

National Credit Union Administration
SUPPORTING STATEMENT

Purchase, Sale and Pledge of Eligible Obligations, 12 CFR 701.23

OMB No. 3133-0127

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.

The Federal Credit Union Act limits the amount of eligible obligations a federal credit union is permitted to purchase, sell, pledge, discount, receive or dispose of under Section 107(13). NCUA’s rules and regulations further govern this limitation by prescribing additional requirements under §701.23. Section 701.23 generally require that purchased eligible obligations be obligations of the purchasing FCU’s members. However, §701.23(b)(2) provides certain limited exceptions to the general requirements for well-capitalized FCUs. The regulations authorize these FCUs to purchase the eligible

obligations of any FICU or of any liquidating credit union without regard to whether they are obligations of the purchasing FCU's members.

The temporary rule amends its regulations to authorize FCUs with CAMEL composite ratings of 1, 2, or 3 to purchase eligible obligations of FICUs and liquidating credit unions irrespective of whether the obligation belongs to the purchasing FCU's members. FCUs may continue to hold obligations purchased pursuant to this temporary final rule subsequent to the rule's expiration at the close of December 31, 2020.

2. Purpose and use of the information collected.

The information collections will be used to ensure a credit union has instituted a safe and sound program related to the purchase, sale, and pledge of eligible obligations. The restrictions temporarily relieved in § 701.23 do not apply to state-chartered, federally insured credit unions. Any such restrictions applicable to state-chartered credit unions would be based on state laws or regulations.

3. Use of information technology.

Credit unions can use any method available to develop, retain, and submit the information collections.

4. Duplication of information.

These information collections are not duplicated anywhere else.

5. Efforts to reduce burden on small entities.

These information collections will not have a significant burden on small entities. While all federal credit unions are able to engage in the purchase, sale, and pledge of eligible obligations, most small entities will not participate in this activity. Those that elect to engage in this activity will be subject to the same requirements to ensure safety and soundness.

6. Consequences of not conducting collection.

If the information collection is not conducted, credit unions will not have documentation to show that the eligible obligation transactions are compliant with the regulations and are conducted in a safe and sound manner with credit union board approval.

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 respondent.

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. The information collection does not collect any Personally Identifiable Information (PII).

12. Burden of information collection.

NCUA estimates that no more than 25 percent of federal credit unions (FCU) are engaged in the purchase, sale, and/or pledge of eligible obligations and estimates a 15 percent increase due to the temporary suspension of the limitations. This results in approximately 1,097 potential FCU respondents. Additionally, FCU may see an estimated 10% increase in agreements due to non-member loans types. The suspension of limitations would also eliminate the need for requests for expanded authority.

12 CFR	Information Collection Activity	Type of Burden	Respondents	# Responses per Respondent	Total Annual Responses	Time per Response (Hours)	Total Annual Burden	Currently Approved	Difference
701.23 (b)(1)	Develop written policies to purchase, sell, or pledge eligible obligations.	Record keeping	50	1	50	6	300	300	0
701.23 (b)(3)(ii)	Retain a written agreement and schedule of eligible obligations purchased in the purchasers office, when purchasing eligible obligations.	Record keeping	1,097	11	12,067	0.25	3,017	2,385	632
701.23 (b)(3)(iii)	Request written approval prior to purchasing eligible obligations of a liquidating credit union.	Reporting	35	1	35	8	280	280	0
701.23 (c)(2)	Retain a written agreement and schedule of eligible obligations sold in the seller's officer, when selling eligible obligations.	Record keeping	1,097	11	12,067	0.25	3,017	2,385	632
701.23 (d)(1)(ii)	Retain copies of the original loan documents when pledging eligible obligations.	Record keeping	1,097	11	12,067	0.25	3,017	2,385	632
701.23 (d)(1)(iii)	Retain a written agreement and schedule of eligible obligations pledged in the credit union's office, when pledging eligible obligations.	Record keeping	1,097	11	12,067	0.25	3,017	2,385	632
701.23 (g)(2)(iii)	Establish a written policy for an incentive and bonus program if the credit union provides such bonuses and incentives related to the purchase, sale, and/or pledge of eligible obligations.	Record keeping	50	1	50	2	100	100	0
701.23 (h)(1)	Submit a written request to NCUA seeking expanded authority related to the purchase of eligible obligations from another federally insured credit union.	Reporting	0	1	0	8	0	280	-280
701.23 (h)(1)	Submit an appeal to the NCUA Board regarding a regional director's determination of the expanded authority request.	Reporting	0	1	0	20	0	40	-40
Totals			1,097		48,403		12,748	10,540	2,208

*NCUA provides record retention guidelines for credit unions in Appendix A to Part 749 and recommends that the credit union's board of directors approve a records retention schedule authorizing the disposal of certain records on a continual basis upon expiration of specified retention period. It is also advised that records, for a particular period, should not be destroyed until both a comprehensive annual audit by the supervisor committee and a supervisory examination by the NCUA have been made for that period.

Based on a labor wage rate of \$35 per hour, the cost to respondents is f \$446,180.

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

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

14. Annualized costs to Federal government.

Most of the information collections will be reviewed as part of the normal exam process and will not result in additional cost to the federal governments. The only additional cost is are the requests for NCUA approval prior to purchasing eligible obligations of a liquidating credit union. NCUA estimates that it will take NCUA staff 8 hours, on average, to review and respond to a credit union's request to purchase eligible obligations of a liquidating credit unions. At a rate of \$85 per hour, the estimated cost for NCUA to review these requests is \$23,800

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 estimates a minimal increase in the number of respondents from the suspension of the limitations and in the number of agreements. The recordkeeping requirement to retain and maintain these records would increase based on this estimate. Due to the expanded authority, waivers would not be necessary and appeals to the waivers are null during this period. An estimated increase of 2,208 burden hours is due to this change, for a total of 12,748 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 website 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.