

National Credit Union Administration  
**SUPPORTING STATEMENT**

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

**OMB No. 3133-0141**

**Summary of Action – Emergency Justification**

Pursuant to the Office of Management and Budget (OMB) procedures established at 5 CFR § 1320.13, the National Credit Union Administration (NCUA) requests emergency OMB approval of information collection requirements under §701.22, Organization and Operation of Federal Credit Union – Loan Participations (OMB No. 3133-0141); §701.23, Purchase, Sale, and Pledge of Eligible Obligations (OMB No. 3133-0127), and §701.36, Federal Credit Union Occupancy, Planning, and Disposal of Acquired and Abandoned Premises (OMB No. 3133-0040) of part 701 “Organization and Operation of Federal Credit Unions.”

The NCUA has determined that certain information collection requirements must be temporarily modified and is essential to the NCUA’s ability to help ensure that federally insured credit unions (FICUs) remain operational and liquid for the duration of the economic disruption stemming from the threat posed by the Novel (new) Coronavirus (“2019-nCoV”).

NCUA is temporarily modifying certain regulatory requirements to help ensure that federal insured credit unions (FICUs) remain operational and liquid during the COVID-19 crisis. NCUA is (1) temporarily raising the maximum aggregate amount of loan participation that a FICU may purchase from a single originating lender to the greater of \$5M or 200% of the FICU’s net worth, (2) temporarily suspending limitations on the eligible obligations that a federal credit union (FCU) may purchase and hold, and (3) given physical distancing policies implemented in response to the crisis, NCUA is tolling the required timeframes for the occupancy or disposition of properties not being used for FCU business or that have been abandoned.

These temporary modifications will be in place through December 31, 2020, unless extended.

**A. JUSTIFICATION**

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

Section 107(5)(E) of the FCU Act authorizes an FCU to engage in participation lending with other credit unions, credit union organizations, or financial organizations. The NCUA has implemented this statutory provision in § 701.22 of its regulations, which applies to all FICUs. The statute contains no limitation on the amount of participations that an FCU may purchase from any single originating lender.

The regulation limits the aggregate amount of loan participations that a FICU may purchase from any one originating lender to the greater of \$5,000,000 or 100 percent of the FICU's net worth. The purpose of the provision is to mitigate the exposure of FICUs to concentration risk.

Under the temporary final rule, the aggregate limit below which a waiver from the appropriate NCUA regional director is not required will be raised to the greater of \$5,000,000 or 200 percent of the FICU's net worth. The increase will help safeguard the stability of FICUs during the crisis, without undue additional risk to the safety and soundness of the credit union system. Subsequent to the temporary rule's expiration at the close of December 31, 2020, a FICU must return into compliance with the current limitation (that is, the greater of \$5,000,000 or 100 percent of its net worth) by either ceasing to purchase loan participations from the originating lender or requesting a waiver as provided in the regulation.

**2. Purpose and use of the information collection.**

Section 701.22 outlines loan participation requirements. Loan participations pose inherent risk to the National Credit Union Share Insurance Fund (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, and (3) options to apply for waivers from concentration limits. Section 741.225 extends the requirements of Section 701.22 of NCUA's regulations to FISCUs, noting there are strong indications of potential risk to the NCUSIF from FISCUs' loan participation activity.

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 summary of the changes to the information collection requirements will be published in the preamble of the temporary final rule, 12 CFR 701, "Temporary Regulatory Relief in Response to COVID-19." The NCUA is requesting emergency approval under the PRA for the revisions to the information collection requirements due to actions of the temporary rule; and will publish a separate notice in the *Federal Register* soliciting comments from the public on these revisions. Any comments received from this notice will be summarized and included in subsequent submission under the PRA for continued clearance.

**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.**

There are 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 2,847 overall industry burden annually.

It is anticipated that there will be no increase in the number of credit unions currently participating. It is estimated that these credit unions may see a slight increase in the number of loan participation agreements. The recordkeeping requirement to retain and maintain a copy of the agreement is minimal, and would not impact the recordkeeping burden. Because of the net worth increase, NCUA estimates that waiver requests on the limits will be reduced by 50 percent, for an estimated reduction of 20 burden hours. A total of 3,025 burden hours is requested.

12 CFR	Information Collection Activity	Type of Burden	Respon- dents	# Responses per Respondent	Total Annual Responses	Time per Response (Hours)	Total Annual Burden	Currently Approved	Difference
701.22 (b)(2)	Maintain Loan Participation Policies	Record keeping	1,898	1	1,898	1.5	2,847	2,847	0
701.22 (b)(5)	Executed written loan participation agreement	Record keeping	1,898	1	1,898	0.083	158	158	0
701.22(c)	Waiver on limitations in 701.22(b) – includes approval from SSA and Board	Reporting	5	1	5	4	20	40	-20
	Appeals Process ( <i>burden cleared under OMB No. 3133-0198</i> )								
<b>Totals</b>			1,898		3,806		<b>3,025</b>	3,045	-20

Based on the labor rate of \$35 per hour, the total cost to respondents is \$105,875.

**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 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
<b>Review of Loan Participation Waiver Request</b>			
Examiner/Field Personnel	20	\$43	\$860
Office Personnel	20	\$49	\$980
<b>Review of Waiver Decision</b>			
Office Personnel	2	\$49	\$98
<b>Total Cost to Federal Government</b>			<b>\$1,938</b>

**15. Changes in burden.**

This information collection request is being submitted as an emergency request for OMB approval. The NCUA has determined that certain information collection requirements must be temporarily modified and must be collected prior to the expiration of time periods established under Part 1320, and is essential to the NCUA’s ability to help ensure that federally insured credit unions (FICUs) remain operational and liquid for the duration of the economic disruption stemming from the threat posed by the Novel (new) Coronavirus (“2019-nCoV”).

NCUA is temporarily raising the maximum aggregate amount of loan participation that a FICU may purchase from a single originating lender from \$5,000,000 or 100% of net worth, to \$5,000,000 or 200% of net worth, whichever is greater. This will help safeguard the stability of FICUs during the crisis.

It is anticipated that there will be no increase in the number of credit unions currently participating. It is estimated that these credit unions may see a slight increase in the number of loan participation agreements. The recordkeeping requirement to retain and maintain a copy of the agreement is minimal, and would not impact the recordkeeping burden. Because of the net worth increase, NCUA estimates that the waiver request on the limits will be reduced by 50 percent, for an estimated reduction of 20 burden hours. A total of 3,025 burden hours is requested.

**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 website at [www.reginfo.gov](http://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.