

National Credit Union Administration
SUPPORTING STATEMENT

Organization and Operation of a Federal Credit Unions - Loan Participations
12 CFR 701.22

OMB No. 3133-0141

A. JUSTIFICATION

1. Circumstances that make the collection of information necessary.

NCUA's regulations, 12 CFR (§701.22) outline loan participation requirements. Loan participations pose inherent risk to the NCUSIF due to the interconnectedness between participants. Section 701.22 includes three collections requirements (1) maintenance of a written policy, (2) requirements on the purchasing credit union to have a written loan participation agreement, (3) options to apply for waivers from concentration limits. Section 741.225 extends the requirements of Section 701.22 of NCUA's regulations to Federally Insured State Chartered Credit Unions (FISCUs), noting there are strong indications of potential risk to the National Credit Union Share Insurance Fund (NCUSIF) from FISCUs' loan participation activity.

Section 701.22 (b)(2) requires the purchasing credit union to have a written loan participation agreement. The loan participation agreement must be properly executed, properly authorized, and retained in the office.

Section 701.22 (b)(5) requires credit unions that engage in loan participations to maintain a written loan participation policy defining underwriting standards and establishing maximum concentration limits. Concentration limits the policy must include are; the amount that may be purchased from any one originating lender, the amount of loan participations that may be purchased with respect to a single borrower or group of associated borrowers, and the amount that may be purchased by each loan type.

Section 701.22 (c) allows federally insured credit unions to apply for waivers from both the single originator and single borrower concentration limits. Credit unions can appeal waiver decisions to the NCUA board within 60 days of the decision notification.

2. Purpose and use of the information collection.

Loan participations can strengthen the credit union industry by providing credit unions an opportunity to diversify their loan portfolios, improve earnings, generate loan growth and manage their balance sheets. NCUA examiners review the loan participation policy during regulatory examinations. Through these reviews, examiners determine whether the credit union is engaging in a safe and sound loan

participation program. This part of the examination process helps prevent losses to credit unions and the NCUSIF.

The information provided in waiver requests permits NCUA staff to determine the appropriateness of granting a waiver.

3. Use of information technology.

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

4. Duplication of information.

There is no duplication.

5. Efforts to reduce burden on small entities.

The information required is not different for smaller institutions; thus the burden to small credit unions is no greater than for any other institution. Therefore, it is critical to the safety and soundness of the NCUSIF that loan participation programs adhere to appropriate standards, regardless of the credit union's size.

6. Consequences of not conducting collection.

Nearly half of all credit unions with assets over \$50 million hold or sell loan participations. The consequences for not establishing sound governance over loan participations can lead to high levels of delinquency and loan losses to credit unions. Significant loan losses will affect the overall financial performance of credit unions. The effects of a mismanaged loan participation program can extend throughout several credit unions; therefore, decreasing the financial stability of multiple credit unions across the country and weakening the entire credit union system. The effects of a weak credit union system could lead to losses to 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. Efforts to consult with persons outside the agency.

A 60-day notice was published on the *Federal Register* on November 19, 2018, at 83 FR 58303, soliciting comments from the public. No comments were received.

9. Payment or gifts to respondents.

No payment or gift is provided to respondents.

10. Assurance of confidentiality.

There is no assurance of confidentiality other than that provided by law.

11. Questions of a sensitive nature.

Personal identifiable information (PII) is not collected. There are no questions of a sensitive nature.

12. Burden of information collection.

Current data indicates that approximately 1,876 credit unions are participating in loan participations. NCUA expects credit union to review policies on a regular basis, to ensure the policy is relevant to the current economic environment and meets their member’s needs. This review is generally done on an annual basis and estimated to take approximately 1.5 hours. With 1,876 credit unions, performing the review at 1.5 hours the compliance burden is minimal and estimated to be 2,814 overall industry burden annually.

Assuming the quantity of loan participation waiver requests and waiver decision appeal requests remain consistent with past trends, NCUA estimates the burden of loan participation waivers and appeal requests to be minimal. NCUA estimates, the total number of annual waiver request respondents as 10 with a burden of 4 hours, resulting in an annual burden of 40 hours. NCUA estimates the total number of annual waiver decision appeals respondents as one. The information collection requirement covering the appeals process is set forth in subpart B to part 746 and is cleared under OMB control number 3133-0197.

12 CFR	Information Collection Activity	Respondents	# Responses per Respondent	Total Annual Responses	Time per Response (Hours)	Total Annual Burden
701.22(b)(2)	Maintain Loan Participation Policies (recordkeeping)	1,898	1	1,898	1.5	2,847
701.22(b)(5)	Executed written loan participation agreement (recordkeeping)	1,898	1	1,898	0.083	158
701.22(c)	Waiver (includes approval from SSA and Board) (reporting)	10	1	10	4	40
	Appeals Process <i>(burden cleared under OMB No. 3133-0198)</i>					
	Total	1,898		3,806		3,045

Based on the labor rate of \$35 per hour, the total cost to respondents is \$106,575.

13. Capital start-up or on-going operation and maintenance costs.

There are no capital start-up or on-going operation and maintenance cost.

14. Annualized costs to the Federal government.

NCUA does not estimate additional staff time for the loan participation program reviews. These reviews will be completed during the credit union’s routine annual examinations.

NCUA staff time to review the waiver request, analyze the information provided and document a decision is estimated at 8 hours per occurrence (4 hours examiner staff and 4 hours office staff). The break-down of time by full-time employee labor costs is as follows:

Based on labor costs of \$43 per hour for examiner field staff and \$49 per hour for regional office staff, the total annual labor costs to the government are as follows:

NCUA Staff	Hours	Cost	Total Cost to Federal Government
Review of Loan Participation Waiver Request			
Examiner/Field Personnel	40	\$43	\$1,720
Office Personnel	40	\$49	\$1,960
Review of Waiver Decision			
Office Personnel	4	\$49	\$196
Total Cost to Federal Government			\$3,876

15. Changes in burden.

This is an extension of a currently approved collections. Adjustments are being made to the number of credit unions reporting, as provided on the most current call report.

16. Information collection planned for statistical purposes.

The information collection is not used for statistical purposes.

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.