

**Supporting Statement for the
Recordkeeping Requirements Associated with the Real Estate Lending Standards
Regulation for State Member Banks
(Reg H-5; OMB No. 7100-0261)**

Summary

The Board of Governors of the Federal Reserve System, under delegated authority from the Office of Management and Budget (OMB), proposes to extend for three years, without revision, the Recordkeeping Requirements Associated with the Real Estate Lending Standards Regulation for State Member Banks (Reg H-5; OMB No. 7100-0261). This information collection is a mandatory recordkeeping requirement contained in the Board's Regulation H (12 CFR 208.51) that implements section 304 of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA). State member banks must adopt and maintain a written real estate lending policy. Also, banks must identify their loans in excess of the supervisory loan-to-value limits and report (at least quarterly) the aggregate amount of the loans to the bank's board of directors. There is no formal reporting form and the information is not submitted to the Federal Reserve. The estimated annual burden is 19,660 hours.

Background and Justification

Section 304 of FDICIA requires each of the federal banking agencies to adopt uniform regulations prescribing standards for extensions of credit secured by liens on or interest in real estate or made for the purpose of financing the construction of a building or other improvements in real estate, regardless of whether a lien has been taken on the property. In establishing these standards, the agencies considered: (1) the risk posed to the deposit insurance funds by such extensions of credit; (2) the need for safe and sound operation of insured depository institutions; and (3) the availability of credit.

On December 2, 1992, the Board and the other three federal banking agencies adopted uniform real estate lending standards regulations. These regulations require depository institutions to adopt and maintain written real estate lending policies that are consistent with safe and sound banking practices. The institution's lending policies must establish: (1) loan portfolio diversification standards; (2) prudent underwriting standards, including loan-to-value limits; (3) loan administration procedures; and (4) loan documentation, approval and reporting requirements. The policies must be appropriate to the size of the institution and the nature and scope of its operations. The lending policies should also reflect consideration of the *Interagency Guidelines for Real Estate Lending Policies* that the agencies established as an appendix to the regulation. These regulatory requirements became effective on March 19, 1993. The institution's board of directors must review, at least annually, the real estate lending policies.

Description of Information Collection

Each state member bank must maintain written internal real estate lending policies. These policies may be incorporated into the bank's overall lending policies and must address the

requirement of the Board's regulation and guidelines as described above. Further, the bank's own internal loan-to-value (LTV) limits may not exceed the supervisory LTV limits as set forth in the Board's guidelines. The guidelines permit a bank to originate or purchase loans with LTV ratios in excess of the supervisory limits, based on the support provided by other credit factors. For such loans, the bank must identify the loan in its records as being in excess of the supervisory LTV limits. The aggregate amount of such loans is to be reported at least quarterly to the bank's board of directors.

Time Schedule for Information Collection

The Federal Reserve System neither collects nor publishes the information. Bank examiners verify compliance with the real estate lending standards regulation and guidelines during examinations of state member banks.

Legal Status

The Board's Legal Division has determined that the recordkeeping requirements are required by law (Federal Deposit Insurance Corporation Improvement Act of 1991 (12 U.S.C. 1828 (o))). Since the information is not collected by the Federal Reserve, no issue of confidentiality under the Freedom of Information Act arises.

Consultation Outside the Agency

The Federal Reserve, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision jointly developed and adopted the real estate lending standards regulations. There has been no consultation outside the Federal Reserve regarding this extension.

Sensitive Questions

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

Estimate of Cost to the Federal Reserve System

The costs to the Federal Reserve System associated with this recordkeeping requirement are minimal because there are no reporting forms and the information is not submitted to the Federal Reserve.

Estimate of Respondent Burden

Each state member bank must report aggregate loan data to the bank's board of directors quarterly. There are forty-eight new state member banks, on average, each year that must create a real estate lending policy. As presented in the following table, the annual recordkeeping burden for real estate lending standards is estimated to be 19,660 hours. This amount is less than 1 percent of the total Federal Reserve System burden.

	<i>Number of respondents</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Aggregate report	935	4	5	18,700
Policy statement	48	1	20	<u>960</u>
Total				19,660

Based on an hourly rate of \$20, the annual cost to state member banks is estimated to be \$393,200.