30 minutes for this disclosure requirement from 1 or less respondents annually.

Information Collection Activity	No. of Respondents	No. of Responses per Respondent (Frequency)	Total Annual Response	Hours per Response	Total Annual Burden
Written NCUA approval in advance of making a severance or golden parachute payment (Reporting)	5	1	5	4	20
State supervisory concurrence (Third-party disclosure)	1	1	1	0.50	0.50
TOTAL	5		6		20.50

Based on the labor rate of \$35 per hour, the total cost to respondents is \$717.50

13. Capital Start-up or On-going Operation and Maintenance Costs

There are no capital start-up or maintenance costs.

14. Costs to Federal Government

NCUA estimates the annualized cost burden to the government will be \$2,400.

- 5 waiver requests x 8 hours for staff review = 40 hours.
- 40 burden hours x \$60 per hour = \$2,400 annual cost burden.

15. Changes in Burden

The adjustments are attributed to updated data since the previous submission.

16. Information Collection Planned for Statistical Purposes

The information is not planned for publication.

17. Request Non-display 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 Certification for Paperwork Reduction Act Submissions

There are no exceptions to the certification statement.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

This collection does not involve statistical methods.