



# "Federal Home Loan Bank Acquired Member Assets, Core Mission Activities, Investments and Advances"

OMB CONTROL NUMBER 2590-0008

## SUPPORTING STATEMENT

### A. JUSTIFICATION

#### 1. Circumstances Necessitating the Collection of Information

The Federal Home Loan Banks (Banks) are authorized under 12 CFR part 955 to acquire from their member financial institutions and non-member housing associates certain home mortgage loans and related assets, which are referred to as "Acquired Member Assets" or "AMA."<sup>1</sup> In conjunction with this authority, each Bank that acquires AMA is required by regulation to report to the Federal Housing Finance Agency (FHFA) certain data regarding each loan acquired, as specified in FHFA's Data Reporting Manual (DRM).<sup>2</sup> The DRM specifies 87 data elements that must be reported semi-annually for each new loan acquired, as well as 22 additional data elements that must be reported semi-annually for existing AMA loans or loan participations held in the Bank's portfolio. The DRM also requires that the Banks report aggregated AMA loan data on a quarterly basis. FHFA uses the collected loan-level and aggregated AMA data to monitor the safety and soundness of the Banks and the extent to which the Banks are fulfilling their statutory housing finance mission through their AMA programs.<sup>3</sup>

Since 2010, FHFA has published the previous calendar year's loan-level AMA data in an online public use database. The agency maintains this public use database in order to fulfill its duties under section 10(k) of the Federal Home Loan Bank Act (Bank Act), which requires that the Banks report to FHFA specified census tract-level data relating to purchased mortgages and that the agency make this data available to the public in a useful form.<sup>4</sup> At the time that Congress enacted section 10(k) in 2008, the Banks were already reporting most of the data referenced in that provision pursuant to the existing requirements of part 955 and the DRM. In order to implement fully the new statutory requirements, FHFA amended the DRM in September 2009 to require the Banks to report to FHFA six additional data elements relating to newly-acquired AMA loans (in addition to then-existing 81 data elements) beginning in February 2010.

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<sup>1</sup> See 12 CFR part 955. A "housing associate" is an entity that is not a member of a Bank, but which is permitted by law to engage in business with the Bank under certain circumstances.

<sup>2</sup> See 12 CFR § 955.4. The DRM is a compilation of FHFA reporting requirements that includes instructions, data definitions, and requirements concerning data elements, reporting format, reporting method (*e.g.*, electronic or paper), record retention, timeliness, reporting frequency, and certification. See 71 FR 35495 (June 21, 2006).

<sup>3</sup> See 12 U.S.C. § 4513(a)(1).

<sup>4</sup> See 12 U.S.C. § 1430(k).



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While each Bank that acquires or holds AMA loans must report both loan-level and aggregated AMA data directly to FHFA, the Bank initially must collect some of the underlying loan-level data from the member institution or housing associate from which the Bank acquires the loan (this is usually, but not always, the originator of the loan). The Bank typically collects the data for a particular AMA loan from the seller at the time the Bank agrees to acquire the loan. The Bank then uses this loan-level data to derive many of the other data elements that it is required to report to FHFA. For example, from the address of the property that secures the loan, a Bank is able to determine from publicly-available information the census tract code (and other similar geographic codes) for the property, as well as the median family income, and other data regarding the census tract or other defined geographic area. With this additional information, the Bank is also able to calculate various ratios, such as the ratio of the borrower's income to the area median family income, which it is required to report under the DRM. Finally, some of the loan-level data originates with the Bank itself, such as the name of the acquiring Bank, the unique loan number assigned to the acquired loan, and the AMA program under which the loan was acquired.

All but 8 to 10 of the data elements provided by the seller to the acquiring Bank are information that any purchaser of mortgage loans would require a seller to furnish in the ordinary course of business, even in the absence of any statutory or regulatory requirements. For example, the Bank must report, and the seller must therefore initially provide, data on: the location and type of the residential property securing the loan; the annual income and the debt-to-income ratio of the borrower and any co-borrowers; and the unpaid principal balance, term-to-maturity, interest rate, and type (*i.e.*, fixed- or adjustable-rate) of the loan. The remaining data that would not normally be exchanged in the ordinary course of business comprises information identifying the race, ethnicity, and gender of the borrower and any co-borrowers, which are items that the Banks are required to aggregate and report by census-tract to FHFA under section 10(k) of the Bank Act. It is these few items that comprise the actual information collection requirement to which Bank members and housing associates may be required to respond.

## **2. Use of Data**

FHFA uses this information collection to create a database and reporting infrastructure to monitor the safety of the Banks' investments and the extent to which the Banks are fulfilling their statutory housing finance mission through their AMA programs. This is part of FHFA's overall responsibility as the safety and soundness and mission supervisor of the Banks.<sup>5</sup> In addition, FHFA uses the information collection to create and maintain the public use database it is required to make available under section 10(k) of the Bank Act.<sup>6</sup>

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<sup>5</sup> See 12 U.S.C. § 4513(a)(1).

<sup>6</sup> This public use database is accessible at <http://www.fhfa.gov/Default.aspx?Page=304>.



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**3. Use of Information Technology**

In general, Bank members and housing associates initially gather the information manually as part of the mortgage loan origination process and enter it into an automated system. These institutions then provide the information to their district Bank in an electronic format when the loans are sold or transferred to the Bank, and the Bank provides it to FHFA through a secure electronic portal. By allowing the use of information technology, the reporting burden is greatly reduced.

**4. Efforts to Identify Duplication**

The loan-level data that respondents are required to provide to the acquiring Bank as part of this information collection cannot be obtained from any other source because it is information that is specific to the individual loans that are acquired by the Bank. However, the categories of loan-level information that the sellers of AMA loans are required to provide to the Banks under this information collection are similar to those that many depository institutions are required to report to their primary financial regulator under the Home Mortgage Loan Disclosure Act (HMDA).<sup>7</sup> The categories are also similar to those that institutions selling residential mortgage loans to Fannie Mae and Freddie Mac must provide to those entities. Accordingly, to the extent that Bank members and housing associates that sell AMA to a Bank also sell residential mortgage loans to Fannie Mae and Freddie Mac, or are depository institutions that must collect loan data under HMDA, these institutions can utilize substantially the same systems and processes for each collection.

**5. Impact on Small Entities**

The information collection does not have a significant economic impact on a substantial number of small entities.

**6. Consequences of Less Frequent Collection and Obstacles to Burden Reduction**

The Banks need to collect the underlying loan-level data from their members and housing associates in sufficient time to prepare their quarterly and semi-annual reports as required by the DRM. As discussed in Item #1, a Bank typically collects this information for each loan at the time it agrees to acquire the loan, along with the other data that the Bank requires in order to consummate the transaction. If the Banks did not report their aggregated data quarterly and their loan-level data semi-annually as specified in the DRM, FHFA would be unable to monitor effectively the extent to which the Banks are acquiring the mortgage loans in a safe and sound manner, and are fulfilling their statutory housing finance mission through their AMA programs.

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<sup>7</sup> 12 U.S.C. §§ 2801-2810.



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**7. Circumstances Requiring Special Information Collection**

There are no special circumstances that would require FHFA to conduct the information collection in a manner inconsistent with the guidelines provided in Item 7.

**8. Solicitation of Comments on Information Collection**

In accordance with the requirements of 5 CFR 1320.8(d), FHFA published a request for public comments regarding proposed changes to the AMA database and the burden estimates for this information collection in the *Federal Register* on August 7, 2012. *See* 77 FR 47069 (Aug. 7, 2012). The 60-day comment period closed on October 9, 2012. FHFA received no comments.

**9. Provision of Payments or Gifts to Respondents**

No payment or gift is provided to any respondent.

**10. Assurance of Confidentiality**

Section 10(k) of the Bank Act provides that FHFA may not provide public access to, or disclose to the public, any non-public proprietary or personally identifiable information required to be submitted to FHFA thereunder, unless the Director of FHFA determines that it is in the public interest to provide such information.<sup>8</sup> In order to comply with this provision and with the Privacy Act,<sup>9</sup> FHFA does not include in the public use database any information that would allow a person to identify the borrowers or property associated with a mortgage loan.

**11. Questions of a Sensitive Nature**

Information regarding the race, ethnicity and gender of borrowers and co-borrowers may be considered sensitive in nature. However, section 10(k) of the Bank Act requires that the Banks provide this information to FHFA to the extent that it is available.

**12. Estimates of the Hour Burden of the Information Collection**

The estimated annualized hour burden to Bank member and housing associate respondents is 4,000 hours. The estimated annualized cost to respondents is \$168,000. The burden calculations assume that an annual average of 48,000 AMA loans will be acquired by the Banks collectively for each of the next three years from a total of 640 selling institutions. These figures are consistent with the average number of AMA loans

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<sup>8</sup> *See* 12 U.S.C. § 1430(k)(2)(B).

<sup>9</sup> 5 U.S.C. § 552a.



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acquired annually and the average number of selling institutions during the period 2009-2011. The burden estimates are based on the following calculations:

Analyst for respondent enters data into loan report and submits report to the acquiring Bank:

- ◆ Data entry/submission time: 5 minutes per loan
- ◆ Total loans: 48,000 (640 respondents x 75 loans per respondent)
- ◆ Total hours: 4,000
- ◆ Hourly rate: \$42 (includes salary, benefits and overhead)
- ◆ Total cost: \$168,000

Total respondent burden:      Hours: 4,000              Cost: \$168,000

**13. Estimated Total Annualized Cost Burden to Respondents**

FHFA has not identified any costs to respondents other than the costs discussed in detail under Item 12 above.

**14. Estimated Cost to the Federal Government**

The estimated annualized cost to FHFA is \$41,280. The estimated annual hour burden is 544 hours. These estimates are based on the following calculations:

Staff Analyst/Economist reviews each data submission in detail to ensure compliance with the DRM and regulatory requirements and prepares reports.

- ◆ Review time: 15 hours per data submission
- ◆ Total submissions: 32 (8 Banks x 4 quarterly submissions)
- ◆ Total hours: 480 hours
- ◆ Hourly rate: \$70 (includes salary, benefits and overhead)
- ◆ Total cost: \$33,600

Senior management reviews reports.

- ◆ Review time: 2 hours per data submission
- ◆ Total submissions: 32 (8 Banks x 4 quarterly submissions)
- ◆ Total hours: 64 hours
- ◆ Hourly rate: \$120 (includes salary, benefits and overhead)
- ◆ Total cost: \$7,680

Total FHFA Burden:              Hours: 544              Cost: \$41,280



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**15. Reasons for Change in Burden**

For this cycle, FHFA has altered the approach to the burden calculations from that used for the 2009 approval to one that more accurately reflects the manner in which the information is collected from Bank members and housing associates. This has resulted in a reduction in the estimated hour burden imposed upon these respondents by this information collection from 36,000 hours in 2009 to the 4,000 hours that is reflected under Item #12 of this statement. The prior calculations were set up as though the Bank members and housing associates initially compile quarterly reports containing loan-level data and provide these reports to the Banks. As described under Item #1, the selling member or housing associate actually supplies the loan-level data to the acquiring Bank at the time that the Bank agrees to acquire the loan (usually done on a pool basis rather than on an individual loan basis), which may be at any point during a year. From this information, the Banks compile the semi-annual and quarterly reports required under the DRM. Thus, the burden calculation is based on an annual average total of 48,000 loans per year expected to be acquired by Banks having an AMA program.

In addition, FHFA has now excluded from the burden calculations the time necessary to record and transmit the loan-level data elements that any loan purchaser would require a seller to provide in the ordinary course of business because, while the DRM does require that this data be provided to FHFA, an acquiring Bank would still receive this data from the selling member or housing associate as part of the loan purchase transaction, regardless of any regulatory requirement to do so. Thus, for each loan, the calculations show a time burden of only 5 minutes per loan as necessary to record and transmit the additional HMDA-related that would not otherwise be collected in the ordinary course of business.

The total burden reported does not include burden on the Banks because they are instrumentalities of the United States.<sup>10</sup>

**16. Plans for Tabulation, Statistical Analysis and Publication**

As discussed under Items #1, 2 and 10, the loan-level data provided to FHFA by the Banks is made available to the public in unaltered form, except for the redaction of personally identifiable information, through FHFA's online public use database.

**17. If Seeking Approval to Not Display the Expiration Date for OMB Approval of the Information Collection, Explain the Reasons Why Display Would Be Inappropriate**

FHFA plans to display the expiration date for OMB approval.

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<sup>10</sup> See 44 U.S.C. 3502(3)(A)(i).



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**18. Explain Each Exception to the Topics of the Certification Statement Identified  
in “Certification for Paperwork Reduction Act Submission.”**

There are no exceptions to the certification statement identified in Item 18.

**B. COLLECTION OF INFORMATION EMPLOYING STATISTICAL  
METHODS**

This information collection does not employ statistical methods.