

**Supporting Statement
Leveraged Lending
OMB Control No. 1557-0315**

A. Justification.

1. *Circumstances that make the collection necessary:*

In 2013, the OCC, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation (agencies) issued guidance on leveraged lending,¹ which set forth high-level principles related to safe and sound leveraged lending activities, including underwriting considerations, assessing and documenting business valuations, and risk management considerations for credits awaiting distribution, along with related guidance on stress testing, portfolio management, and risk management. The guidance is useful for any financial institution supervised by the agencies that substantively engages in leveraged lending activities. The number of community banking organizations with substantial exposure to leveraged lending is small; therefore, the agencies generally expect that the guidance will be used more by larger banks than community banking organizations.

Financial institutions should have the capacity to properly evaluate and monitor underwritten credit risks, to understand the effect of changes in borrowers' business valuations on credit portfolio quality, and to assess the sensitivity of future credit losses to changes in business valuations. The guidance provides suggestions to financial institutions on how to assess those factors. Further, in regard to the underwriting of such credits, the guidance recommends that financial institutions have policies to evaluate whether borrowers have the ability to repay credits as they become due. The guidance also recommends that financial institutions have policies to evaluate whether borrowers have sustainable capital structures, including their bank borrowings and other debt, that support their continued operations through economic cycles. Institutions should also consider whether they understand the risks and the potential impact of stressful events and circumstances on a borrower's financial condition.

To support their leveraged lending activities, the guidance recommends that financial institutions consider developing: (i) underwriting policies for leveraged lending, including stress-testing procedures for leveraged credits; (ii) risk management policies, including stress-testing procedures for pipeline exposures; and (iii) policies and procedures for incorporating the results of leveraged credit and pipeline stress tests into the firm's overall stress-testing framework.

2. *Use of the information:*

¹ 78 FR 17766 (March 22, 2013).

Financial institutions should have the capacity to properly evaluate and monitor underwritten credit risks, understand the effect of changes in borrowers' business valuations upon credit portfolio quality, and assess the sensitivity of future credit losses to changes in business valuations. The guidance provides suggestions for how to conduct those activities and recommends various policies that institutions can use to evaluate and monitor those activities.

3. *Consideration of the use of improved information technology:*

Respondents may use any information technology they have available that allows them to develop or maintain the policies recommended in the guidance.

4. *Efforts to identify duplication:*

This information is not duplicative as it is not available elsewhere.

5. *If the collection of information impacts small businesses or other small entities, describe any methods used to minimize burden.*

To the extent that any small entities do engage in leveraged lending activities, the policies recommended in the guidance can be tailored by the institutions to the level and complexity of their operations and activities.

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

The information collection is the minimum necessary to ensure compliance with the law and safety and soundness requirements. The policies recommended in the guidance may be less useful to the institutions if they are reviewed or updated less frequently.

7. *Special circumstances that would cause an information collection to be conducted in a manner inconsistent with 5 CFR Part 1320:*

The information collection is conducted in accordance with the requirements of 5 CFR Part 1320.

8. *Efforts to consult with persons outside the agency:*

The OCC issued a 60-day *Federal Register* notice on March 10, 2025, 90 FR 11651. The OCC received one comment from a bank. The commenter questioned the necessity and utility of the guidance related information collections. These information collections promote uniformity in the supervisory review of leveraged loans consistent with long-standing principles of commercial credit lending. The commenter also questioned the accuracy of the burden estimate. Because this information collection is voluntary, a bank can choose not to implement the information collection. Banks remain responsible, however, for sound risk management practices when engaging in leveraged lending activities, including commensurate risk management and controls.

Any increase in underwriting burden is unrelated to PRA requirements and stems directly from the risk inherent to making loans to companies with significant leverage when repayment is contingent upon realization of projections several years in the future. The commenter's additional statements, including those concerning the administrative process, are outside the scope of PRA requirements. However, the OCC may consider these comments in future actions, if any.

9. *Payment or gift to respondents:*

None.

10. *Any assurance of confidentiality:*

The information will be kept private to the extent permitted by law.

11. *Justification for questions of a sensitive nature:*

Not applicable. No sensitive information is collected.

12. *Burden estimate:*

Number of Respondents: 1 to build; 29 ongoing.

Burden per respondent: 1,350.4 hours to build; 1,705.6 hours for ongoing use.

Estimated total annual burden hours: 1,350.4 hours to build, 49,462.4 hours for ongoing use.

Total burden: 1 respondent at 1350.4 hours and 29 respondents at 49,462.4 hours = 50,812.8 hours (adjusted to 50,812 consistent with the RISC/OIRA Consolidated Information System (ROCIS) input parameters).

Cost of Hour Burden: 50,812 x \$131.10 = \$6,661,453.20

To estimate wages the OCC reviewed May 2024 data for wages (by industry and occupation) from the U.S. Bureau of Labor Statistics (BLS) for credit intermediation and related activities (NAICS 5220A1). To estimate compensation costs associated with the rule, the OCC uses \$131.10 per hour, which is based on the average of the 90th percentile for six occupations adjusted for inflation (3.6 percent as of Q1 2025), plus an additional 35.6 percent for benefits (based on the percent of total compensation allocated to benefits as of Q4 2024 for NAICS 522: credit intermediation and related activities).

13. *Estimate of total annual costs to respondents (excluding cost of hour burden in Item #12):*

Not applicable.

14. Estimate of annualized costs to the federal government:

Not applicable.

15. Change in burden:

Prior Burden: 88,624 hours
Current Burden: 50,812 hours
Difference: -37,812 hours

This burden reduction is characterized as a miscellaneous action; it reflects removal of the build burden for all but new institutions.

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

The OCC has no plans to publish the information for statistical purposes.

17. Reasons for not displaying OMB approval expiration date:

Not applicable.

18. Exceptions to the certification statement in Item 19 of OMB Form 83-I:

None.

B. Collections of Information Employing Statistical Methods.

Not applicable.