



## “FEDERAL HOME LOAN BANK DIRECTORS”

OMB NUMBER 2590-0006

SUPPORTING STATEMENT

### A. JUSTIFICATION

#### 1. Circumstances necessitating the collection of information

Section 7 of the Federal Home Loan Bank Act (Bank Act) vests the management of each Federal Home Loan Bank (Bank) in its board of directors.<sup>1</sup> As required by section 7, each Bank’s board comprises two types of directors: (1) member directors, who are drawn from the officers and directors of member institutions located in the Bank’s district and who are elected to represent members in a particular state in that district; and (2) independent directors, who are unaffiliated with any of the Bank’s member institutions, but who reside in the Bank’s district and are elected on an at-large basis.<sup>2</sup> Both types of directors serve four-year terms, which are staggered so that approximately one-quarter of a Bank’s total directorships are up for election every year.<sup>3</sup> Section 7 and the implementing regulation of the Federal Housing Finance Agency (FHFA or the Agency), codified at 12 CFR part 1261, establish the eligibility requirements for both types of Bank directors and the professional qualifications for independent directors, and set forth the procedures for their election.

Part 1261 requires that each Bank administer its own annual director election process. As part of this process, a Bank must require each nominee for both types of directorship, including any incumbent that may be a candidate for re-election, to complete and return to the Bank a form that solicits information about the candidate’s statutory eligibility to serve and, in the case of independent director candidates, about his or her professional qualifications for the directorship being sought.<sup>4</sup> Specifically, member director candidates are required to complete the *Federal Home Loan Bank Member Director Eligibility Certification Form (Member Director Eligibility Certification Form)*, while independent director candidates must complete the *Federal Home Loan Bank Independent Director Application Form (Independent Director Application Form)*.

Each Bank must also require all of its incumbent directors to certify annually that they continue to meet all eligibility requirements.<sup>5</sup> Member directors do this by completing the *Member Director Eligibility Certification Form* again every year, while independent directors complete

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<sup>1</sup> See 12 U.S.C. § 1427(a)(1).

<sup>2</sup> See 12 U.S.C. §§ 1427(a)(4), (b), and (d).

<sup>3</sup> See 12 U.S.C. § 1427(d).

<sup>4</sup> See 12 CFR 1261.7(c) and (f); 12 CFR 1261.14(b).

<sup>5</sup> See 12 CFR 1261.12.

the abbreviated *Federal Home Loan Bank Independent Director Annual Certification Form (Independent Director Annual Certification Form)* to certify their ongoing eligibility.

In advance of the 2021 Bank director election cycle, FHFA has revised each of the three Bank Director Application and Certification forms, all of which have existed in substantially their current form since the current statutory requirements for Bank directors were adopted in 2008.

The *Independent Director Application Form* is completed by all independent directorship nominees, including incumbents seeking re-nomination. The information requested on the form is intended to confirm that the nominee is legally eligible to serve as an independent director, has the required professional qualifications for the type of independent directorship being sought, and is of high personal integrity and to identify any potential conflicts of interest of which the Bank should be aware. The revisions tie the questions more closely to statutory and regulatory requirements, provide more structured answer choices so as to ensure responses are relevant, solicit more comprehensive information on issues about which the Bank must weigh facts to make a legal judgment about the nominee's eligibility, and generally streamline the questions. The revisions should allow nominees to complete the form more quickly by providing preset answer choices for many questions, permitting attachments in answer to certain questions, and eliminating some superfluous questions. FHFA estimates that, in addition to encouraging more accurate and complete answers, the revisions will reduce the amount of time it takes a nominee to complete the form from three to two hours.

The *Independent Director Annual Certification Form* is completed by incumbent independent directors annually to certify that they remain legally eligible to serve. The prior form provided independent directors with the option merely to check a box stating that "no changes have occurred" with respect to the director's compliance with the statutory eligibility requirements. In the Agency's view, providing this option resulted in some independent directors overlooking changes in residence or employment that might have rendered them ineligible to continue to serve. The revised form requires independent directors to provide current information on residence and employment to allow the Bank to determine whether there may be new information leading to eligibility concerns.

The *Member Director Eligibility Certification Form* is completed both by nominees running for a member directorship and annually by incumbent member directors to certify their continuing eligibility. The form is designed to confirm that member directors and member directorship nominees are legally eligible to serve in the directorship positions they occupy or are seeking. Although some questions on the form have been revised to provide preset answers, the substance of questions on the revised form remain essentially the same as those on the prior form. The *Member Director Eligibility Certification Form* was most recently revised in August 2020 to remove a notarization requirement (neither of the other two Bank director forms had such a requirement).

## **2. Use of Data**

The Banks use the information collection contained in the *Independent Director Application Form* and part 1261 to determine whether individuals who wish to stand for election or re-

election as independent directors satisfy the statutory eligibility requirements and possess the professional qualifications required under the statute and regulations. Only individuals meeting those eligibility requirements and qualifications may serve as an independent director.<sup>6</sup> On an annual basis, the Banks use the information collection contained in the *Independent Director Annual Certification Form* and part 1261 to determine whether their incumbent independent directors continue to meet the statutory eligibility requirements.

The Banks use the information collection contained in the *Member Director Eligibility Certification Form* and part 1261 to determine whether individuals who wish to stand for election or re-election as member directors satisfy the statutory eligibility requirements. Only individuals meeting these requirements may serve as a member director.<sup>7</sup> On an annual basis, the Banks also use the information collection contained in the *Member Director Eligibility Certification Form* and part 1261 to determine whether their incumbent member directors continue to meet the statutory eligibility requirements.

Part 1261 requires each Bank to submit to FHFA completed *Independent Director Application Forms* for all individuals that its board of directors intends to nominate as candidates for election to independent directorships before those individuals may be officially nominated.<sup>8</sup> The Agency has two weeks within which to furnish the Banks with any desired commentary relating to the fitness of the proposed nominees to serve as independent directors of the Bank. The regulations also require that the Banks provide FHFA with copies of all completed *Independent Director Annual Certification Forms* and all *Member Director Eligibility Certification Forms* that have been completed for purposes of annual certification.<sup>9</sup> Generally, the Agency uses the information on all completed forms to monitor the Bank director election processes and to obtain information on the composition of the Banks' boards of directors and of the pool of individuals from which the directors are drawn.

### **3. Use of Information Technology**

Individuals have the option of completing each of the forms in electronic form (PDF). To ensure submitted PDF documents are accessible to individuals with disabilities, as required by Section 508 of the Rehabilitation Act of 1973, as amended, FHFA adhered to standards required under that statute.<sup>10</sup>

### **4. Efforts to Identify Duplication**

The Banks are required by statute to verify the eligibility of each candidate for a directorship and for incumbent directors annually. The Banks must also verify that nominees for independent directorships have the professional qualifications that independent directors are required by statute to possess. The three forms are designed to collect the information necessary to make those verifications, and this information is not available from any other source.

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<sup>6</sup> See 12 U.S.C. § 1427(a)(3).

<sup>7</sup> See 12 U.S.C. § 1427(a)(3) and (b)(1).

<sup>8</sup> See 12 CFR 1261.7(f).

<sup>9</sup> See 12 CFR 1261.12(a).

<sup>10</sup> See 29 U.S.C. § 794d.

## **5. Impact on Small Entities**

The information collection does not have a significant economic impact on a substantial number of small entities. Respondents are individuals.

## **6. Consequences of Less Frequent Collection and Obstacles to Burden Reduction**

If the information requested in the forms were not collected at the times specified in part 1261, the Banks would be unable to determine, and FHFA would be unable to monitor, whether prospective and incumbent Bank directors satisfy the statutory eligibility requirements and whether independent director candidates possess the professional qualifications required by statute.

## **7. Circumstances Requiring Special Information Collection**

There are no special circumstances that would require FHFA to conduct the information collection in a manner inconsistent with the guidelines provided in Question 7.

## **8. Solicitation of Comments on Information Collection**

In accordance with the requirements of 5 CFR 1320.8(d), FHFA published an initial notice and request for public comments regarding this information collection in the *Federal Register* on March 3, 2021.<sup>11</sup> The 60-day comment period closed on May 3, 2021. FHFA received two comment letters—one from the eleven Banks jointly and one from a trade association.

In their joint letter, the Banks made a number of suggestions regarding the rephrasing of questions and instructions on each of the forms for greater clarity and to better elicit pertinent information. FHFA has further revised the forms to incorporate most of those suggestions, some verbatim and others in essence. The Banks also requested that FHFA add more detail to the *Independent Director Application Form* questions and instructions regarding the Agency's interpretations of the statutory and regulatory independence requirements applying to independent directors and the qualifications requirements for public interest independent directors. FHFA has declined to make those revisions (although it has slightly modified the material on public interest director qualifications for greater clarity). Agency interpretations of statutory and regulatory requirements pertaining to Bank director eligibility are discussed in the forms only to the extent necessary to clarify the purpose of particular questions so as to better ensure the provision of accurate and relevant responses. The Bank director forms are not intended to serve as guidance documents.

The trade association's comment letter focused on FHFA's interpretations of the statutory qualifications requirements for public interest independent directors. Neither comment letter questioned the need for the information collection or addressed the Agency's burden estimates.

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<sup>11</sup> See 86 FR 12448 (Mar. 3, 2021).

## 9. Provision of Payments to Respondents

No payment or gift will be provided to any respondent.

## 10. Assurance of Confidentiality

FHFA and the Banks maintain the confidentiality of information obtained from respondents as required by applicable statute, regulation, and Agency policy.

## 11. Justification of Sensitive Questions

There are no questions of a sensitive nature in the information collection.

## 12. Estimated Burden of Information Collection

The estimated annualized hour burden imposed upon respondents by the information collection is 119 hours. The estimated annualized cost associated with this burden is \$20,349, which includes salaries, benefits, and overhead costs associated with review and completion of the forms. These estimates are based on the following calculations:

### *(1) Member Director Eligibility Certification Form*

The estimated annualized hour burden for all prospective and incumbent member directors associated with completion of the *Member Director Eligibility Certification Form* is 39 hours. The estimated annualized cost is \$6,669. These estimates are based on the following calculations:

Nominees for member directorships complete form in year of election to verify they are eligible to serve:

- Time per form: 0.25 hours
- Total forms: 72
- Total hours: 18
- Hourly rate: \$171
- Total cost: \$3,078

Incumbent member directors complete form annually to verify they remain eligible to serve:

- Time per form: 0.25 hours
- Total forms: 84
- Total hours: 21
- Hourly rate: \$171
- Total cost: \$3,591

### *(2) Independent Director Application Form*

The estimated annualized hour burden for all prospective and incumbent member directors

associated with completion of the *Independent Director Application Form* is 50 hours. The estimated annualized cost is \$8,550. These estimates are based on the following calculations:

Nominees for independent directorships complete form in year of election to verify they are eligible to serve and possess the required professional qualifications:

- Time per form: 2.0 hours
- Total forms: 25
- Total hours: 50
- Hourly rate: \$171 (includes salary, benefits, and overhead)
- Total cost: \$8,550

(3) *Independent Director Annual Certification Form*

The estimated annualized hour burden for all incumbent independent directors associated with completion of the *Independent Director Annual Certification Form* is 30 hours. The estimated annualized cost is \$5,130. These estimates are based on the following calculations:

Incumbent independent directors complete form annually to verify they remain eligible to serve:

- Time per form: 0.5 hours
- Total forms: 60
- Total hours: 30
- Hourly rate: \$171 (includes salary, benefits, and overhead)
- Total cost: \$5,130

### **13. Estimated Total Annual Cost Burden to Respondents**

There are no additional costs associated with completion of the forms.

### **14. Estimated Cost to the Federal Government**

The estimated annualized hour burden imposed upon the federal government by the information collection is 64 hours. The estimated annualized cost to the federal government associated with this burden is \$6,311, which includes salaries, benefits, and overhead costs associated with review and completion of the forms. These estimates are based on the following calculations:

(1) *Member Director Eligibility Certification Form*

FHFA staff reviews each form completed for purposes of annual certification to ensure each incumbent member director remains eligible to serve:

- Time per form: 0.1 hours
- Total forms: 84
- Total hours: 8.4
- Hourly rate: \$98

- Total cost: \$823

(2) Independent Director Application Form

FHFA staff reviews each form to ensure each independent director candidate is eligible to serve and possess the required professional qualifications:

- Time per form: 2.0 hours
- Total forms: 25
- Total hours: 50
- Hourly rate: \$98
- Total cost: \$4,900

(3) Independent Director Annual Certification Form

FHFA staff reviews each form to ensure each incumbent independent director remains eligible to serve:

- Time per form: 0.1 hours
- Total forms: 60
- Total hours: 6
- Hourly rate: \$98
- Total cost: \$588

**15. Reasons for Change in Burden**

The total hourly burden estimate has decreased by 26 hours, from 145 hours to 119 hours. Most of this reduction is due to the estimated decrease, from 3.0 hours to 2.0 hours, in the amount of time it will take for nominees to complete the revised *Independent Director Application Form*, as compared to the old form. The remaining difference is attributable to the net effect of slightly different estimates (based on recent experience) as to the average number of nominees or incumbents who will complete each form annually.

The total estimated costs associated with the hourly burdens has decreased by \$3,576 from \$23,925 to \$20,349. This is due to the estimated decrease in the total hourly burdens. The estimated hourly cost rose from \$165 per hour to \$171 per hour. According to the Bureau of Labor Statistics' Occupational Employment Statistics data for May 2020 (the most recent data available), the national mean hourly wage for Chief Executives in the Finance and Insurance Sector (which would comprise a vast majority of Bank directors and directorship nominees) was \$112.64.<sup>12</sup> FHFA rounded this figure up to \$114 and added 50 percent (\$57) for benefits and overhead costs to reach a total estimated cost of \$171 per hour.

**16. Plans for Tabulation, Statistical Analysis and Publication**

FHFA will not publish the results of this information collection.

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<sup>12</sup> See [https://www.bls.gov/oes/current/naics2\\_52.htm#11-0000](https://www.bls.gov/oes/current/naics2_52.htm#11-0000).

**17. If Seeking Approval to Not Display the Expiration Date for OMB Approval of the Information Collection, Explain the Reasons Why Display Would Be Inappropriate**

FHFA plans to display the expiration date for OMB approval.

**18. Explain Each Exception to the Topics of the Certification Statement Identified in “Certification for Paperwork Reduction Act Submission.”**

There are no exceptions to the certification statement identified in Item 18.

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

The information collection does not employ statistical methods.