

National Credit Union Administration
SUPPORTING STATEMENT

Borrowed Funds from Natural Persons, 12 CFR 701.38
OMB No. 3133-0039

A. JUSTIFICATION

1. Circumstances that make the collection of information necessary.

NCUA Regulation §701.38 grants federal credit unions the authority to borrow funds from a natural person as long as the following conditions are met:

- The borrowing is evidenced by a written contract, such as a signed promissory note, that sets forth the terms and conditions including, at a minimum, maturity, repayment, interest rate, method of computation of interest, and method of payment; and
- The written contract and any solicitation with respect to such borrowing containing clear and conspicuous language indicating that:
 - a. The funds represent money borrowed by the credit union; and
 - b. The funds do not represent shares and, therefore, are not insured by the National Credit Union Insurance Fund (NCUSIF).

The main purpose of the written contract is to serve as written evidence of the agreement made and entered into by both parties. This rule requires written evidence to protect the federal credit union and the natural person from possible misunderstandings and potential lawsuits.

2. Purpose and use of the information collection.

NCUA will use this information to ensure a credit union's natural person borrowings are in compliance and address all regulatory and safety and soundness requirements.

3. Use of information technology.

Credit unions have the ability to submit and retain the information a number of ways including electronically.

4. Duplication of information.

There is no evidence of duplication.

5. Efforts to reduce burden on small entities.

The regulation requires the same information collection from small entities as from other entities.

6. Consequences of not conducting the collection.

The collection serves to protect the federal credit union and natural persons. Improper disclosures or lack of a contractual agreement could lead to misunderstanding and potential legal action concerning the terms of repayment.

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 60-day notice was published in the *Federal Register* on June 30, 2022, at 87 FR 39131. No public comments were received in response to this solicitation.

9. Payment or gifts to respondents.

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. No personal identification information (PII) is collection. This is a recordkeeping requirement.

12. Burden of information collection.

Burden Estimates

12 CFR	Information Collection Activity	# Respondents	# Responses per Respondent (Annual Frequency)	Total Annual Responses	Hours per Response	Annual Burden Hours
701.38(a)(1)	Evidence by written contract for borrowing funds from a natural person (recordkeeping)	187	1	187	0.167 (10 mins.)	31

Based on the labor rate of \$35 per hour, the total cost to respondents is \$1,085.

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

There are no capital start-up or maintenance costs.

14. Annualized costs to Federal government.

This is a recordkeeping requirement; therefore, there is no cost to the Federal government.

15. Changes in burden.

This is an extension of a currently approved collection without change.

16. Information collection planned for statistical purposes.

The information is not planned for publication.

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 the Certification for Paperwork Reduction Act Submission.

There are no exceptions to the certification statement.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

This collection does not involve statistical methods.