SUPPORTING STATEMENT
Overdraft Protection Survey
(new collection)

INTRODUCTION

The FDIC is requesting approval from the Office of Management and Budget (OMB) to collect data for a study of the overdraft protection products offered by insured financial institutions and the usage patterns among depositors in those institutions. One element of this study involves a collection of data from state-chartered nonmember financial institutions (FDIC-supervised banks). This data will be collected in two parts: a questionnaire from a sample of 500 FDIC-supervised banks, and an additional micro-data collection in which more detailed information will be collected from a subset of up to 100 of these banks. The survey questionnaire has 54 basic questions about each institution's overdraft protection programs. The banks will be asked to provide information to answer these questions for each type of overdraft protection program offered. There are up to 34 follow-up questions depending on the answers.

A. JUSTIFICATION

1. Circumstances and Need

As a bank regulatory agency, the Federal Deposit Insurance Corporation (FDIC) has responsibility for monitoring compliance with consumer protection laws and regulations for the banks that it supervises. Items such as checks and other debit transactions are frequently presented to depository institutions for payment from accounts that lack sufficient funds. Banks process these nonsufficient (NSF) items in widely different ways. However, in recent years, many new programs have been developed to automatically pay or reject NSF items and the resulting overdrafts. The FDIC has little systematic information about the features of overdraft protection programs and how the features are related to usage and the attendant accrual of fees. There is a need for more systematic information for future policy making decisions. This submission requests OMB approval to gather information about bank overdraft protection programs from a subset of FDIC-supervised banks.

2. Use of Information Collected

The FDIC will use the information outlined below to produce a study of overdraft protection programs offered by FDIC-supervised banks. These analyses are intended to inform policymakers and guide future policy decisions with respect to overdraft protection programs.

To permit a broad representation of overdraft protection policies, program features, and program performance for FDIC-supervised banks, the FDIC plans to gather information from 500 banks. To minimize burden on FDIC-supervised banks, the survey questionnaire will be administered by FDIC field staff.

To permit a statistical analysis of customers' use of bank overdraft protection programs, the FDIC plans to collect micro-data on account characteristics and NSF/overdraft transactions from a smaller subset of up to 100 banks from this group of 500.

While we intend to produce a research study to document overdraft policies, practices, and usage, no information about any specific bank or bank customers will be disclosed to the public.

3. Use of Technology to Reduce Burden

To minimize burden on respondents, the FDIC will use automated data collection techniques wherever possible. The FDIC anticipates that a majority of the FDIC-supervised banks (the subset of 100 banks) asked to supply micro-data for the study will be able to have their data vendors produce the micro-data files at a reasonable cost.

To reduce burden associated with this data collection effort, the FDIC also conducted a pilot project involving nine banks to identify the most effective means of collecting the information needed to study overdraft protection programs. The FDIC evaluated how banks keep electronic data pertaining to account characteristics and NSF/overdraft transactions and the quality of the information yielded by the survey questionnaire. As a result of the pilot, the FDIC substantially modified and streamlined both the micro-data request and the survey questionnaire.

4. Efforts to Identify Duplication

The information that we are requesting from FDIC-supervised banks about overdraft coverage programs is not duplicated elsewhere. This survey is a one-time data collection effort. The FDIC is not requesting clearance for any subsequent collection of information about bank overdraft protection programs.

5. Minimizing the Burden on Small Banks

The goal of our efforts to develop standardized computer programs to produce the micro-data being requested is to minimize the burden of the micro-data collections on the smaller banks. FDIC field staff will be trained on how to gather the information while minimizing the need for significant research by banks during the administration of the survey questionnaire.

6. Consequences of Less Frequent Collection

This is a one-time collection.

7. Special Circumstances

None.

8. Consultation with Persons Outside the FDIC

On August 16, 2006, the FDIC published a notice seeking comment for 60 days on the survey. In developing the overdraft protection survey proposal, the FDIC considered a range of potential information needs, particularly in the areas of overdraft program characteristics and operations, as well as account holder characteristics. At the same time, the FDIC was aware that any survey, including this proposed survey, can be burdensome on respondents, and that the burden associated with this survey should be kept to the absolute minimum needed to accomplish the goals discussed above. Fifteen comments were received. Eleven were from consumer advocacy groups and four submissions were from banking trade groups. In general, the consumer group responses supported the survey, citing that some overdraft protection programs have the potential to be among the most predatory of financial products and that the FDIC cannot address the comparable risks associated with overdrafts in a meaningful way without knowing how overdraft products are structured and why, the importance of overdraft fees in generating income, the suitability of the programs for intended users, and what credit alternatives to these programs are available. These groups also suggested that the FDIC expand the survey to emphasize additional areas, and asked that further consideration be given to amending Truth in Lending regulations.

The four bank trade groups were opposed to the survey, stating that the information was not needed as there were no specific problems needing supervisory action. The main concern raised was that the burden may be underestimated. Certain concerns also were raised stating that the data collected could be misleading when analyzed.

The FDIC carefully considered the comments in light of the need to collect the information, and, in response, made changes to the survey to clarify the information requested, expand certain areas to gather the appropriate breadth of information, rewrite certain questions to ensure that no qualitative judgments are surveyed, and amended the criteria describing banks eligible to provide the micro-data submission to exclude banks with unusual activities – such as mergers or acquisitions in 2006 – that would skew the activity results. A request for census tract location was also removed from the micro-data submission request as it was identified as a serious burden by the banking trade groups and during discussions with the pilot test banks. We also removed requests for overdraft lines of credit activity from the micro-data submission and made certain data requirements more flexible so banks can use internal coding rather than convert to the FDIC preferred coding.

In addition, the FDIC conducted a pilot test for this survey at nine banks in 2006. Detailed discussions with the managements of those banks along with the FDIC field staff administering the survey resulted in significant changes to the survey questionnaire, including reducing the overall number of questions, increasing the clarity of the questions, removing qualitative questions, and simplifying the questions seeking quantitative and historical information. In addition, working with the data processing personnel at each of the banks providing the micro-data submissions led to a reduction in the number of data fields requested and greater flexibility in how the information is documented. To enhance quality control, detailed training will be provided to the FDIC field staff administering the survey, and regular communication will be established with the banks that submit micro-data.

Pursuant to the Paperwork Reduction Act (PRA), the FDIC will publish a second Federal Register notice discussing the comments and advising the public that the collection has been submitted to OMB for review. The pilot test and its results are discussed below, in response to question B.4.

9. Payment or Gift to Respondents

No gifts will be given to respondents. However, where necessary, the FDIC is willing to consider reimbursement of some or all of the costs required to ensure the validity and reliability of the micro-data collection.

10. Confidentiality

No individual bank or customer information will be made available outside the FDIC, and no information will be collected that would enable the FDIC to identify individual bank customers. All identities of the respondent banks will remain confidential. No personally identifiable information pertaining to customers is being requested. Only general findings may be made public. A research paper is planned using an aggregate compilation of the survey data and discussing the issues; however, no information that could be used to discern the identities of participating banks or bank customers will be disclosed.

11. Information of a Sensitive Nature

The study conforms to privacy rules and does not request any information that could be used to identify individual bank customers, such as name, address, or account number. The FDIC is specifically requesting that such information be excluded.

12. Estimate of Annual Burden

This survey is a one-time effort. Estimate of burden is for the duration of the survey.

Survey questions: 500 respondents times 3 hours per = 1,500 hours.

Micro-data collection: 100 respondents (FDIC-supervised banks and/or service providers) times 40 to 100 hours with an average of 80 hours, for a total of 8,000 hours.

Total burden = 1,500 hours + 8,000 hours = 9,500 hours.

13. Capital, Start-up, and Operating Costs

There are no anticipated capital, start-up or operating costs.

14. Estimates of Annualized Cost to the Federal Government

This survey is a one-time project. The estimated cost to the FDIC is $500,000.

15. Reason for Change in Burden

This is a new, one-time collection. Therefore the entire burden increase associated with this request is a program change and is only for the duration of the survey.

16. Publication

It is the intent of the FDIC to publish only general findings of the study.

17. Exceptions to Expiration Date Display

None.

18. Exceptions to Certification

None.

B. STATISTICAL METHODS

1. Potential respondent universe (including a numerical estimate) and any sampling or other respondent selection methods to be used.

The universe of potential participants in the FDIC overdraft protection study includes all U.S. banks for which the FDIC is the primary supervisor. As of September 30, 2006, there were 5,237 FDIC-supervised banks, a number which includes both state chartered non-member commercial banks as well as state chartered savings banks.

The FDIC has designed sampling procedures to (a) minimize the reporting burden for these banks, (b) maximize the accuracy of the data being collected, and (c) maximize institution response rates. To accomplish these important objectives, the FDIC must accept some potential for sampling bias. We believe that the costs associated with this potential sampling bias are small, and that they are more than justified by the substantial benefits generated by this approach.

The FDIC field staff will administer the questionnaire. This will (a) reduce reporting burden by avoiding additional meetings with the banks; (b) increase the accuracy of survey responses by having an FDIC expert on-site complete the survey questionnaires; and (c) increase survey response rates. There are approximately 1,800 on-site visits regularly scheduled during any six-month period, and we will administer the survey to a stratified random sample of 500 banks during those six months. The strata will primarily be based on bank size and branch location (urban versus rural).

The FDIC will administer the micro-data collection to a non-random subsample of these 500 banks. We will proceed in two stages: First, we will identify up to 100 banks of different size, location and programs offered that can utilize standard programming software that is being researched/developed. The FDIC expects to receive useable data from most of these banks. Second, if the distribution of these banks (in terms of the bank size and location) is not representative of the 500 banks sampled, then the FDIC will identify additional banks to make this non-random sample more representative of the 500 randomly chosen banks to which we administered the written survey, not to exceed 100 banks.

	number of banks	expected response rate
universe of FDIC-supervised banks	5,327	--
banks with exams scheduled during a six-month window	approximately 1,800	--
random sample of banks administered the written survey	500	over 95 percent
non-random sample of banks administered the micro-data download	approximately 100	about 67 percent

2. Procedures for the collection of information.

   a) Statistical methodology for stratification and sample selection

      The FDIC will stratify the random sample of 500 banks by three asset sizes (assets less than $250 million; assets between $250 million and $1 billion; and assets over $1 billion) in proportion to the distribution of assets in the general population of FDIC-supervised banks.

The FDIC will also stratify our random sample of 500 banks by two location groups (banks in urban markets; banks in rural markets) in proportion to the distribution of banks in the general population of FDIC-supervised banks.

b) Estimation procedure

Regarding statistical inference, the 500-bank random sample (survey questionnaire data) has two potential limitations. First, the banks scheduled for on-site visits during any given six-month window may not be a truly random set of banks, and may reflect the economic and financial conditions prevailing for some period leading up to this six-month window. However, we believe that any bias resulting from this will not be significant. Second, because we only sample from FDIC-supervised banks, we cannot draw strong inferences from these data about banks primarily supervised by other agencies, such as national banks and state-chartered member banks.

Our smaller -- up to 100-bank sub-sample (micro-data downloads) -- is a non-random sample, and as such it will not be possible to draw statistical inferences from any bank-level analysis using these data. However, we expect that these downloads will provide very useful information about consumer usage and fee reliance on the various overdraft protection programs. The FDIC will state each of these potential limitations clearly in all presentations of our analysis using these data.

c) Degree of accuracy needed for the purpose described in the justification

The FDIC is taking steps to ensure that the degree of accuracy for both the on-site survey questionnaire and the micro-data submission is high. These steps include training key personnel in each FDIC Region so that there is a cadre of FDIC staff well-versed in the survey to coach field personnel; provide just-in-time training to FDIC staff assigned to conduct the on-site surveys; hold regular discussions with FDIC personnel, bankers, and IT servicers to answer any questions during the survey; and work in advance of conducting the study to develop standard base programming that provides consistent and accurate information.

Since the sample of 500 banks is being taken from the scheduled examination cycle (in order to reduce burden on the banks and enhance consistency in the responses), it is not a truly random sample from all 5,237 FDIC-supervised banks. The FDIC will make unbiased estimates for the sub-universe of the approximately 1,800 banks that will be examined during the six-month period. For those inferences, the FDIC will be able to estimate characteristics to within ± 5 percentage points (or less) with 95% confidence. The stratified random sample of 500 banks, assuming at least 90% response rate, will allow that degree of accuracy.

Regarding the overall value of the sample results, the FDIC believes that a sample of 500 banks will provide a reliable number of banks for each of the six sampling strata.

d) Unusual problems requiring specialized sampling procedures

   We do not anticipate any unusual problems requiring specialized sampling procedures beyond the techniques described above.

e) Any use of periodic (less frequent than annual) data collection cycles to reduce burden.

   The collection of survey responses and data is intended to be a one-time effort.

3. Methods to maximize response rates and to deal with issues of non-response.

   The FDIC intends to have the field staff administer the 500 surveys and is working to develop standard computer programs to keep data-gathering accurate and consistent with the micro-data submissions. The FDIC plans to conduct periodic telephone conferences with both FDIC field staff and bankers to help disseminate information on how to gather and submit the requested information. The pilot test in 2006 of nine FDIC-supervised banks helped refine the request and identify areas that were particularly burdensome. The FDIC conducted conference calls with FDIC field staff and bank staff during this test. The pilot test helped clarify and refine the language of the program information requested and helped select a smaller set of variables for our data request. Based on the pilot survey, the FDIC decided to pursue development of standard computer programs for the micro-data submission to reduce the burden and to improve the quality and accuracy of the data requested.

4. Description of all tests of procedures or methods to be undertaken.

   The pilot survey revealed that the FDIC should collect the survey results electronically in a format that is more standard than a spreadsheet of answers. For the micro-data submission, the FDIC utilized the 2006 pilot test to help better understand the computer systems used by banks for customer information and transaction information. We kept refining the fields in our data collection to keep the survey questionnaire data anonymous, properly linked with the micro-data submissions, and easy to generate from most bank systems. The data was tested for internal consistency and for our ability to construct statistics at the Census tract level. We minimized the amount of transaction information because of the volume of transactions encountered during our pilot test. We have reduced the data collection down to a level that we feel will give us the most useful information without too much burden.

5. Name and telephone number of individuals consulted on statistical aspects of the design and the name of the agency unit, contractor(s), grantee(s), or other person(s) who will actually collect and/or analyze the information for the agency.

   Patricia Cashman for collection and analysis: 202-898-6534
   Dave Chapman for statistical design: 202-898-7280
   Tim Critchfield for data collection: 202-898-8557

Katherine Samolyk for collection and analysis: 202-898-3655

Attachments

1. Draft survey instruments
2. “First” Federal Register notice; draft “second” Federal Register notice