SUPPORTING STATEMENT
OMBUDSMAN POST-EXAMINATION SURVEYS
(3064-NEW)

INTRODUCTION

The FDIC is requesting OMB approval for a new information collection related to quality of service surveys intended to assess the effectiveness of the agency's financial institution examination process and to elicit comments and recommendations to improve the examination program.

A. JUSTIFICATION

1. Circumstances that make the collection necessary:

The Federal Deposit Insurance Act authorizes the Federal Deposit Insurance Corporation "[t]o make examinations of and to require information and reports from depository institutions."[1] The Federal Deposit Insurance Corporation conducts bank examinations to ensure public confidence in the banking system and to protect the Deposit Insurance Fund. Maintaining public confidence in the banking system is essential because customer deposits are a primary funding source that depository institutions use to meet fundamental objectives such as providing financial services. Safeguarding the integrity of the Deposit Insurance Fund is necessary to protect customers' deposits and resolve failed banks.

Onsite examinations help ensure the stability of insured depository institutions by identifying undue risks and weak risk management practices. Examination activities center on evaluating an institution's capital, assets, management, earnings, liquidity, and sensitivity to market risk. Evaluating a bank's adherence to laws and regulations is also an important part of bank examinations and is given high priority by Congress and bank supervisors. Bank examinations also play a key role in the supervisory process by helping the FDIC identify the cause and severity of problems at individual banks and emerging risks in the financial-services industry. The accurate identification of existing and emerging risks helps the FDIC develop effective corrective measures for individual institutions and broader supervisory strategies for the industry.

The purpose of the post- examination surveys is to gauge bankers' views on the effectiveness and quality of FDIC Safety and Soundness and Consumer Compliance examinations, as well as to identify ways to improve the examination process. Respondents will be asked to voluntarily rate the efficiency of the pre-examination process; examiners' professionalism and understanding of the laws and regulations; the examination process; and examination report quality. Respondents will also be allowed to provide feedback on any areas for improvement and will be given an option to have someone from the FDIC's Office of the Ombudsman contact the institution confidentially about its recent examination or any other matters.

1 12 U.S.C. 1819(a), Eighth.

2. Use of the information:

The information will be used to enable the FDIC to identify and address issues relating to and to improve the agency's financial institution examination program.

3. Consideration of the use of improved information technology:

Institutions are free to use whatever methods are the least burdensome to them to respond to the survey. They can respond on the survey form or elect to initiate in-person contact with a representative from the FDIC's Office of the Ombudsman.

4. Efforts to identify duplication:

There is no duplication. Similar information is not available from any other source.

5. Methods used to minimize burden if the collection has a significant impact on a substantial number of small entities:

The information collection will not have a significant impact on a substantial number of small entities. Responses are voluntary and will only be requested from the relatively small number of financial institution that are examined within a given exam cycle. The time per response is estimated to be low burden.

6. Consequences to the Federal program if the collection were conducted less frequently:

The collection of information is voluntary and occurs only on the occasion of a safety and soundness or consumer compliance examination. In the absence of this information collection, the agency would not be able to include the financial institution's perspective on the effectiveness and quality of its examination program.

7. Special circumstances necessitating collection inconsistent with 5 CFR Part 1320.5(d)(2):

There are no special circumstances. This information collection is conducted in accordance with the guidelines in 5 CFR 1320.5(d)(2).

8. Efforts to consult with persons outside the agency:

On January 20, 2022, FDIC published a Federal Register notice seeking public comment for a 60-day period (87 FR 3108). No comments were received.

9. Payments or gifts to respondents:

None.

10. Any assurance of confidentiality:

Confidential information will be kept private to the extent allowed by law.

11. Justification for questions of a sensitive nature:

The information collection does not request information of a sensitive nature.

12. Estimate of hour burden including annualized hourly costs:

All aspects of this information collection are voluntary. There are two separate items: one for surveys following Safety and Soundness examinations; and one for surveys following Consumer Compliance examinations.

Estimated Number of Respondents, Responses and Burden Hours

Potential respondents to this information collection are FDIC-supervised insured depository institutions (IDIs). As of June 30, 2021 there are 3,200 such IDIs.[2] Of these, 2,292 are considered small entities for the purposes of the Regulatory Flexibility Act (RFA).[3]

The first line item applies to IDIs that voluntarily respond to the Safety and Soundness Post-Examination Survey. FDIC conducted 1,345 Safety and Soundness examinations in 2020 and project 1,493 examinations in 2021 and 1,268 examinations in 2022, for a three-year average of 1,368. Based on supervisory experience and expectations on examinations going forward FDIC is adjusting the anticipated rate to 1,340 examinations per year for the next three years. The FDIC Office of the Ombudsman has been conducting tests of the post-examination surveys under FDIC's generic information collection for customer satisfaction surveys (OMB Control Number 3064-0127). FDIC has experienced a survey response rate of 45 percent for the last three years. Therefore FDIC estimates it should receive approximately 603 (1,340 * 0.45) surveys per year for the safety and soundness post examination surveys. Based on supervisory experience and expectations on examinations going forward FDIC is adjusting the anticipated rate to 605 responses per year for the next three years. To estimate the number of institutions that are respondents to this line item who are considered small for the purposes of the RFA, FDIC multiplies 605 by the ratio of small FDIC-supervised institutions to all FDIC-supervised institutions[4] and estimates 433 annual respondents that are considered small for the purposes of the RFA.[5]

2 Call Report data for the quarter ending June 30, 2021.

3 The SBA defines a small banking organization as having $600 million or less in assets, where an organization's "assets are determined by averaging the assets reported on its four quarterly financial statements for the preceding year." See 13 CFR 121.201 (as amended by 84 FR 34261, effective August 19, 2019). In its determination, the "SBA counts the receipts, employees, or other measure of size of the concern whose size is at issue and all of its domestic and foreign affiliates." See 13 CFR 121.103. Following these regulations, the FDIC uses a covered entity's affiliated and acquired assets, averaged over the preceding four quarters, to determine whether the covered entity is "small" for the purposes of RFA.

4 I understand that there may be variation in any given year in the actual ratio of respondents that are small to all respondents. However, RMS examination frequency varies due to factors both measured in the Call Report data (i.e. total assets) and not measured in the Call Report data (last state examination, examiner discretion). Therefore, I use a simple ratio.

5 605 * (2,292 / 3,200) = 433.33.

The second line item applies to IDIs that voluntarily respond to the Consumer Compliance Post-Examination Survey. FDIC conducted 1,029 consumer compliance examinations in 2020 and project 1,115 examinations in 2021 and 1,100 examinations in 2022, for a three-year average of 1,084. Based on supervisory experience and expectations on examinations going forward FDIC is adjusting the anticipated rate to 1,100 examinations per year for the next three years. The FDIC Office of the Ombudsman has been conducting tests of the post-examination surveys under FDIC's generic information collection for customer satisfaction surveys (OMB Control Number 3064-0127). Given the historical survey response rate of 50 percent for consumer compliance examinations over the last three years, FDIC estimates it will receive 550 (1,100 * 0.50) annual responses to the consumer compliance post-examination surveys in the upcoming approval period. To estimate the number of institutions that are respondents to this line item and are considered small for the purposes of the RFA, FDIC multiplies 550 by the ratio of small FDIC-supervised institutions to all FDIC-supervised institutions[6] and estimates 394 annual respondents that are considered small for the purposes of the RFA.[7]

Institutions are only expected to respond to the survey once and are not subject to examination more than once annually.

Summary of Estimated Annual Burden – Post-Examination Surveys					
Information Collection (IC) Description	**Type of Burden**	**Estimated Number of Respondents**	**Estimated Frequency of Response**	**Estimated Time per Response (Minutes)**	**Total Estimated Annual Burden (Hours)**
Safety and Soundness Post-Examination Survey	Reporting	605	On Occasion	45	454
Consumer Compliance Post-Examination Survey	Reporting	550	On Occasion	45	413
Total Estimated Annual Burden					867 hours

Total Estimated Hourly Labor Compensation Rates

To estimate the average cost of compensation per hour, FDIC uses the 75th percentile hourly wages reported by the Bureau of Labor Statistics (BLS) National Industry-Specific Occupational Employment and Wage Estimates for the relevant occupations in the Depository Credit Intermediation sector, as of May 2020. The reported hourly wage rates do not include non-monetary compensation. According to the June 2021 Employer Cost of Employee Compensation data from BLS, compensation rates for health and other benefits make up 33.3 percent of total compensation. To account for non-monetary compensation, FDIC divides the hourly wage rates reported by BLS by (1 – 0.333). Next, FDIC adjusts the hourly wage by 5.97 percent based on changes in the Consumer Price Index for Urban Consumers (CPI-U) from May 2020 to June 2021 to account for

6 I understand that there may be variation in any given year in the actual ratio of respondents that are small to all respondents. However, DCP examination frequency varies due to factors both measured in the Call Report data (i.e. total assets) and not measured in the Call Report data (i.e. last state examination, examiner discretion). Therefore, I use a simple ratio.

7 550 * (2,292 / 3,200) = 393.94.

inflation, and so that the wage rate is contemporaneous with the non-monetary compensation share data.

After calculating these adjustments, FDIC weights the total hourly compensation for the occupations shown in Table 3 using FDIC's estimated allocation of labor to find the estimated hourly cost of complying with this IC.

		1. Safety and Soundness Post-Examination Survey		2. Consumer Compliance Post-Examination Survey	
Estimated Category of Personnel Responsible for Complying with the PRA Burden	Total Estimated Hourly Compensation	Estimated Weights	Estimated Total Weighted Labor Cost Component	Estimated Weights	Estimated Total Weighted Labor Cost Component
Executives and Managers	$131.09	100%	$131.09	50%	$65.55
Lawyers	$156.79	0%	$0.00	0%	$0.00
Compliance Officers	$69.38	0%	$0.00	50%	$34.69
IT Specialists	$96.71	0%	$0.00	0%	$0.00
Financial Analysts	$84.43	0%	$0.00	0%	$0.00
Clerical	$35.62	0%	$0.00	0%	$0.00
Total Estimated Weighted Average Hourly Compensation Rate			$131.09		$100.24

Total Estimated Compliance Cost

FDIC estimates the total annual cost burden for this new information collection by multiplying the total annual estimated burden hours (867) by the weighted average hourly compensation estimate ($104.24). The total annual cost burden for this IC is estimated as: 867 hours / year * $100.24 / hour = **$100,914** per year.

13. Estimate of start-up costs to respondents:

None.

14. Estimate of annualized costs to the government:

None.

15. Analysis of change in burden:

This is a new information collection.

16. Information regarding collections whose results are planned to be published for statistical use:

The results of this collection will not be published for statistical use.

17. Display of expiration date

Not applicable.

B. STATISTICAL METHODS

Not Applicable