

**Supporting Statement for the
Notice of Branch Closure
(FR 4031; OMB No. 7100-0264)**

Summary

The Board of Governors of the Federal Reserve System (Board), under authority delegated by the Office of Management and Budget (OMB), proposes to extend for three years, without revision, the Notice of Branch Closure (FR 4031; OMB No. 7100-0264). The reporting, recordkeeping, and disclosure requirements regarding the closing of any branch of an insured depository institution are contained in section 42 of the Federal Deposit Insurance Act (FDI Act), as supplemented by an interagency policy statement on branch closings. There is no reporting form associated with the reporting portion of this information collection; state member banks (SMBs) notify their appropriate Reserve Bank by letter prior to closing a branch.

The Federal Reserve uses the information in the FR 4031 to fulfill its statutory obligation to supervise SMBs. The estimated total annual burden for the FR 4031 is 281 hours.

Background and Justification

Section 42 of the FDI Act imposes reporting, recordkeeping, and disclosure requirements on insured depository institutions that propose to close any branch (12 U.S.C. 1831r-1).

Additionally, in 1999, the Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation issued a joint policy statement regarding branch closings by insured depository institutions.¹ The policy statement incorporates notice procedures and provides for banks to inform customers in affected areas of their ability to comment on a particular branch closing. The federal banking agencies also clarified in the policy statement that main offices, remote service facilities, loan production offices, and insured branches of foreign banks are not branches for purposes of section 42 of the FDI Act.

This information is not available from other sources.

Description of Information Collection

There are several requirements associated with this information collection. Each insured depository institution must adopt a policy regarding the closing of its branches. When a branch is scheduled for closing, the insured depository institution must notify both its regulator and its customers of the proposed closure. The agencies examine institutions for compliance with these requirements and may make adverse examination findings or take enforcement actions for failure to comply.

SMBs must report any proposed branch closing to the appropriate Federal Reserve Bank no later than 90 days prior to the date of the proposed branch closing. The report must include the following information:

¹ See 64 Fed. Reg. 34844.

- the identification of the branch to be closed;
- the proposed date of closing;
- a detailed statement of the reasons for the decision to close the branch; and
- statistical or other information in support of such reasons consistent with the institution's written policy for branch closings.

The SMB must notify branch customers of the closing by including a notice in a regular account statement or in a separate mailing and by posting a notice in the branch to be closed. The customer notice should state the location of the branch to be closed and the proposed date of closing, and either identify alternative sites where customers may obtain service following the closing date or provide a telephone number for customers to call to determine such alternative sites. If the institution is an interstate bank and the branch is located in a low- or moderate-income area, the customer notice must also contain the mailing address of the appropriate Reserve Bank and a statement that comments on the proposed branch closing may be mailed to that Reserve Bank.

Respondent Panel

The respondent panel for the FR 4031 is comprised of state member banks.

Time Schedule for Information Collection

At least 90 days prior to the proposed date of the branch closure, an SMB must advise its Federal Reserve Bank of the closing and send a notice to the branch's customers. At least 30 days before the closing date, the SMB must post a notice in the branch to be closed. Customer notices and the institution's branch closing policy are not submitted to the regulator.

Legal Status

The FR 4031 is authorized pursuant to Section 42(a)(1) of the FDI Act and section 11 of the Federal Reserve Act, which authorizes the Board to require state member banks to submit information as the Board deems necessary.² The reporting requirements associated with FR 4031 are mandatory. Generally, individual respondent data submitted pursuant to the FR 4031 is not considered to be confidential; however, a state member bank may request confidential treatment pursuant to exemption 4 of the Freedom of Information Act, which protects trade secrets and privileged or confidential commercial or financial information.³

Consultation Outside the Agency

There has been no consultation outside the Federal Reserve System.

² 12 U.S.C. 1831r-1(a)(1);12 U.S.C. 248(a).

³ 5 U.S.C. 552(b)(4).

Public Comments

On September 10, 2019, the Board published an initial notice in the *Federal Register* (84 FR 47516) requesting public comment for 60 days on the extension, with revision, of the FR 4031. The comment period for this notice expires on November 12, 2019.

Estimate of Respondent Burden

An SMB has reporting and disclosure obligations each time it closes a branch. The recordkeeping burden for adopting a branch closing policy is a one-time burden incurred by an institution when it opens its first branch. Based on the number of notifications received from 2016 through 2018, the Board estimates that each year, on average, 91 SMBs are affected by the reporting and third party disclosure requirements and very few, if any, additional SMBs are affected by the recordkeeping requirements. We estimate that the total annual burden for this information collection is 281 hours. These reporting, recordkeeping, and disclosure requirements represent less than 1 percent of the total Federal Reserve System paperwork burden.

FR 4031	Number of respondents ⁴	Annual frequency	Estimated average hours per response	Estimated annual burden hours
Reporting				
Regulatory notice	91	1	2.00	182
Disclosure				
Costumer mailing	91	1	0.75	68
Posted notice	91	1	0.25	23
Recordkeeping				
Adoption of policy	1	1	8.00	<u>8</u>
<i>Total</i>				281

The total annual cost to the public for this information collection is estimated to be \$15,750.⁵

Sensitive Questions

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

⁴ Of these respondents, 19 are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$550 million in total assets) www.sba.gov/content/small-business-size-standards.

⁵ Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rates (30% Office & Administrative Support at \$18, 45% Financial Managers at \$69, 15% Lawyers at \$68, and 10% Chief Executives at \$94). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), Occupational Employment and Wages May 2017, published March 30, 2018 www.bls.gov/news.release/ocwage.t01.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/

Estimate of Cost to the Federal Reserve System

The estimated cost to the Federal Reserve System is \$20,100 per year.