National Credit Union Administration

**SUPPORTING STATEMENT**

Succession Planning

**OMB No. 3133-NEW**

1. **JUSTIFICATION**
2. **Circumstances that make the collection of information necessary.**

Section 113 of the Federal Credit Union Act (FCU Act) provides that the board of directors shall have the general direction and control of the affairs of the Federal Credit Union (FCU).[[1]](#footnote-2) The board of directors must oversee the credit union's operations to ensure the credit union operates in a safe and sound manner. Further, under the FCU Act, the NCUA is the chartering and supervisory authority for FCUs and the Federal supervisory authority for FICUs.[[2]](#footnote-3) The FCU Act grants the NCUA a broad mandate to issue regulations governing both FCUs and all FICUs. Section 120 of the FCU Act is a general grant of regulatory authority and authorizes the Board to prescribe rules and regulations for the administration of the FCU Act.[[3]](#footnote-4) Accordingly, the FCU Act grants the Board broad rulemaking authority to ensure that the credit union industry and the NCUSIF remain safe and sound.

With the aforementioned authority, the NCUA Board (Board) requires that FCU boards of directors establish and adhere to processes for succession planning. The succession plans will help to ensure that the credit union has plans to fill key positions, such as officers of the board, management officials, executive committee members, supervisory committee members, and (where provided for in the bylaws) the members of the credit committee to provide continuity of operations. In addition, directors are required to be knowledgeable about the FCU's succession plan.

1. **Purpose and use of the information collected.**

Credit union boards are faced with a multitude of complicated challenges, such as meeting evolving member needs, fostering employee loyalty and trust, retaining and developing necessary skills, and keeping pace with technological and industry changes. Among this list of issues, succession planning is one of the most critical.

Succession planning is the process through which an organization helps identify, develop, and retain key personnel to ensure its viability and continued effective performance. It also allows an organization to prepare for the unexpected, including the sudden departure of key staff. Succession planning is recognized as vital to the success of any institution, including credit unions. One of the variables over which a credit union board has control is the hiring of the organization's senior management. A board's failure to plan for the transition of its management could potentially come with high costs, including the potential for the unplanned merger of the credit union upon the departure of key personnel. Conversely, good succession planning confers a variety of benefits, including: minimizing service disruptions during management transitions; ensuring organizational viability over the long term; clarifying the employee development path; developing current talent; creating opportunities for employees; and bringing in new ideas from outside hires.

Succession planning is a critical component of a credit union's overall strategic plan. It ensures that the appropriate personnel are available to execute the credit union's strategic plan and mission, in addition to, building and/or identifying a pool of qualified individuals who can be recruited or selected to fill a vacancy in a key position. T

1. **Use of information technology.**

The FCU Act does not prescribe specific information systems for this data collection. Therefore, credit unions may use any information technology available to reduce the burden imposed by the regulation.

The NCUA requires the information to be submitted via the Succession Plan Template. Credit unions may use any available information technology to satisfy the information collection requirements.

1. **Duplication of information.**

The required information is unique and not duplicated.

1. **Efforts to reduce burden on small entities.**

The requirement for succession planning does apply to small credit unions. The Board has developed a sample template for a succession plan that may be appropriate for some smaller FICUs, though all FICUs may benefit from it. The Board also removed loan officers, credit committee members, and supervisory committee members from the list of FICU officials who must be covered by succession plans. That should further minimize burden by enabling FICUs to develop more appropriately tailored succession plans that better reflect their unique circumstances. Further, the Board has delayed the effectiveness of the final rule until January 1, 2026, which should also decrease burden by providing FICUs with additional time to make any operational changes or resource allocations necessary for development of the succession plans.

1. **Consequences of not conducting the collection.**

The failure of FICUs to adequately plan for succession poses a risk not only to individual FICUs and their member-owners, but to the credit union system as a whole and to the National Credit Share Insurance Fund (NCUSIF). This collection is designed to mitigate this risk and are consistent with the Board's statutory duty to ensure a safe and sound system of cooperative credit for its member-owners. Board action is also consistent with the guidance issued by the other banking agencies to address succession planning.

**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).

1. **Efforts to consult with persons outside the agency.**

A Proposed Rule was published in the *Federal Register* on February 3, 2022, at 87 FR 6078, soliciting comments from the public. The NCUA received twenty-seven (27) comments from various credit unions and credit union leagues. Responses to the comments were answered in a subsequent Proposed Rule that was published in the *Federal Register* on July 25, 2024, at 89 FR 60329. There were 189 comments received from the public on the second Proposed Rule and those comments were answered in the Final Rule published in the *Federal Register* on December 26, 2024, at 89 FR 104865.

**9.** **Payments or gifts to respondents.**

There is no intent by the NCUA to provide payment or gifts for information collected.

**10. Assurance of Confidentiality.**

There is no assurance of confidentially other than that provided by law; however, the NCUA securely maintains all personally identifiable information provided on the Succession Plan Template, and only shares it outside of the NCUA if required by law or regulation.

**11. Questions of a sensitive nature.**

There are no questions of a sensitive nature asked.

**12.** **Burden of information collection.**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| ICR Requirement | # of Respondents | Frequency | Annual Response | Hours per Response | Total Burden |
| Reporting | 4,499 | 1 | 4,499 | 10 | 44,990 |
| **TOTAL** | 4,499 | 1 | 4,499 | 10 | **44,990** |

Annual cost to respondent based on an hourly wage rate of $35 is $1,574,650.

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

There are no capital/start-up or ongoing operations and maintenance costs associated with this information collection.

**14.** **Annualized costs to Federal government.**

Succession plans will be reviewed as part of credit union examination; therefore, NCUA estimates there will be no annualized costs to the federal government.

**15.** **Changes in burden.**

Not applicable as this is a new collection.

**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.**

Not applicable.

**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 employ statistical methods.

1. [12 U.S.C. 1716b](https://www.govinfo.gov/link/uscode/12/1716b). [↑](#footnote-ref-2)
2. [12 U.S.C. 1752-1775](https://www.govinfo.gov/link/uscode/12/1752). [↑](#footnote-ref-3)
3. [12 U.S.C. 1766(a)](https://www.govinfo.gov/link/uscode/12/1766). [↑](#footnote-ref-4)