

**SUPPORTING STATEMENT  
REAL ESTATE LENDING STANDARDS  
(OMB No. 3064-0112)**

## **INTRODUCTION**

The FDIC is requesting OMB approval of the three-year extension, without change, of its collection of information entitled “Real Estate Lending Standards” (OMB Control No. 3064-0112) which consists of recordkeeping requirements contained in the FDIC Rules and Regulations at 12 CFR Part 365. There is no change in the method or substance of the collection which currently expires on July 31, 2020.

### **A. JUSTIFICATION**

#### **1. Circumstances that make the collection necessary:**

Section 1828(o) of the Federal Deposit Insurance Act requires each federal banking agency to adopt uniform regulations prescribing real estate lending standards. Part 365 of the FDIC Rules and Regulations, which implements section 1828(o), requires institutions to have real estate lending policies that include (a) limits and standards consistent with safe and sound banking practices; (b) prudent underwriting standards, including loan-to-value ratio (LTV) limits that are clear and measurable; (c) loan administration policies; (d) documentation, approval and reporting requirements; and (e) a requirement for annual review and approval by the board of directors. The rule also establishes supervisory LTV limits and other underwriting considerations in the form of guidelines. Since FDIC-supervised banks and savings associations generally have written policies on real estate lending, the additional burden imposed by this regulation is limited to modifications to existing policies necessary to bring those policies into compliance with the regulation and the development of a system to report loans in excess of the guidelines to the board of directors.

#### **2. Use of the information:**

Institutions will use the lending policies to guide their lending operations in a manner that is consistent with safe and sound banking practices and appropriate to their size and nature and scope of their operations. These policies should address certain lending considerations, including loan-to-value limits, loan administration policies, portfolio diversification standards, and documentation, approval, and reporting requirements. The agencies will use this information in their examination of institutions to ensure that the real estate loans made by those institutions are consistent with existing statutory and regulatory criteria, with principles of safety and soundness, and with relevant institution lending standards policy.

#### **3. Consideration of the use of improved information technology:**

FDIC-supervised institutions may use any technology they wish in order to lessen the burden of meeting this recordkeeping requirement.

4. **Efforts to identify duplication:**

There is no duplication. Each FDIC-supervised institution must adopt lending standards and policies tailored to their particular lending operations.

5. **Methods used to minimize burden if the collection has a significant impact on a substantial number of small entities:**

All FDIC-supervised institutions, large and small, are subject to the same statutory requirements. Small insured state nonmember banks and state savings associations generally have a narrower range of real estate loan products and a less complex loan portfolio and loan approval process. The loan policy required is commensurate with the type and complexity of the loans granted by the institutions.

6. **Consequences to the Federal program if the collection were conducted less frequently:**

Less frequent collection would hinder the FDIC's ability to assess the safety and soundness of FDIC-supervised institutions and take corrective action as needed.

7. **Special circumstances necessitating collection inconsistent with 5 CFR Part 1320.5(d)(2):**

None. The information is collected in a manner consistent with 5 CFR 1320.5(d)(2).

8. **Efforts to consult with persons outside the agency:**

The FDIC published a notice in the Federal *Register* seeking comment for a 60-day period on renewal of this information collection on March 17, 2020 (85 FR 15172). No comments were received.

9. **Payment or gifts to respondents:**

None.

10. **Any assurance of confidentiality:**

Information is kept private to the extent allowed by law.

11. **Justification for questions of a sensitive nature:**

Not applicable. No sensitive information is collected.

**12. Estimate of hour burden including annualized hourly costs:**

*Estimated Annual Burden:*

All FDIC-supervised institutions must comply with the recordkeeping requirements of this information collection. As of December 30, 2019, the FDIC-supervised 3,344 institutions.<sup>1</sup> Accordingly, the estimated number of respondents for this information collection is 3,344.

Part 365 of the FDIC Rules and Regulations requires FDIC-supervised institutions to have real estate lending policies that include (a) limits and standards consistent with safe and sound banking practices; (b) prudent underwriting standards, including loan-to-value ratio (LTV) limits that are clear and measurable; (c) loan administration policies; (d) documentation, approval and reporting requirements; and (e) a requirement for annual review and approval by the board of directors. The rule also establishes supervisory LTV limits and other underwriting considerations in the form of guidelines. Since FDIC-supervised banks and savings associations, in the ordinary course of their business, generally have written policies on real estate lending, the additional burden imposed by this regulation is limited to annual modifications, if needed, to existing policies necessary to bring those policies into compliance with the regulation and the development of a system to report loans in excess of the guidelines to the board of directors. FDIC estimates that the annual recordkeeping burden related to the foregoing would be approximately 20 hours per institution, whether for initial set-up or on an ongoing basis.

Information Collection (IC) Description	Type of Burden	Obligation to Respond	Estimated Number of Respondents	Estimated Time per Response (Hours)	Frequency of Response	Total Estimated Annual Burden (Hours)
Real Estate Lending Standards (12 CFR Part 365)	Recordkeeping	Mandatory	3,344	20	Annually	66,880
Total Estimated Annual Burden						66,880

*Annualized Cost of Internal Hourly Burden:*

FDIC estimates that 50% of the work related to responding to the recordkeeping requirements of this information collection will be performed by Executives and Managers; 30% percent will be performed by Clerical occupations; 10% will be performed by IT Specialists; and the remaining 10% will be performed by Financial Analysts. A reasonable estimate of the weighted average hourly labor cost to the respondent institutions is \$88.31<sup>2</sup>

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<sup>1</sup> FDIC Call Report data, December 30, 2019.

<sup>2</sup> The estimate includes the May 2018 75th percentile hourly wage rate for Management Occupations (\$78.25), Office and Administrative Support Occupations (\$20.92), Computer and Mathematical Occupations (\$58.58), and Financial Analysts (\$54.34) reported by the Bureau of Labor Statistics, National Industry-Specific Occupational Employment, and Wage Estimates. These wage rates have been adjusted for changes in the Consumer Price Index for all Urban Consumers between May 2018 and December 2019 (3.11 percent) and grossed up by 51 percent to account for non-monetary compensation as reported by the December 2019 Employer Costs for Employee

### *Total Estimated Cost Burden*

FDIC estimates the total annual cost burden for this information collection by multiplying the total estimated annual burden of 66,880 hours, by the weighted average hourly compensation estimate of \$88.31 to arrive at an estimated labor cost of \$5,906,172.80 per year.

#### **13. Estimate of start-up costs to respondents:**

None.

#### **14. Estimate of annualized costs to the government:**

None.

#### **15. Analysis of change in burden:**

There is no change in the substance or methodology of this information collection. The change in burden is due solely to the decrease in the estimated number of respondents by 534 from the estimated 3,878 annual respondents in the currently-approved information collection to the current estimate of 3,344. The decrease in estimated respondents is the result of the drop in the total number of FDIC-supervised institutions.

#### **16. Information regarding collections whose results are planned to be published for statistical use:**

The information collected is for internal FDIC use only and is not published.

#### **17. Display of expiration date:**

This information collection involves recordkeeping requirements only. The expiration date of the information collection is readily available at [www.reginfo.gov](http://www.reginfo.gov)<sup>3</sup>

#### **18. Exceptions to certification:**

None.

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Compensation Data. The calculation assumes that Management Occupations would conduct 50 percent of the hourly burden associated with this collection, Office and Administrative Support Occupations would conduct 30 percent, Computer and Mathematical Occupations would conduct 10 percent, and Financial Analysts would conduct 10 percent. The hourly cost estimate is calculated as  $(0.50 * \$121.88 + 0.30 * \$32.59 + 0.10 * \$91.24 + 0.10 * \$84.64 = \$88.31)$ .

<sup>3</sup> <https://www.reginfo.gov/public/Forward?SearchTarget=PRA&textfield=3064-0112>.

**B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL METHODS**

Not applicable.