

National Credit Union Administration
SUPPORTING STATEMENT

Bank Conversions and Mergers, 12 CFR Part 708a
OMB No. 3133-0182

A. JUSTIFICATION

1. Circumstances that make the collection of information necessary.

Part 708a covers the conversion of federally insured credit unions (credit unions) to mutual savings banks (MSBs) and mergers of credit unions into both mutual and stock banks (banks). Part 708a is organized into two subparts:

- (1) Subpart A, Conversion of Insured Credit Unions to Mutual Savings Banks (§§708a.101 through 708a.113)

Subpart B [Reserved]

- (2) Subpart C, Merger of Insured Credit Unions into Banks (§§708a.301 through 708a.312) (Subpart C).

Part 708a requires credit unions that intend to convert to MSBs or merge into banks to provide notice and disclosure of their intent to convert or merge to their members and NCUA, and to conduct a membership vote. In addition, Subpart C requires credit unions that intend to merge into banks to determine the merger value of the credit union. Part 708a requires credit unions to provide additional information to NCUA at various points in the conversion or merger process.

These requirements are authorized under the Federal Credit Union Act, 12 U.S.C. §1785(b) and (c). They are also necessary to ensure safety and soundness in the credit union industry, and to protect the interests of credit union members in the charter conversion and merger contexts. The Act also authorizes the NCUA Board to prescribe regulations governing these transactions. 12 U.S.C. §§1766(a) and 1789(a).

2. Purpose and use of the information collection.

Subpart A – Conversion to MSB

The information is used by credit union members to determine if they wish to vote in favor of or in opposition to their credit union converting to an MSB. It is also used by NCUA to fulfill its statutory obligation to administer the membership vote.

Subpart C – Merger into Bank

The information is used by credit union directors to determine if they should adopt a plan of merger into a bank. The information is also used by credit union members to determine if they wish to vote in favor of or in opposition to their credit union merging into a bank. It is used by NCUA to fulfill its statutory responsibility to approve or disapprove the merger.

3. Use of information technology.

The information collections (ICs) in Part 708a do not use automated, electronic, or mechanical means of collecting the information to any large extent. Credit union conversions to MSBs and credit union mergers into banks occur so infrequently and affect so few credit unions that it is not efficient or cost effective to devote resources to putting into place highly sophisticated means of collection.

4. Duplication of information.

The collection of the information is required only under the conversion and merger rules in Part 708a. There are no other related collections.

5. Efforts to reduce burden on small entities.

The burden on the credit union industry under Part 708a is minimal. It is projected that in any given year, no more than one credit union will convert its charter to an MSB and that no more than one credit union will merge into a bank. The overwhelming majority of converting and/or merging credit unions will not be small credit unions (defined as credit unions with less than \$50,000,000 in assets).

6. Consequences of not conducting the collection.

The Federal Credit Union Act (Act) mandates the requirements for conversions and mergers. The Act requires NCUA to issue regulations applicable to such transactions. Without the information, NCUA could not fulfill its statutory obligation to administer the membership vote and to protect the interests of the members.

7. Inconsistencies with guidelines in 5 CFR 1320.5(d)(2).

There are no such 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* on June 17, 2019, at 84 FR 28101, soliciting comments from the public and no comments were received.

9. Payment or gifts to respondents.

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

10. Assurance of confidentiality.

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

11. Questions of a sensitive nature.

No questions of a sensitive nature are asked. No personally identifiable information (PII) is collected.

12. Burden of information collection.

Subpart A: In the last five years, five credit unions have engaged in MSB conversion transactions. NCUA estimates it takes an average of approximately 245 hours to comply with the information collection requirements of Subpart A. Based on NCUA's experience, NCUA estimates that in the future one credit union will engage in an MSB conversion transaction in any given year.

Subpart C: In the last five years, no credit union has engaged in a bank merger transaction. If a credit union were to engage in a bank merger transaction in the future, NCUA estimates it will take an average of approximately 145 hours to comply with the information collection requirements of Subpart C. NCUA estimates that in the future one credit union will engage in a bank merger transaction in any given year.

Estimated burden summary is below:

| Line | 12 CFR | Collection Activity | Type of Burden | # Respon- dents | # Response per Respondent | Total Annual Responses | Hours per Response | Total Annual Burden |
|---|--------------------|---|-------------------------|--------------------|---------------------------------|---------------------------|-----------------------|---------------------------|
| Subpart A – Conversion to Mutual Savings Banks | | | | | | | | |
| 1 | 708a.103(a) | <u>Advance notice of intent to convert.</u> No later than 30 days before a board of directors votes on a proposal to convert, it must publish a notice in a general circulation newspaper, or in multiple newspapers if necessary, serving all areas where the credit union has an office, branch, or service center. It must also post the notice in a clear and conspicuous fashion in the lobby of the credit union's home office and branch offices and on the credit union's Website, if it has one. If the notice is not on the home page of the Web site, the home page must have a clear and conspicuous link, visible on a standard monitor without scrolling, to the notice. | Third-party disclosure | 1 | 1 | 1 | 3 | 3 |
| 2 | 708a.103(b) | <u>Solicitation and review of member comments.</u> The credit union must collect member comments and retain copies at the credit union's main office until the conversion process is completed. | Record-keeping | 1 | 1 | 1 | 0.25 | 0.25 |
| 3 | 708a.104(a) | <u>Notice of intent to convert to NCUA and to members.</u> The credit union must provide written notice of its intent to convert to each member who is eligible to vote on the conversion. The notice to members must be submitted 90 calendar days, 60 calendar days, and 30 calendar days before the date of the membership vote on the conversion. | Third- party disclosure | 1 | 1 | 1 | 200 | 200 |
| 4 | 708a.104(f)(1) | <u>Member communication.</u> A converting CU must mail or e-mail a requesting member's proper conversion-related materials to other members eligible to vote. | Third- party disclosure | 1 | 1 | 1 | 1 | 1 |
| 5 | 708a.104(f)(3)(ii) | A converting credit union may not add anything other than the prescribed statement to a member's material without the prior approval of the Regional Director. | Reporting | 1 | 0 | 0 | 0 | 0 |
| 6 | 708a.104(f)(5) | If a converting credit union believes some or all of a member's request is not proper it must submit the member materials to the Regional Director within seven days of receipt. The CU must include with it transmittal letter a statement of why the materials are not proper and recommendation for how materials should be modified. | Reporting | 1 | 0 | 0 | 0 | 0 |
| 7 | 708a.105(a)(1) | <u>Notice of intent to convert to NCUA and to members.</u> If a converting CU's board of directors approves a proposal to convert, it must provide the Regional Director with notice of its intent to convert during the 90 calendar day period preceding the date of the membership vote on the conversion. | Reporting | 1 | 1 | 1 | 40 | 40 |
| 8 | 708a.107(a) | <u>Certification of member vote results.</u> The board of directors of the converting credit union must certify the results of the membership vote to the Regional Director. | Reporting | 1 | 1 | 1 | 1 | 1 |
| Subpart A Totals | | | | 1 | | 6 | | 245.25 |

| Line Item | 12 CFR | Collection Activity | Type of Burden | # Respondents | # Response per Respondent | Total Annual Responses | Hours per Response | Total Annual Burden |
|---|----------------|---|------------------------|---------------|---------------------------|------------------------|--------------------|---------------------|
| Subpart C – Merger of Insured Credit Unions into Banks | | | | | | | | |
| 9 | 708a.303(a)(1) | <u>Merger valuation.</u> Before selecting a bank merger partner and voting on a proposal to merge, a credit union's board of directors must determine, as part of its due diligence, the merger value of the credit union. In making its determination of the merger value of the credit union, the credit union must either (1) Conduct a well-publicized merger auction and obtain purchase quotations from at least three banks, two or more of which must be stock banks; or (2) Retain a qualified appraisal entity to analyze and estimate the merger value of the credit union. | Record-keeping | 1 | 1 | 1 | 0.25 | 0.25 |
| 10 | 708a.303(b) | <u>Advance notice of intent to merge.</u> No later than 30 days before a board of directors votes on a proposal to merge, it must publish a notice in a general circulation newspaper, or in multiple newspapers if necessary, serving all areas where the credit union has an office, branch, or service center. It must also post the notice in a clear and conspicuous fashion in the lobby of the credit union's home office and branch offices and on the credit union's Website, if it has one. If the notice is not on the home page of the Web site, the home page must have a clear and conspicuous link, visible on a standard monitor without scrolling, to the notice. | Third-party disclosure | 1 | 1 | 1 | 3 | 3 |
| 11 | 708a.303(c) | <u>Solicitation and review of member comments.</u> A credit union must collect and review any member comments about the merger received during the merger process. The credit union must retain the comments until the merger is consummated. | Record-keeping | 1 | 1 | 1 | 0.25 | 0.25 |
| 12 | 708a.304(a) | <u>Notice of Intent to Merge and Request for NCUA Authorization (NIMRA).</u> If a credit union's board of directors adopts a proposal to merge, it must, within 30 days of the adoption, provide the Regional Director with a Notice of its Intent to Merge and Request for NCUA Authorization (NIMRA) to conduct a member vote. | Reporting | 1 | 1 | 1 | 100 | 100 |
| 13 | 708a.305(a) | <u>Notice to members and member vote on proposed merger.</u> The credit union must provide written notice of its intent to merge to each member who is eligible to vote on the merger. The notice to members must be mailed 90 calendar days and 30 calendar days before the date of the membership vote on the merger. | Third-party disclosure | 1 | 1 | 1 | 40 | 40 |
| 14 | 708a.305(g)(1) | <u>Member communication.</u> A merging credit union must mail or e-mail a requesting member's proper merger-related materials to other members eligible to vote in circumstances outlined in this section. | Third-party disclosure | 1 | 1 | 1 | 1 | 1 |
| 15 | 708a.305(g)(5) | If a merging credit union believes some or all of a member's request is not proper it must submit the member materials to the Regional Director within seven days of receipt. The credit union must include with its transmittal letter a specific statement of why the materials are not proper and a specific recommendation for how the materials should be modified, if possible, to make them proper. | Reporting | 1 | 0 | 0 | 0 | 0 |
| 16 | 708a.305(g)(6) | A credit union must ensure that its members receive all materials that meet the requirements of § 708a.305(g) on or before the date the members receive the 30-day notice and associated ballot. If a credit union cannot meet this delivery requirement, it must postpone mailing the 30-day notice until it can deliver the member materials. If a credit union postpones the mailing of the 30-day notice, it must also postpone the special meeting by the same number of days. When the credit union has completed the delivery, it must inform the requesting member that the delivery was completed and provide the number of recipients. | Third-party disclosure | 1 | 0 | 0 | 0 | 0 |

| | | | | | | | | |
|-------------------------|-------------|--|-----------|---|---|---|---|-------|
| 17 | 708a.306(a) | <u>NCUA authorization to proceed with member vote.</u> A proposal for merger approved by a board of directors also requires approval by a majority of the members who vote on the proposal. At least 20 percent of the members eligible to vote must participate in the vote. The credit union must also have NCUA's written authorization to proceed with the member vote. | Reporting | 1 | 0 | 0 | 0 | 0 |
| 18 | 708a.307(a) | <u>Certification of member vote results.</u> The board of directors of the merging credit union must certify the results of the membership vote to the Regional Director within 14 calendar days after the vote is taken. | Reporting | 1 | 1 | 1 | 1 | 1 |
| 19 | 708a.307(d) | <u>Appeals.</u> A merging credit union may request the Regional Director to reconsider the disapproval of a merger proposal and/or file an appeal with the NCUA Board in accordance with the procedures set forth in subpart B to part 746 of this chapter. | | Burden capture in OMB No. 3133-0198, Appeals. | | | | |
| Subpart C Totals | | | | 1 | | 7 | | 145.5 |

| | | | | | |
|---------------------|---|---|-----------|--|------------|
| Subpart A | 1 | 6 | 6 | | 245.25 |
| Subpart C | 1 | 7 | 7 | | 145.50 |
| TOTAL BURDEN | | | 13 | | 391 |

Based on the labor rate of \$35 per hour, the total cost to respondents is \$13,685.

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

There are no capital start-up or maintenance costs.

14. Annualized costs to Federal government.

The total estimated cost to the federal government is approximately \$10,500. This includes approximately: (1) 75 hours of staff time at the central office level for collection and review of the information and communicating with the converting credit union under Subpart A, multiplied by a labor rate of \$60/hour (subtotal \$4,500); and (2) 100 hours of staff time at the central office level for collection and review of the information and communicating with the merging credit union under Subpart C, multiplied by a labor rate of \$60/hour (subtotal \$6,000). Total: \$4,500 + 6,000 = \$10,500.

The average hourly wage for an Analyst and Attorney is based on the midpoint of NCUA's pay scale and the "All Other" locality rate.

15. Changes in burden.

This is an extension of a currently approved collections. Recent analysis identified burden not previously capture and other requirements that do not impose an information collection requirement were removed. These adjustments resulted in a decrease of 319 burden hours; 391 burden hours requested.

16. Information collection planned for statistical purposes.

Not applicable. 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

This collection complies with the requirements in 5 CFR 1320.9

B. Collection of Information Employing Statistical Methods.

The collection does not employ statistical methods.