

SUPPORTING STATEMENT  
Pilot Study of Small-Dollar Loan Programs  
(new collection)

INTRODUCTION

The Federal Deposit Insurance Corporation (FDIC) is requesting approval from the Office of Management and Budget (OMB) to collect data for a study of small-dollar, unsecured loan products offered by insured financial institutions. The initial phase of the proposed pilot study involves a one-time collection from insured financial institution applicants interested in participating in the study. The application would request specific information, as outlined below, on the applicant's existing or proposed small-dollar loan program. The second phase of the information collection involves quarterly reports by study participants for two years to evaluate the responsiveness of the programs to client needs and their cost effectiveness and to identify best practices.

A. JUSTIFICATION

1. Circumstances and Need

As a bank regulatory agency, with responsibility for monitoring compliance with consumer protection laws for the banks that it supervises, the FDIC has recently engaged in a number of outreach activities to encourage insured financial institutions to enhance financial services to underserved populations. These activities have included the banking initiative for responsible loans to members of the military; the establishment of regional alliances for economic inclusion; financial education through the FDIC's *Money Smart* program; and most recently, in June 2007, issuance of "Affordable Small-Dollar Loan Guidelines." The purpose of the guidelines was to encourage financial institutions to offer small-dollar loan products that are affordable, responsible and profitable, thereby providing a less expensive alternative to payday loans. In furtherance of the effort to encourage banks to offer such programs, the FDIC proposes to conduct a pilot study of small-dollar loan programs to demonstrate their feasibility and profitability and to identify best practices.

2. Use of Information Collected

The FDIC will use the information outlined below to produce a study of small-dollar loan programs offered by up to 40 FDIC-insured financial institutions. The objective of the study is to gather information from a few banks about the components of their small dollar loan programs and share it with other banks. The FDIC will identify the characteristics of small-dollar loan programs offered by the pilot study participants, including anecdotal information on business models for banks, the degree to which customers of such programs migrate into other banking products, and the extent to which a savings component results in increased savings. The study will increase awareness within the banking industry of the elements of

some successful small dollar loan programs. Publication of the study results will make it clear that the FDIC does not endorse any particular small dollar loan program. Any published results will also be transparent as to the number of participants and will not be used to generalize with respect to the attributes of small dollar loan programs offered by non-participant institutions.

3. Use of Technology to Reduce Burden

To minimize burden on respondents, the FDIC will use its existing *FDICconnect* electronic data collection system.

4. Efforts to Identify Duplication

The information that we are requesting from participating institutions about small dollar lending programs is not duplicated elsewhere. The study will be conducted quarterly, fifteen days after the deadline for banks to file their mandatory Call Reports and will build on that data.

5. Minimizing the Burden on Small Banks

By using *FDICconnect*, a secure internet interface with the banks, and developing standard questionnaires, we will minimize the burden of the micro-data collections on the smaller banks volunteering to participate in the study. FDIC staff will be trained on how to gather the information while minimizing the need for significant research by banks during the administration of the questionnaire.

6. Consequences of Less Frequent Collection

The application to participate in the study is a one-time collection. The quarterly reporting requirement over a two-year period will allow us to monitor the profitability and long-term effects of affordable loan products by showing whether consumers migrate to other banking products, maintain their savings accounts, and if they continue to rely on high-cost alternative loan sources. It is anticipated that much of the data collected will be already gathered by banks for their internal analyses.

7. Special Circumstances

None.

8. Consultation with Persons Outside the FDIC

The proposal for the pilot study was presented by FDIC Advisory Committee on Economic Inclusion (Committee) at its meeting held on March 28, 2007. The Committee, members of which represent a cross-section of interests from the federal government, the banking industry, state regulatory authorities, consumer or

public advocacy organizations, and community-based groups, weighed in on the proposal and provided its recommendations for proceeding with the study. The FDIC also sought and received feedback from several bank trade associations in its development of the study proposal.

On June 7, 2007, the FDIC published a *Federal Register* notice seeking comment for 60 days on the pilot study (72 FR 31579). No comments were received in response to the notice. Pursuant to the Paperwork Reduction Act (PRA), the FDIC will publish a second Federal Register notice, with a 30-day comment period, advising the public that the collection has been submitted to OMB for review.

9. Payment or Gift to Respondents

No gifts will be given to respondents.

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. No personally identifiable information pertaining to customers is being requested. Only general findings may be made public. A pilot study report is planned using an aggregate compilation of the study data and discussing various small-dollar program elements; 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.

12. Estimate of Annual Burden

The pilot study application is a one-time collection; the small-dollar loan program evaluation is a quarterly information collection for a two-year period. The estimated annual burden is as follows:

Pilot Study Application: 40 respondents times 2 hours per respondent = 80 hours.

Program Evaluation Reports: 40 respondents times 5 hours per respondent times 4 (quarterly) = 800 hours.

Total annual burden = 80 hours + 800 hours = 880 hours. Total burden = 1680 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

The estimated cost to the FDIC is \$50,000.

15. Reason for Change in Burden

This is a new information collection. Therefore the entire burden increase associated with this request is a program change.

16. Publication

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

17. Exceptions to Expiration Date Display

None.

18. Exceptions to Certification

None.

B. Statistical Methods

Not Applicable.

Attachments

1. Draft application and quarterly program evaluation report.
2. “First” Federal Register notice; draft “second” Federal Register notice.