

Supporting Statement for the Request for Extension of Time to Dispose of Assets Acquired in Satisfaction of Debts Previously Contracted (FR 4006)

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 Request for Extension of Time to Dispose of Assets Acquired in Satisfaction of Debts Previously Contracted (FR 4006; OMB No. 7100-0129), formerly the Annual Report on Status of Disposition of Assets Acquired in Satisfaction of Debts Previously Contracted. This information collection has been renamed to better reflect the format of the data collection. Bank holding companies (BHCs) that have acquired voting securities or assets through foreclosure in the ordinary course of collecting a debt previously contracted (DPC) generally are required to submit the extension request annually for shares or assets that have been held beyond two years from the acquisition date. The extension request does not have a required format; BHCs submit the information in a letter. The letter contains information on the progress made to dispose of such shares or assets and requests permission for an extension to hold them.

This extension request is required pursuant to the Federal Reserve's authority under the Bank Holding Company Act of 1956 (the Act), as amended and Regulation Y. The Federal Reserve uses the information to fulfill its statutory obligation to supervise BHCs. The annual burden for the FR 4006 is estimated to be 180 hours for thirty-six respondents.

Background and Justification

The Federal Reserve has statutory responsibility for regulation and supervision of BHCs. Under the Act, the Federal Reserve must ensure that impermissible assets are divested in a manner consistent with the statute. The Act sets forth the time frame within which voting securities and assets acquired in collecting a debt previously contracted must be divested. The Act distinguishes between bank and BHC shares held DPC and all other types of assets held DPC.

Bank and BHC Voting Securities Held DPC. Pursuant to section 225.12 of Regulation Y, the Federal Reserve does not require an acquiring BHC to obtain prior approval for the acquisition of bank or BHC voting securities or assets obtained through DPC. The acquiring BHC, however, must divest the shares or assets within two years of the date of their initial acquisition. If the BHC is unsuccessful in divesting the shares or assets within the two-year period, it must request and obtain Federal Reserve approval to continue to hold them. The Federal Reserve may extend the initial two-year period for up to three additional one-year periods.

Other Types of DPC Assets. Section 225.22(d) of Regulation Y allows BHCs to acquire voting securities or assets of nonbanking firms without obtaining prior approval from the Federal Reserve if such shares or assets are acquired in the regular course of securing or collecting a debt previously contracted in good faith. The acquiring BHC, however, must divest the shares or assets within two years of the date of their initial acquisition. If the BHC is unsuccessful in divesting the shares or assets within the two-year period, it must request and obtain approval to continue to hold them. The Federal Reserve may extend the initial two-year period for up to three additional years.

Further, the Federal Reserve may permit additional extensions for up to five years (for a total of ten years) for shares or other assets where the BHC demonstrates that each extension would not be detrimental to the public interest, and either the BHC has made good faith attempts to dispose of such shares or other assets, or disposal of such assets during the initial period would have been detrimental to the company. Generally, a BHC must submit extension requests annually. In appropriate situations, the Reserve Bank may grant an extension request for longer than one year. In determining whether the Reserve Bank should grant an extension greater than one year, the Reserve Bank should take into consideration whether the banking organization has made good faith efforts to dispose of the property, the value of the property relative to the organization's capital, and the organization's inspection and examination ratings and overall financial condition.

The Federal Reserve uses the information in the FR 4006 to determine (1) whether the BHC has made timely, good faith efforts to comply with the requirements of the Act; and (2) the effect that the sale or retention of the property will have on the organization. The information collected serves to identify potentially unsound situations and to encourage timely compliance with the divestiture requirement contained in the statute and regulation. The Federal Reserve monitors the BHC's efforts to affect an orderly divestiture and may require divestiture before the end of the approved period if supervisory concerns warrant such action.

Description of Information Collection

The extension request only applies to those BHCs that are unable to divest DPC shares or assets within two years. The BHC's letter to the Reserve Bank must describe the efforts made to date to effect divestiture (including reasons for any delay in the pace of divestiture) and must include financial and descriptive data with respect to assets as well as the sales price of any divested assets.

Time Schedule for Information Collection

An affected BHC would send a letter to the District Federal Reserve Bank describing the DPC shares or assets and progress toward divestiture, and requesting an extension. The first extension request is due two years following the date the BHC acquired the DPC shares or assets, and subsequent extension requests are due annually, or for a longer period as may be approved, on the same date thereafter. The BHC submits the information in a letter format, which is neither stored electronically nor published. Federal Reserve Banks respond to extension requests in writing in a timely manner.

Legal Status

The Board's Legal Division has determined that 12 U.S.C. § 1842(a) and 1843(c)(2) authorize the Board to require the extension request. BHCs may request confidential treatment for the extension request. The Board, in turn, may grant confidential treatment upon a showing by the individual company that such information should be held confidential within the applicable exemption of the Freedom of Information Act [5 U.S.C. 552(b)(4)].

Consultation Outside the Agency

There has been no consultation outside the Federal Reserve System.

Estimate of Respondent Burden

The respondent burden for this extension request is estimated to average five hours per submission. The respondent burden varies depending upon the complexity of the individual situation. The Federal Reserve estimates that in 2003 approximately thirty-six BHCs were affected by the filing requirement. The total respondent burden for the FR 4006 is estimated to be 180 hours annually, as presented in the following table. This extension request represents less than 1 percent of total Federal Reserve System reporting burden.

	<i>Number of Respondents</i>	<i>Estimated Annual Frequency</i>	<i>Estimated Average Hours Per Response</i>	<i>Estimated Annual Burden Hours</i>
FR 4006	36	1	5	180

Based on an hourly cost of \$50, the annual cost to the public is estimated to be \$9,000.

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

Costs associated with the processing of this extension request are minimal. Storage of the reported information is not automated. Because there is no standard reporting form, there are no printing or distribution costs.