

National Credit Union Administration  
**SUPPORTING STATEMENT**

**Prompt Corrective Action, 12 CFR 704**  
*(Subparts A-D)*  
**OMB No. 3133-0154**

**A. JUSTIFICATION**

**1. Circumstances that make the collection of information necessary**

The information collection is required under section 216 of the Federal Credit Union Act (12 U.S.C. §1790d). Section 216 mandates prompt corrective action requirements for federally insured credit unions (FICUs) that become less than well capitalized. Section 216 requires the NCUA Board to (1) adopt, by regulation, a system of prompt corrective action to restore the net worth of inadequately capitalized FICUs; and (2) develop an alternative system of prompt corrective action for new credit unions that carries out the purpose of prompt corrective actions while allowing an FICU reasonable time to build its net worth to an adequately capitalized level. Part 702 implements the statutory requirements. To achieve this, various information collections are required on occasion as the circumstances require. Part 702, subparts A through D, contains the following information collection requirements (ICRs):

- Request for NCUA approval prior to taking specific actions when operating under a Discretionary Supervisory Action;
- Appeal to the NCUA Board of certain Mandatory Conservatorship, Liquidation, or Other Corrective Action;
- Request for approval to charge regular reserves or pay dividends if the action would cause the credit union's net worth to fall below adequately capitalized and the action is not included in an approved net worth restoration plan (NWRP);
- Submission of a NWRP and resubmission of a NWRP when there has been a change in the credit union's net worth category or the plan was denied by NCUA;
- Request from a small or new credit union for assistance in developing an NWRP or revised business plan (RBP);
- Request for a waiver of the earnings transfer requirement if the credit union is below well capitalized;
- Written notice from a new credit union if its net worth classification declines;
- New credit union submission of a RBP if the credit union's net worth classification declines or a RBP is denied by NCUA, and
- Request for approval of a risk mitigation credit if elected by the credit union.

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

The purpose of prompt corrective action is to resolve the problems of FICUs at the least possible long-term loss to the National Credit Union Share Insurance Fund (NCUSIF). NCUA requires various information collections to meet the purpose of prompt corrective action. Part 702, subparts A through D, establishes a framework of discretionary and mandatory supervisory actions, applicable according to a credit union's net worth ratio, designed primarily to restore and improve the net worth of FICUs. Some of these supervisory actions require a credit union to request approval prior to taking specific actions. Credit unions meeting certain criteria are required to submit plans detailing how they will improve their net worth position. Additionally, Part 702 allows for various waivers to the requirements outlined in Part 702. NCUA uses the information to determine whether the credit union is restoring its net worth in accordance with prompt corrective actions or to determine whether a waiver of certain requirements is warranted.

## **3. Consideration Given to Information Technology**

Credit unions may use any information technology available to submit the required information.

## **4. Duplication of Information**

The information collection is unique to each credit union and is not duplicated.

## **5. Efforts to Reduce Burden on Small Entities**

The statute and regulation require the same information to be collected from small entities as from other entities. The regulation allows small and new entities to request assistance in developing a NWRP or RBP.

## **6. Consequences of Not Conducting Collection**

The FCU Act mandates the requirements for prompt corrective action. NCUA needs the information collected to ensure credit unions are complying with prompt corrective action requirements. The consequence of noncompliance would be severe because noncompliance could lead to large losses to the NCUSIF.

## **7. Inconsistencies with Guidelines in 5 C.F.R. §1320.5(d)(2)**

There are no special circumstances. This collection is consistent with the guidelines in 5 CFR §1320.5(d)(2).

## **8. Efforts to Consult with Persons Outside the Agency**

A 60-day notice was published in the *Federal Register* soliciting comments from the public on July 24, 2018, at 83 FR 35028, on this collection of information. NCUA received no comments.

## **9. Payment or Gift**

No payment or gift is provided to respondents.

## 10. Confidentiality

Certain credit union information obtained in this information collection or as part of NCUA's supervisory process is confidential and exempt from release under the Freedom of Information Act. The information will be kept private to the extent permitted by law.

## 11. Sensitive Questions

There are no questions of a sensitive nature.

## 12. Burden of Information Collection

The rule includes multiple information collections (ICs), each of which would be submitted on occasion as the circumstances require. The annual estimated number of respondents and estimated burden hours were calculated for each IC using historical submission data. The burden is detailed below.

			# Respondents	# Responses per Respondents	Total Annual Response	Hours per Response	Total Annual Burden
1	702.202(b)(1) 702.203(b)(1) 702.204(b)(1) 702.202(b)(8) 702.203(b)(9) 702.204(b)(9) 702.203(b)(10) 702.204(b)(10) 702.204(b)(12)	Requests for NCUA approval prior to taking specific actions if operating under a discretionary supervisory action.	1	1	1	1	1
2	702.204(c)(4) 702.205(a)(3)	Appeal to the NCUA board of certain mandatory conservatorship, liquidation or other corrective action. (702.205(a)(3) - Consultations with State officials)	1	1	1	1	1
3	702.401(c)(2) 702.403(b)(2)	Request for approval to charge regular reserves or pay dividends if the action would cause the credit union's net worth to fall below the adequately capitalized classification and the action is not otherwise included in an approved net worth restoration plan.	20	2	40	3	120
4	702.202(a)(2) 702.203(a)(2) 702.204(a)(2) 702.206(a)(3) 702.206(g)(1) 702.206(h)	Submission of a net worth restoration plan (NWRP) and resubmission of a NWRP that has been denied by NCUA or because there was a change in the credit union's net worth category after submission of a NWRP.	32	3	96	27	2,592
5	702.206(b) 702.307(a)	Request from a small credit union or new credit union for assistance in developing a NWRP or revised Business Plan.	2	1	2	5	10
6	702.201(b)	Request for waiver of earnings transfer requirement if the credit union is below well-capitalized.	113	3	339	2	678
7	§702.302(b)	Written Notice from a New Credit Union if its Net Worth Classification Declines.	1	1	1	1	1
8	702.304(a)(2) 702.305(a)(2) 702.306(f)(1)	New credit union submission of a revised business plan if the credit union's net worth classification declines or a revised business plan is denied by NCUA.	1	1	1	20	20
9	702.108(b)	Credit unions meeting certain criteria may request approval of a risk mitigation credit for use in calculating its risk based net worth requirement.	1	1	1	0	0
<b>TOTALS</b>			<b>172</b>		<b>482</b>		<b>3,420</b>

Line Items 1, 2, 7, & 9: These information collection activities have had no respondents provide information since the last reporting period. For this submission, NCUA will identified one respondent for these information collection activities with no burden assigned. NCUA will monitor and update these information collection activities with each review.

The estimated hourly wage rate of \$35 is applied for a total cost to respondents at \$119,700.00.

**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**

The total cost for NCUA staff to review and act upon these information collections are as follows:

	Information Collection	# of Annual Requests	Hours to Review	Total Annual Hours
1	Approval for specific actions when operating under a discretionary supervisory action.	0	0	0
2	Appeal of mandatory conservatorship, liquidation or other corrective action.	0	0	0
3	Charge regular reserves or pay dividends if net worth fall below adequately capitalized and action is not included in approved net worth restoration Plan (NWRP).	40	4	160
4	Submission and resubmission of a NWRP that has been denied because change in the credit union's net worth category.	96	13	1,248
5	Small or new credit union assistance in developing a NWRP or revised business plan (RBP).	2	8	16
6	Request waiver of earnings transfer requirement if below well-capitalized	339	3	1,017
7	Written notice net worth classification declines.	0	0	0
8	New submission of a RBP if net worth classification declines or a RBP is denied.	1	19	19
9	Risk mitigation credit if elected.	0	0	0
Total Estimated Annual Hours				2,460
Average hourly wage rate for an Analyst (Based on the midpoint of NCUA's pay scale and the "All Other" locality rate)				\$54
Total Estimated Cost to NCUA				\$132,840

**15. Changes in Burden**

The estimated burden hours have decreased due to the decreasing number of credit unions.

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

The information collection is not used for statistical purposes.

**17. Approval to Omit OMB Expiration Date**

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 for Paperwork Reduction Act Submissions**

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.