

National Credit Union Administration
SUPPORTING STATEMENT

Organization and Operation of a Federal Credit Unions - Loan Participations
12 CFR 701.22

OMB No. 3133-0141

A. JUSTIFICATION

1. Circumstances that make the collection of information necessary.

Section 107(5)(E) of the Federal Credit Union (FCU) Act authorizes an FCU to engage in participation lending with other credit unions, credit union organizations, or financial organizations. The NCUA has implemented this statutory provision in § 701.22 of its regulations, which applies to all federally insured credit unions (FICUs). The statute contains no limitation on the amount of participations that an FCU may purchase from any single originating lender.

The regulation limits the aggregate amount of loan participations that a FICU may purchase from any one originating lender to the greater of \$5,000,000 or 100 percent of the FICU's net worth. The purpose of the provision is to mitigate the exposure of FICUs to concentration risk.

2. Purpose and use of the information collection.

Section 701.22 outlines loan participation requirements. Loan participations pose inherent risk to the National Credit Union Share Insurance Fund (NCUSIF) due to the interconnectedness between participants. Section 701.22 includes three collections requirements (1) maintenance of a written policy, (2) requirements on the purchasing credit union to have a written loan participation agreement, and (3) options to apply for waivers from concentration limits. Section 741.225 extends the requirements of Section 701.22 of NCUA's regulations to FISCUs, noting there are strong indications of potential risk to the NCUSIF from FISCUs' loan participation activity.

Loan participations can strengthen the credit union industry by providing credit unions an opportunity to diversify their loan portfolios, improve earnings, generate loan growth and manage their balance sheets. NCUA examiners review the loan participation policy during regulatory examinations. Through these reviews, examiners determine whether the credit union is engaging in a safe and sound loan participation program. This part of the examination process helps prevent losses to credit unions and the NCUSIF.

The information provided in waiver requests permits NCUA staff to determine the appropriateness of granting a waiver.

3. Use of information technology.

Credit unions may use any technology available to submit or retain the required information.

4. Duplication of information.

There is no duplication.

5. Efforts to reduce burden on small entities.

The information required is not different for smaller institutions; thus, the burden to small credit unions is no greater than for any other institution. Therefore, it is critical to the safety and soundness of the NCUSIF that loan participation programs adhere to appropriate standards, regardless of the credit union's size.

6. Consequences of not conducting collection.

The consequences for not establishing sound governance over loan participations can lead to high levels of delinquency and loan losses to credit unions. Significant loan losses will affect the overall financial performance of credit unions. The effects of a mismanaged loan participation program can extend throughout several credit unions; therefore, decreasing the financial stability of multiple credit unions across the country and weakening the entire credit union system. The effects of a weak credit union system could lead to losses to the NCUSIF.

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 29, 2023 at 88 FR 67373, 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 respondents.

No payment or gift is provided to respondents.

10. Assurance of confidentiality.

There is no assurance of confidentiality other than that provided by law.

11. Questions of a sensitive nature.

Personal identifiable information (PII) is not collected. There are no questions of a sensitive nature.

12. Burden of information collection.

There are approximately 1,887 credit unions participating in loan participations. NCUA expects credit union to review policies on a regular basis, to ensure the policy is relevant to the current economic environment and meets their member’s needs. Credit unions are also expected to maintain written loan participation agreements.

12 CFR	Information Collection Activity	Type of Burden	Respondents	# Responses per Respondent	Total Annual Responses	Time per Response (Hours)	Total Annual Burden	Currently Approved	Difference from 2020's Burden
701.22 (b)(2)	Maintain Loan Participation Policies	Record keeping	1,887	1	1,887	1.5	2,831	3,005	-175
701.22 (b)(5)	Executed written loan participation agreement	Record keeping	1,887	1	1,887	0.083	156.621	20	137
701.22(c)	Waiver on limitations in 701.22(b) – includes approval from SSA and Board	Reporting	5	1	5	0.43395	2.16975	0	2.16975
Totals			1,887		1,887	2.01695	3,025	3,025	0

Based on the labor rate of \$42.80 per hour, the total cost to respondents is \$80,763.60.

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

There are no capital start-up or on-going operation and maintenance cost.

14. Annualized costs to the Federal government.

NCUA staff time to review the waiver request, analyze the information provided and document a decision is estimated at 8 hours per occurrence (4 hours examiner staff and 4 hours office staff). The break-down of time by full-time employee labor costs is as follows:

Based on labor costs of \$43 per hour for examiner field staff and \$49 per hour for regional office staff, the total annual labor costs to the government are as follows:

NCUA Staff	Hours	Cost	Total Cost to Federal
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			Government
Review of Loan Participation Waiver Request			
Examiner/Field Personnel	20	\$43	\$860
Office Personnel	20	\$49	\$980
Review of Waiver Decision			
Office Personnel	2	\$49	\$98
Total Cost to Federal Government			\$1,938

15. Changes in burden.

Not applicable.

16. Information collection planned for statistical purposes.

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.