

**Supporting Statement for the  
Notice of Mutual Holding Company Reorganization and  
the Application for Approval of a Minority Stock Issuance by a Savings Association  
Subsidiary of a Mutual Holding Company  
(Form 1522 and Form 1523; OMB No. 7100-0340)**

## **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 Notice of Mutual Holding Company Reorganization (Form 1522; OMB No. 7100-0340) and the Application for Approval of a Minority Stock Issuance by a Savings Association Subsidiary of a Mutual Holding Company (Form 1523; OMB No. 7100-0340). Any mutual savings association that wishes to reorganize to form a mutual holding company must submit a notice (Form 1522) to the Federal Reserve. The notice provides details of the reorganization plan, which is to be approved by the majority of the association's board of directors and any acquired association. Details of the reorganization plan should contain a complete description of all significant terms of the proposed reorganization, shall attach and incorporate any Stock Issuance Plan proposed in connection with the reorganization plan and comply with other informational requirements specified in 12 C.F.R. § 239.6.

Any savings association subsidiary or subsidiary holding company of a mutual holding company must file an application (Form 1523) for minority stock issuance. Minority stock issuances applications are required to provide the Federal Reserve with information to determine whether mutual holding companies and their subsidiaries are conducting insider abuse or unsafe and unsound practices.

The Federal Reserve intends to update and revise the Notice and Application to conform to Federal Reserve standards in the near future. The total annual reporting burden is estimated to be 1,450 hours.

## **Background and Justification**

A mutual holding company is a form of corporate organization that is owned by its members in the same manner that members own a mutual savings association. A member of a mutual holding company is any person who holds a deposit account at, or in some circumstances, has obtained a loan from, a savings association subsidiary of the mutual holding company that was in mutual form prior to the association's reorganization into or acquisition by the mutual holding company.

The purpose underlying many of the provisions on mutual holding companies has been to protect against actions by mutual holding company insiders (i.e., officers and directors) that may be abusive or otherwise detrimental to the interests of a mutual holding company's members. The specific information collections for which approval is requested are detailed below.

## **Description of Information Collection**

Form 1522 is used by a mutual savings association to apply to form a mutual holding company. These applications are reviewed under the procedures described in section 239.3 of subpart B of Regulation MM. Each application requires information on the proposed transaction, a formal Reorganization Plan, proxy statement(s) to be circulated to member of the Reorganizing Association for approval of the Reorganizing Plan, a business plan, the effect on the convenience and needs of the communities to be served, evidence of publication of the proposed transaction, financial information, managerial and capital information, and competitive information.

Form 1523 is used by a subsidiary holding company of a mutual holding company to issue stock to persons other than its mutual holding company parent. These applications are reviewed under the procedures described in section 239.24 of subpart C of Regulation MM. Each application requires information on the transaction, a Stock Issuance Plan, financial and capital information, the aggregate amount of outstanding common stock of the subsidiary holding company owned or controlled by persons other than the mutual holding company parent, and the proposed price or price range of the stock to be issued.

## **Time Schedule for Information Collection**

The applications submitted with these forms are event generated and the data are not part of any published reporting series. If the application meets established criteria to be processed on a delegated basis, the Reserve Bank or Secretary of the Board generally acts on the proposal within 30 calendar days of submission of the application. If the proposal does not meet the criteria for processing under delegated authority, the application will be processed for action by the Board. Such an application will generally be acted on within 60 calendar days of submission of the application, unless an applicant is notified that the processing period is being extended and informed of the reasons for the extension.

The Board follows the retention requirements for reports set forth on March 28, 2001, through agreement with the National Archives and Records Administration. Accordingly, Reserve Bank staff should retain report data for the current year plus the five prior years.

## **Legal Status**

Forms 1522 and 1523 are mandatory and authorized pursuant to section 10 of the Home Owners' Loan Act (HOLA). Section 10 of HOLA ("Regulations of holding companies") provides generally that "[t]he Board is authorized to issue such regulations...as the Board deems necessary or appropriate to enable the Board to administer and carry out the purposes of this section, and to require compliance therewith and prevent evasions thereof." (12 U.S.C. § 1467a(g)(1)). With respect to mutual holding companies, HOLA states that a mutual holding company "shall be subject to such regulations as the Board may prescribe." (12 U.S.C. § 1467a(o)(7)). Section 10 of HOLA also requires a savings and loan holding company to file "such reports as may be required by the Board" and provides that such reports "shall contain such information concerning the operations of such savings and loan holding company and its subsidiaries as the Board may require." (12 U.S.C. § 1467a(b)(2)).

The information on Forms 1522 and 1523 generally not considered confidential. However, the notificant or applicant may request confidential treatment for portions of these forms pursuant to exemption 4 of the Freedom of Information Act, 5 U.S.C. § 552(b)(4) if it believes disclosure of those portions would likely result in substantial competitive harm. All such requests for confidential treatment would need to be reviewed on a case-by-case basis and in response to a specific request for disclosure.

### Consultation Outside the Agency

On June 17 2015, the Federal Reserve published a notice in the *Federal Register* (80 FR 34641) requesting public comment for 60 days on the extension, without revision, of Form 1522 and Form 1523. The comment period for this notice expires on August 17, 2015.

### Estimate of Respondent Burden

The current annual reporting burden for these notices and applications is estimated to be 1,450 hours as shown in the following table. The average hours per response is estimated to be 400 hours for Form 1522 and 350 hours for Form 1523. Since 2010 the Federal Reserve has not received a Notice of Mutual Holding Company Reorganization. In order to provide a burden estimate to OMB, Federal Reserve estimates that one respondent per year will submit a notice to the Federal Reserve.<sup>1</sup> The annual burden for the these notices and applications reports represents less than 1 percent of total Federal Reserve System paperwork burden.

	<i>Number of respondents<sup>2</sup></i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Form 1522	1	1	400	400
Form 1523	3	1	350	<u>1,050</u>
<i>Total</i>				1,450

The cost to the public is estimated to be \$75,038 for these notices and applications.<sup>3</sup>

### Sensitive Questions

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

<sup>1</sup> Reports with fewer than 10 respondents per year are not subject to the Paperwork Reduction Act (PRA); however, because the reporting requirements pertain to all mutual holding companies, the proposal is processed following PRA procedures.

<sup>2</sup> Of these respondents, none are estimated to be small entities as defined by the Small Business Administration (i.e., entities with less than \$550 million in total assets) [www.sba.gov/content/table-small-business-size-standards](http://www.sba.gov/content/table-small-business-size-standards).

<sup>3</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 \$17, 45% Financial Managers at \$63, 15% Lawyers at \$64, and 10% Chief Executives at \$87). 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 2014, published March 25, 2015 <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/)

## **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.