

National Credit Union Administration
SUPPORTING STATEMENT

**Secondary Capital for Low-Income Designated Credit Unions, 12 CFR 701
OMB 3133-0140**

A. JUSTIFICATION

1. Circumstances that make the collection of information necessary.

Section 701.34 (b) of NCUA's regulations provide that designated low income credit unions (LICU) may accept secondary capital under certain conditions. This collection of information is necessary to obtain the information needed to ensure compliance with requirements related to acceptance and management of secondary capital.

2. Purpose and Use of the Information Collection.

For those LICUs wishing to exercise their option to access secondary capital, NCUA requires that credit unions accepting secondary capital must develop and submit a plan for its acquisition, use and repayment. The information is used by NCUA to determine if the secondary capital will be managed by the credit union without risk to its financial condition, the U.S. government or the National Credit Union Share Insurance Fund.

3. Use of information technology.

NCUA does not dictate the form or format for submitting the required information. A credit union may use any information technology available to prepare the plan or redemption request, and may submit them to NCUA electronically.

4. Duplication of information.

The information collection under this requirement is unique, and proprietary, to the reporting credit union and is not duplicative of information already available.

5. Efforts to reduce burden on small entities.

The information collected represents the minimum required to allow NCUA to ensure that secondary capital is managed by the credit union without risk to its financial condition or the National Credit Union Share Insurance Fund.

Specific language and format for "Disclosure and Acknowledgement" is included as an appendix to the regulatory language. Availability of model language should reduce the burden associated with this provision of the regulations.

6. Consequences of not conducting the collection.

Once a designated LICU decides to accept secondary capital, this information is necessary for the NCUA to meet its oversight obligations. Without this standard information, oversight would be much more costly to both the credit unions and NCUA examiners.

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

A credit union may be required to report information to NCUA more often than quarterly if it decided to initiate multiple triggering events during the quarter (e.g. if a LICU entered into contracts with multiple institutional investors in a given quarter).

8. Efforts to consult with persons outside the agency.

A 60-day notice was published in the *Federal Register* on February 20, 20 at 82 FR 9809, soliciting comments from the public. No public comments were received in response to this notice.

9. Payment or gifts to respondents.

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

10. Assurance of confidentiality.

Credit union examination reports and any documents related thereto are exempt from the Freedom of Information Act disclosure, pursuant to exemption 8, 5 U.S.C. 552(b)(8). 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. Personally Identifiable Information (PII) is not collected.

12. Burden of information collection.

NCUA estimates that 30 credit unions will voluntarily choose to offer secondary capital accounts annually. Section 701.34 only requires one plan from each credit union. Based on its experience with credit unions that have submitted secondary capital plans, NCUA estimates it will take 30 hours for each such credit union to prepare and submit the required information.

Based on its experience, NCUA receives an average of ten requests per year to redeem secondary capital. NCUA anticipates each respondent will make one response per year and that it will take eight hours for each credit union to satisfy the information collection requirements, for a total of 80 total annual burden hours.

NCUA does not collect Disclosure and Acknowledgement information, but the regions were aware of two such disclosures in 2015. We have used a conservative estimate of 5 occurrences per year for the purposes of estimating burden. Similarly, no specific information on the time it takes to make such a disclosure was made available to the regions. Therefore, we are assuming that it takes a credit union the same amount of time to comply with this requirement as it does to provide the documentation supporting a request to redeem secondary capital (8 hours). This represents an increase in burden per response relative to the analysis that supported the estimate commented on by the public.

	12 CFR	Information Collection Activity	Type of Burden	# Respondents	# Responses per Respondent (frequency)	# Annual Response	Hours per Response	Total Annual Burden
1	701.34(b)(1)	Secondary capital plan - Before accepting secondary capital, a low-income credit union ("LICU") shall adopt, and forward to NCUA for approval, a written "Secondary Capital Plan"	Reporting	30	1	30	30	900
2	701.34(d)(1)	Request to redeem secondary capital. A request for approval to redeem discounted secondary capital may be submitted in writing at any time, must specify the increment(s) to be redeemed and the schedule of redeeming all any part of each eligible increment.	Reporting	10	1	10	8	80
3	701.34 (b)(11)	Disclosure and acknowledgment. The LICU and the investor must execute a "disclosure and acknowledgement" at the time of entering into the account agreement. The LICU must retain an original of the account agreement and the "Disclosure and Acknowledgment" for the term of the agreement, and a copy must be provided to the account investor.	Recordkeeping	5	1	5	8	40
TOTALS				30	1.5	45	22.6666667	1,020.0

The total cost to respondent is based on a \$35 hourly wage rate for a total of \$35,700.

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

All equipment needed to collect, prepare, and submit financial statements, when required, is equipment used for the customary and usual business of the credit union. There is no special or additional equipment; therefore, there is no additional cost.

14. Annualized costs to Federal government.

Both secondary capital plans and secondary capital redemptions are submitted to NCUA for review before they can be executed. On average it takes NCUA staff 14 hours to review and negotiate changes to a secondary capital plan and six hours to review a secondary capital redemption. Disclosure and acknowledgements are not submitted to or reviewed by NCUA, so there is no additional cost to the government associated with them.

At a loaded wage rate of \$80 per hour for NCUA employees, the cost to the federal government of this collection is \$38,400.

15. Changes in Burden.

An adjustment has been made due to a decrease in the number of credit unions requesting redemption of secondary capital. A total of 80 burden hours has been removed as result of the adjustment. A total of 1,020 burden hours is 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. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

This collection does not involve statistical methods.