

National Credit Union Administration
SUPPORTING STATEMENT

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

OMB No. 3133-0127

A. JUSTIFICATION

1. Circumstances that make the collection of information necessary.

The Federal Credit Union (FCU) Act limits the amount of eligible obligations an FCU 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 requires that purchased eligible obligations be obligations of the purchasing FCU's members. However, §701.23 provides certain exceptions to the general requirements. The regulation authorizes FCUs to purchase the eligible obligations of any federally insured credit union (FICU) or the notes of a liquidating credit union without regard to whether they are obligations of the purchasing FCU's members.

2. Purpose and use of the information collected.

The information collections will be used to ensure an FCU has instituted a safe and sound program related to the purchase, sale, and pledge of eligible obligations. 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 FCUs are able to engage in the purchase, sale, and pledge of eligible obligations, many 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, FCUs 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 60-day notice was published in the *Federal Register* on September 12, 2023 at 88 FR 62604, soliciting comments from the public. No public comments were received in response to that notice. A 30-day notice was published in the *Federal Register* on December 7, 2023 at 88 FR 85327.

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.

There are approximately 343 credit FCUs that are purchasing eligible obligations. NCUA expects FCUs to maintain written policies and schedules of eligible obligations that have been purchased, sold, or pledged.

12 CFR	Information Collection Activity	Type of Burden	Respondents	# Responses per Respondent	Total Annual Responses	Time per Response (Hours)	2023 Total Annual Burden	Currently Approved from 2020	Difference with 2020's Burden
701.23 (b)(1)	Develop written policies to purchase, sell, or pledge eligible obligations.	Record keeping	343	1	343	6	2058	300	1758

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	343	36	12348	0.25	3087	3,016.75	70.25
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 (b)(6)	Internal written purchase policies	Record keeping	343	1	343	4	1372	0	1372
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	144	43	6192	0.25	1548	3,016.75	-1,468.75
701.23 (d)(1)(ii)	Retain copies of the original loan documents when pledging eligible obligations.	Record keeping	343	11	3773	0.25	943.25	3,016.75	-2,073.50
701.23 (d)(1)(iii)	Retain a written agreement and schedule of eligible obligations pledged in the credit union's office, when	Record keeping	343	11	3773	0.25	943.25	3,016.75	-2,073.50

	pledging eligible								
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	343	1	343	2	686	100	586
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	0	0
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	0	0
Totals			343		27,150		10,918	12,747	-1,830

*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 \$42.80 per hour, the cost to respondents is \$14,680.

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 government. The only additional cost is 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 \$19,800.

15. Changes in burden.

Burden decreased due to the number of respondents decreasing.

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.