

**Supporting Statement for the  
Application to Become a Savings and Loan Holding Company or to Acquire a  
Savings Association or Savings and Loan Holding Company  
(FR LL-10(e); OMB No. 7100-0336)**

**Summary**

The Board of Governors of the Federal Reserve System (Board), under delegated authority from the Office of Management and Budget (OMB), proposes to extend for three years, with revision, the Application to Become a Savings and Loan Holding Company or to Acquire a Savings Association or Savings and Loan Holding Company (FR LL-10(e); OMB No. 7100-0336). This collection of information is currently titled the Savings and Loan Holding Company Application (Form H-(e)).<sup>1</sup>

This collection of information consists of information that must be filed in connection with certain proposals involving the formation, acquisition, or merger of a savings and loan holding company (SLHC). The Board requires the submission of this filing from an applicant for regulatory and supervisory purposes and to allow the Board to fulfill its statutory obligations to review these transactions under section 10(e) of the Home Owners' Loan Act (HOLA) (12 U.S.C. 1461 *et. seq.*) and the Board's Regulation LL - Savings and Loan Holding Companies (12 CFR 238.11). The Board uses the information submitted by applicants to evaluate these transactions with respect to the financial and managerial resources and future prospects of the company(ies) and savings association(s) involved, the effect of the acquisition on the savings association(s), the insurance risk to the Deposit Insurance Fund, the convenience and needs of communities to be served, and competitive effects.<sup>2</sup>

The Board proposes to change the name and title of its current Form H-(e), which the Board inherited from the Office of Thrift Supervision (OTS) when the OTS's supervisory authority over SLHCs was transferred to the Board, to Application to Become a Savings and Loan Holding Company or to Acquire a Savings Association or Savings and Loan Holding Company (FR LL-10(e)), and to make numerous other revisions to this collection of information. These changes would make the form consistent with the format of other Board forms; incorporate information on the Board's policies and procedures for processing applications; improve the clarity of the information requests; reflect the impact of new laws, regulations, capital requirements, and accounting rules; and delete information requests that are not typically useful for the analysis of a proposed transaction. The revisions also are intended to increase transparency by ensuring that initial filings include the information that the Federal Reserve System (Federal Reserve) requires to evaluate a transaction and thereby reduce the need for subsequent information requests, which may delay the Board's consideration of a filing and create additional burden for filers.

The current annual burden for the application is estimated to be 7,500 hours and would decrease to 900 hours. This change in estimated burden is explained in the Estimate of Respondent Burden section, below.

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<sup>1</sup> The Board is changing the title and internal Agency Tracking Number for the purpose of consistency.

<sup>2</sup> See 12 USC 1467a(e)(2).

## **Background and Justification**

Section 10(e) of HOLA, as implemented in Regulation LL, provides that certain transactions involving the formation, acquisition, or merger of an SLHC require prior written approval from the Board.<sup>3</sup> These transactions consist of the formation of an SLHC, an acquisition that causes a savings association to become a subsidiary of an SLHC, the acquisition of control of or all or substantially all of the assets of a savings association or an SLHC, and the acquisition of control of a savings association or SLHC by certain individuals.<sup>4</sup>

The information required for the FR LL-10(e) allows the Board to fulfill its responsibilities under HOLA and Regulation LL to evaluate the subject transactions. The completed FR LL-10(e) is the primary source of comprehensive data on, among other things, the structure of the proposal, the pro forma financial condition of the applicant and of its subsidiary(ies), the competitive position of the applicant and entities being acquired, and the convenience and needs of communities to be served. As a general matter, this information is not readily available from any other source, and the information is critical to the Federal Reserve's ability to determine whether a proposed transaction is financially sound, competitively acceptable, and consistent with convenience and needs considerations.

## **Description of Information Collection**

The FR LL-10(e) is event generated. As noted, the form collects information concerning certain proposed SLHC formations, acquisitions, and mergers. Generally, the application is submitted to the appropriate Federal Reserve Bank by existing or proposed SLHCs.

Applicants who file the FR LL-10(e) are required to publish a notice in a newspaper of general circulation in the community(ies) in which the head offices of the applicant, its largest subsidiary savings association, and each savings association to be directly or indirectly acquired are located. The notice must state the name and address of the applicant and its proposed subsidiary, and it must invite the public to submit written comments to the appropriate Federal Reserve Bank. The newspaper notice must be published no more than fifteen calendar days before and no later than seven calendar days after the date that the application is filed with the appropriate Federal Reserve Bank.

## **Proposed Revisions**

The Board is proposing to revise the name and title of its existing Form H-(e) which the Board inherited when supervisory authority over SLHCs was transferred to the Board.<sup>5</sup> The Board proposes to make numerous additional revisions to this collection of information. The newly-titled "FR LL-10(e)" would be organized and structured similarly to other Board forms

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<sup>3</sup> Certain transactions are exempt from this requirement pursuant to HOLA or 12 CFR 238.12.

<sup>4</sup> See 12 CFR 238.11.

<sup>5</sup> Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub.L. 111-203, 124 Stat. 1376-2223 (Jul. 21, 2010), authority for supervising SLHCs was transferred from the former OTS to the Board in July 2011. Since becoming the supervisor for SLHCs, the Federal Reserve has had the sole authority to act on the transactions contemplated under the application form.

such as the FR Y-3, which governs certain transactions involving the formation, merger, or acquisition of a bank or bank holding company. The FR LL-10(e) would also incorporate the Board's policies and procedures for processing applications and would include references to Regulation LL, which replaced the OTS regulations for SLHCs.<sup>6</sup>

As noted above, the proposed changes are being made in order to make the form consistent with the format of other Board forms; incorporate information on the Board's policies and procedures for processing applications; improve the clarity of the information requests; obtain information necessary to evaluate the statutory factors; reflect the impact of new laws, regulations, capital requirements and accounting rules; delete information requests that are not typically useful for the analysis of a proposed transaction; and add transparency for filers regarding the information that is required to consider in a proposal.

The adopted changes are outlined below and are grouped into the following categories:

- A. Additional requested items relating to information that is needed to evaluate the transaction but was not requested in the Form H-(e);
- B. Clarification of certain requested items that have been revised to reflect the Board's format for requesting this information;
- C. Deletion of requested items in Form H-(e) that the Board is able to obtain elsewhere or is otherwise not helpful in evaluating the application; and
- D. Other minor changes for improved grammar, comprehension, accurate citations, and mailing addresses.

#### A. Additional Requested Items

The FR LL-10(e) requires additional information that was not included in Form H-(e). This includes information on filing requirements regarding an SLHC electing to be treated as, or engage in activities only permissible for, a financial holding company. This information is helpful in determining the permissibility of activities in which the resulting institution may engage and if other actions need to be taken by the applicant if the target institution is not well capitalized or well managed.

#### B. Clarification of Certain Information

The format of FR LL-10(e) has been changed to align with the format of other Board application forms (in particular the FR Y-3 which governs certain transactions involving the formation, merger, or acquisition of a bank or bank holding company). As a result, references to OTS practices and procedures have been replaced with references to Board and Federal Reserve practices and procedure. This includes a description of publication requirements under the Board's regulations and how to request confidential treatment for parts of the application.

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<sup>6</sup> The former OTS's regulation for SLHCs was codified at 12 CFR 574. Regulation LL sought to retain the substantive requirements of the OTS regulations with respect to formations and acquisitions while structuring the requirements similarly to Subpart B of Regulation Y and replacing OTS procedures with Board procedures. In addition, Regulation LL differs from the OTS regulations by incorporating control and controlling influence provisions that are very similar to those in Regulation Y.

In addition, many questions in the Form H-(e) have been replaced, revised, or clarified in the FR LL-10(e) to match the Board's format and content in the FR Y-3 for requesting this information. This includes information regarding:

- The transaction and its structure, including related documents such as merger agreements;
- Related regulatory filings;
- The financial resources of the transaction, including how the transaction is structured, current and pro forma financials, capital levels, funding source(s) for the transaction, issuance of any new debt/equity, and cash flow projections;
- The managerial resources of the transaction, including information on principals involved in the transaction;
- The effect on the convenience and needs of the community, information related to the Community Reinvestment Act, information regarding any litigation or investigation involving the applicant or any of its subsidiaries or the target or any of its subsidiaries during the past two years; and retention or establishment of new branches; and
- Competitive factors of the transaction.

C. Deletion of requested items in the Form H-(e). This includes information regarding:

- Certain securities filings related to the applicant;
- Federal, state, and local tax consequences of the transaction;
- Waivers obtained from other regulators;
- Fees, commission, and expenses paid to parties that are involved in the transaction;
- Background regarding the history of the applicant, including when it was formed; description of business activities of the applicant over the past three years, and whether applicant or any of its subsidiaries depend upon a single or a few customers for their business;
- Information on applications filed by the applicant with the agency over the past five years;
- Adverse trends on the subsidiaries' financial condition and operations;
- Special consideration payments to shareholders, directors, or officers as a result of the transaction;
- Previous acquisitions within the past two years;
- Commitments that the applicant or target has with community organizations;
- Alternative distribution methods to market product and services;
- Online banking services; and
- Voting trust agreements.

D. Other minor changes to the form include those to improve style, grammar, comprehension, and to provide accurate citations and addresses. These changes include:

- Renaming the form the FR LL-10(e) to reflect the Board's practice of naming Board forms after relevant regulations and statutes (e.g., FR Y-3 and FR Y-4);
- Replacing references to OTS regulations with references to the Board's Regulation LL;
- Adding information on the Board's public website; and

- Adding information on the Federal Reserve E-Apps electronic filing system.

### **Time Schedule for Information Collection**

The application submitted with this form is event generated and the data are not part of any published reporting series. All timeframes are generally dependent upon when the applicant chooses to enter into a transaction that requires an individual submission.

### **Legal Status**

The FR LL-10(e) is authorized pursuant to Section 10(b)(2) of the Home Owners' Loan Act (12 U.S.C. 1467a(b)) and is mandatory. The information on the FR LL-10(e) is not considered confidential unless the applicant requests confidential treatment pursuant to exemption 4 (confidential business information) or 6 (confidential personal information) of the Freedom of Information Act, 5 U.S.C. 552(b)(4) and (b)(6). All such requests for confidential treatment would be reviewed on a case-by-case basis.

### **Consultation Outside the Agency**

On November 30, 2018, the Board published a notice in the *Federal Register* (83 FR 61635) requesting public comment for 60 days on the extension, with revision, of the FR LL-10(e). The comment period for this notice expires on January 19, 2019.

### **Estimate of Respondent Burden**

The current annual reporting burden for the application is estimated to be 7,500 hours but would decrease to 900 hours. The average estimated hours per response would decrease from 500 hours to 60 hours. The decrease in the estimated time burden per response is partially attributable to a significant reduction in the information collected due to the proposed revisions to the FR LL-10(e), as noted above. However, the majority of this decrease is due to the Board's use for the first time of its own methodology for calculating the burden associated with the FR LL-10(e). The previous burden estimate was based on the calculation methodology used by the OTS to estimate the time burden associated with filing the Form H-(e). When the Board inherited the form from the OTS, the Board adopted the OTS's estimates for time burden per response, and has continued to use that estimate until now. In connection with this proposal, the Board has estimated the time burden per response using the same methodology that it uses for other applications that have similar requirements.<sup>7</sup> The Board does not have access to the methodology that the OTS used to calculate the estimated burden associated with filing Form H-(e), so it is not possible to state how the methodologies differ, or the reasons that the estimate using the Board's methodology differs significantly from that of the OTS.

The revised burden estimates are based on the number of applications and notifications, including post-consummation notices, received in 2016 and 2017. The reporting requirements of

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<sup>7</sup> Application to Become a Bank Holding Company and/or Acquire an Additional Bank or Bank Holding Company (FR Y-3; OMB No. 7100-0121) and the Notification by a Bank Holding Company to Acquire a Nonbank Company and/or Engage in Nonbanking Activities (FR Y-4; OMB No. 7100-0121).

these applications and notifications represent less than 1 percent of total Federal Reserve System paperwork burden.

<b>FR LL-10(e)</b>	<i>Number of respondents</i> <sup>8</sup>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Current	15	1	500	7,500
Proposed	15	1	60	<u>900</u>
<i>Change</i>				(6,600)

The total annual cost to the public for the FR LL-10(e) is estimated to be \$420,375 and would decrease to \$50,445.<sup>9</sup>

### **Sensitive Questions**

These collections of information contain no questions of a sensitive nature, as defined by OMB guidelines.

### **Estimate of Cost to the Federal Reserve System**

The information submitted in the applications is not automated. The cost to the Federal Reserve System of printing and mailing instructions is negligible.

<sup>8</sup> Of these respondents, 8 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/document/support-table-size-standards](http://www.sba.gov/document/support-table-size-standards).

<sup>9</sup> 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](http://www.bls.gov/news.release/ocwage.t01.htm). Occupations are defined using the BLS Occupational Classification System, [www.bls.gov/soc/](http://www.bls.gov/soc/).