

SUPPORTING STATEMENT
NOTIFICATION OF CHANGES IN INSURED STATUS
(3064-0124)

INTRODUCTION

The FDIC is requesting approval to extend, without change, the above-captioned collection of information. The collection consists of two parts: (1) a certification that insured depository institutions provide the FDIC when all deposit liabilities from one insured depository institution are assumed from another insured depository institution, with the latter institution responsible for providing the certification, and (2) a notification that insured depository institutions provide to the FDIC when they seek to voluntarily terminate their insured status. The information collection expires on November 30, 2024.

A. JUSTIFICATION

1. Circumstances that make the collection necessary:

The certification is necessary to implement the provisions of section 8(q) of the FDI Act, 12 U.S.C. 1818(q), regarding termination of the insured status of the transferring institution and termination of the separate deposit insurance coverage provided on deposit accounts assumed by the assuming institution.

The depositor notification is required by section 8(a)(6) of the FDI Act, 12 U.S.C. 1818(a)(6). This provision ensures that the institution's depositors receive appropriate information regarding the institution's intent to terminate its insured status and that, prior to the termination of the institution's insured status, depositors receive appropriate information concerning federal deposit insurance coverage of their accounts once the institution's insured status is terminated.

2. Use of information collected:

The certification is intended to satisfy section 8(q)'s "satisfactory evidence of such assumption" requirement, which is a condition that must be met before the transferring institution's insured status can be terminated pursuant to section 8(q) (1) of the FDI Act (12 U.S.C. 1818(q)(1)). The certification also provides the FDIC with notice of when the assumption takes effect to determine the continuation of separate deposit insurance coverage on the assumed deposits. The certification is submitted to the FDIC and utilized in making the determination whether to terminate the transferring depository institution's insured status.

The depositor notification letter is submitted to the FDIC prior to its dissemination to depositors when an insured depository institution seeks to terminate its insured status without having its deposits assumed by another

insured depository institution. The FDIC reviews the proposed depositor notification letter to assure that the interests of the institution's depositors are safeguarded.

3. Consideration of the use of improved information technology:

Institutions are free to use whatever methods are the least burdensome to them for sending the certification and depositor notification letters to the FDIC.

4. Efforts to identify duplication:

Some information concerning deposit liabilities assumed or proposed to be assumed by merger, consolidation, other statutory assumption, or contract is required to be filed with the FDIC, pursuant to our assessment regulations (12 CFR Part 327) and our procedures regulations (12 CFR Section 303).

Information filed with the FDIC in semi-annual reports, pursuant to Part 327, does not specify the institution whose deposits were assumed or when the assumption took effect. Therefore, while there is some overlapping of general information being submitted, the information contained in the certification provides the FDIC with more specific and timely data needed to comply with the requirements of section 8(q) of the FDI Act. Additionally, the regulation provides the FDIC and the industry with a clear standard for judging when an insured depository institution's insured status should be terminated.

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

This collection is required by statute; there are no provisions for alternatives for small business. However, the FDIC has attempted to reduce burden for small entities by providing sample formats that will satisfy the information requirements.

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

The collections of information are required only when insured depository institutions voluntarily choose to engage in specified activities. Less frequent collection would result in non-compliance with the law.

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

None. The information is collected in a manner consistent with 5 CFR Part 1320.5(d)(2).

8. Efforts to consult with persons outside the agency:

A 60-day notice seeking public comment on the FDIC’s renewal of the information collection was published on August 21, 2024 (89 FR 67635). No comments have been received.

9. Payment or gift to respondents:

No payments or gifts will be given to respondents.

10. Any assurance of confidentiality:

None.

11. Justification for questions of a sensitive nature:

None.

12. Estimate of Annual Burden

To estimate the number of respondents for the Certification IC, FDIC referred to its records to identify instances where an IDI was absorbed, consolidated, or merged into another IDI. This search revealed that, between 2019 and 2023, there were 115 absorptions, 1 consolidation, and 694 mergers. for a total of 810 total mergers in five years, or an average of 162 mergers per year. For each merger, the surviving IDI would be required to submit a Certification under Part 307. Thus, FDIC estimates that there will be 162 annual respondents to the Certification IC, of which 40 would be “small” for purposes of the RFA.¹ This estimate is lower than the 2021 ICR’s estimate of 240 respondents. Given that the 2021 ICR used a similar methodology, the change in estimate arises from a decrease in mergers in the last five years.

To estimate the number of respondents to the Notice IC, FDIC obtained historical data on the number of voluntary terminations between 2019 and 2023. For those years, there were 51 terminations of insurance under section 8(p) of the FDIA and 11 terminations under section 8(q), for an average of 12.4 terminations per year. Based on these historical data, FDIC estimates that there will be 12 annual respondents to the Notice IC, of which 9 would be “small” for purposes of the RFA.² This estimate is four respondents higher than the estimate in the 2021 ICR. Given that the 2021 ICR used the same methodology, the change in estimate arises from an increase in deposit insurance terminations in the last five years.

¹ For the 810 mergers, 201 surviving IDIs were considered “small” for purposes of the RFA at the end of the merger year, for an average of 40 small surviving IDIs per year. Thus, FDIC estimates that 40 of the 162 annual respondents would be small entities.

² Of the 62 terminations between 2019 and 2023, 47 involved IDIs that were considered “small” for purposes of the RFA at the end of the previous year, for an average of 9 “small” IDIs per year. Thus, I estimate that nine of the twelve annual respondents would be small entities.

Information Collection Description	Type of Burden (Obligation to Respond)	Frequency of Response	Number of Respondents	Number of Responses per Respondent	Hours per Response	Annual Burden (Hours)
Notification of Change in Insured Status 12 CFR 307.3	Third Party Disclosure (Mandatory)	On occasion	12	1	2	24
Certification 12 CFR 307.2	Reporting (Mandatory)	On occasion	162	1	1	162
Total Annual Burden (Hours):						186
Source: FDIC.						

Estimated Hourly Cost of Compliance

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 (OEWS) for the relevant occupations in the Depository Credit Intermediation sector. However, the latest OEWS wage data are as of May 2023 and do not include non-wage compensation. To adjust these wages for use in this estimate, FDIC multiplies the OEWS hourly wages by approximately 1.53 to account for non-wage compensation, using the BLS Employer Cost of Employee Compensation (ECEC) data as of March 2023 (the latest published release prior to the OEWS wage data). It then multiplies the resulting compensation rates by approximately 1.04 to account for the change in the seasonally adjusted Employment Cost Index for the Credit Intermediation and Related Activities sector (NAICS Code 522) between March 2023 and March 2024.

After calculating these adjustments, FDIC weights the total hourly compensation for the occupations shown in the table, using the estimated allocations of labor shown to find the estimated hourly cost of complying with this IC. FDIC assumes that for both components of this collection, half of the labor is performed by Executives and Managers, and half is performed by Lawyers.

Table 2. Summary of Hourly Burden Cost Estimate (OMB No. 3064-0124)								
Information Collection (IC) (Obligation to Respond)	Hourly Weight (%)	Percentage Shares of Hours Spent by and Hourly Compensation Rates for each Occupation Group (by Collection)						Estimated Hourly Compensation Rate
		Exec. & Mgr. (\$145.59)	Lawyer (\$181.4)	Compl. Ofc. (\$76.79)	IT (\$110.5)	Fin. Anlst. (\$99.92)	Clerical (\$39.25)	
Certification of Assumption of Deposit Liabilities 12 CFR § 307.2 (Mandatory)	87.10	50	50	0	0	0	0	\$163.50
Notice to Depositors 12 CFR § 307.3 (Mandatory)	12.90	50	50	0	0	0	0	\$163.50
Weighted Average Hourly Compensation Rate:								\$163.50
Source: Bureau of Labor Statistics: 'National Industry-Specific Occupational Employment and Wage Estimates: Industry: Credit Intermediation and Related Activities (5221 And 5223 only)' (May 2023), Employer Cost of Employee Compensation (March 2023), and Employment Cost Index (March 2023 and March 2024). Standard Occupational Classification (SOC) Codes: Exec. And Mgr = 11-0000 Management Occupations; Lawyer = 23-0000 Legal Occupations; Compl. Ofc. = 13-1040 Compliance Officers; IT = 15-0000 Computer and Mathematical Occupations; Fin. Anlst. = 13-2051 Financial and Investment Analysts; Clerical = 43-0000 Office and Administrative Support Occupations.								
Note: The estimated hourly compensation rate for a given IC is the average of the hourly compensation rates for the occupations used to comply with that IC, weighted by the estimated share of hours spent by each occupation. The weighted average hourly compensation rate for the entire ICR is the average of the estimated hourly compensation rates for all ICs, weighted by the share of hourly burden for IC. These hourly weights, as shown in the "Hourly Weight" column of this table, are the quotients of the estimated number of annual burden hours for each IC and the total estimated number of annual burden hours across all ICs.								

Total Estimated Annual Compliance Cost

FDIC estimates the total annual labor cost for OMB No. 3064-0124 by multiplying the total annual estimated burden hours reported in Table 1 by the weighted average hourly compensation estimate reported in Table 2. Results are summarized in Table 3 below. The total annual cost burden for this IC is estimated as: 186 hours / year * \$163.50 / hour = \$30,411 per year. This represents a 14 percent decrease in the estimated annual cost burden from \$35,167 estimated in the 2021 ICR. The decrease is driven by the decrease in the total number of responses, as previously discussed

13. Estimate of start-up cost to respondents:

There are no anticipated capital, start-up, or operating costs.

14. Estimates of annualized cost to the federal government:

None.

15. Analysis of change in burden:

There is no change in the methodology or substance of this information collection. See Section 12 for a discussion of the change in burden.

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

No publication will be made of this information.

17. Exceptions to expiration date display

The information provided to the FDIC under this information collection does not involve use of a standard form.

18. Exceptions to certification:

There are no exceptions to certification.