

National Credit Union Administration
SUPPORTING STATEMENT

Payments on Shares by Public Units and Nonmembers
12 CFR §701.32

OMB No. 3133-0114

Summary of Action:

Under the Federal Credit Union Act, a federal credit union may have up to 20 percent of total shares, or \$3 million, whichever is greater, from nonmembers under certain circumstances. A federal credit union can also request a waiver from this limit from an NCUA regional director, and that waiver request must include a specific written plan for how the additional shares would be used.

The rule¹ amends § 701.32 to raise the public unit and nonmember shares limit up to 50 percent aggregate limit, or \$3 million, whichever is greater, and eliminates the waiver request process, due to the increase in the aggregated limit. A federal credit union would be required to develop a specific use plan if its nonmember shares, combined with its borrowing, exceeds 70 percent of paid-in and unimpaired capital and surplus.

A. JUSTIFICATION

1. Circumstances that make the collection of information necessary.

Section 107(6) of the Federal Credit Union Act (Act) and §701.32 of the NCUA Rules and Regulations (12 CFR part 701) may receive from public units and political subdivisions and nonmember credit unions, payments on shares. Limitations on nonmember and public unit deposits in federal credit unions (FCUs) is 50 percent, or \$3 million, whichever is greater, of the difference of paid-in and unimpaired capital and surplus and any public unit and nonmember shares, as measured at the time of acceptance of each public unit or nonmember share. This collection of information is necessary to protect the National Credit Union Share Insurance Fund (NCUSIF).

2. Purpose and use of the information collection.

A safeguard designed to ensure that NFCU's board of directors conducts adequate due diligence before receiving payment on a significant amount of public unit and nonmember shares, the FCU must develop and maintain for review by the NCUA examiners a specific plan regarding the intended use of any borrowing, public unit, or nonmember shares that, taken together, exceed 70 percent of the credit union's paid-in and unimpaired capital and surplus.

¹ 84 FR 58305; October 31, 2019

Requiring a plan for material levels of external funding sources is prudent due diligence and the Board expects FCUs that accept elevated levels of public unit and nonmember shares to document how the credit union will use those funds consistent with prudent risk management principles.

3. Use of information technology.

Federal credit unions may use any available information technology to satisfy their information collection requirements. NCUA encourages the use of electronic information as it simplifies the data collection process and improves the accuracy and timeliness of the data.

4. Duplication of information.

There is no duplication.

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 the collection of information.

Deposits in excess of this amount have caused direct losses to the Fund and indirect losses to all federally insured credit unions since they capitalize and maintain the Fund. This collection of information is necessary to protect 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 embedded in the proposed rule on May 30, 2019, at 84 FR 25018, soliciting comments on the information collection requirements prescribed by §701.32, and no comments were received.

9. Payment or gift.

No payment or gifts are provided to respondents.

10. Confidentiality

There are no assurances of confidentiality other than those provided by law.

11. Questions of a sensitive nature.

There are no questions of a sensitive nature. No personally identifiable information (PII) is collected. This is a recordkeeping requirement.

12. Burden of information collection

13.

14. The information collection requirement imposed by §701.32 is a recordkeeping requirement. Those FCU accepting public unit or nonmember shares that, taken together with any borrowing, exceed 70 percent of the paid-in and unimpaired capital and surplus, must adopt a written plan concerning the intended use of these funds that is consistent with prudent risk management principles.

15.

No. of Respondents	No. of Annual Responses per Respondent (Frequency)	Total Number of Annual Responses	Hours per Response	Total Annual Burden Hours
50	1	50	2	100

Based on the labor rate of \$35 per hour, the total cost to respondents is \$3,500.

16. Capital start-up costs and operation and maintenance costs.

There are no capital start-up or operation and maintenance costs associated with this information collection.

17. Annualized cost to the Federal government.

There are no costs to the Federal government.

18. Reason for change in burden.

The rule amends § 701.32 to eliminate the waiver requirements for those seeking an exemption to the current 20 percent limit of the total amount of nonmember shares that an FCU may issue; due to the increased limit of 50 percent, or \$3 million, with no exceptions to this limit. This program change will eliminate 40 burden hours.

Under the rule, a credit union must develop a specific plan regarding the intended use of any borrowings, public unit, or nonmember shares that, taken together, exceed 70 percent of the credit union's paid-in and unimpaired capital and surplus. The increased limit of public unit and nonmember shares could potentially see an increase in the number of respondents required to develop a plan from 20 to 50 FCUs at an estimated burden of 2 hours to comply annually, per respondent. This program change will increase the burden by 60 burden hours; for a total of 100 burden hours requested.

19. Information collection planned for statistical purposes.

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There are no plans for publication of results.

20. 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.

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

There are no exceptions to the certification statement.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

This collection does not involve statistical methods.