

**Supporting Statement for  
Consumer Protection Surveys  
(FR 3053; OMB No. 7100-to be assigned)**

**Summary**

The Board of Governors of the Federal Reserve System, under delegated authority from the Office of Management and Budget (OMB), proposes to implement the Consumer Protection Surveys (FR 3053; OMB No. 7100-to be assigned). The Federal Reserve would use this event-driven survey to obtain information specifically tailored to the Federal Reserve's supervisory, regulatory, operational, informational, and other responsibilities. The Federal Reserve proposes to conduct the FR 3053 up to 20 times per year, although the survey may not be conducted that frequently. The frequency and content of the questions would depend on changing economic, regulatory, or legislative developments as well as changes in the financial services industry itself. Respondents would comprise individuals, households, and financial and non-financial businesses. The annual burden is estimated to be 6,550 hours, based on six studies: three quarterly consumer-focused, one quarterly financial institution study, and two semi-annual stakeholder-focused studies.

The studies would be used to gather qualitative and quantitative information directly from: consumers (consumer studies), financial institutions and other financial companies offering consumer financial products and services (financial institution study), and other stakeholders, such as state or local agencies, community development organizations, brokers, appraisers, settlement agents, software vendors, and consumer groups (stakeholder studies).

**Background and Justification**

Congress has assigned the Federal Reserve the duty of implementing many consumer protection laws to ensure that consumers receive comprehensive information and fair treatment. The Federal Reserve is responsible for drafting regulations and interpretations to carry out the purposes of these consumer protection laws. Among the Federal Reserve's responsibilities in this area are

- writing and interpreting regulations to implement federal laws that protect and inform consumers,
- supervising banks and non-bank subsidiaries of bank holding companies (BHCs) to ensure compliance with the regulations,
- investigating complaints from the public about state member banks' and non-bank subsidiaries of BHCs' compliance with regulations,
- promoting community development in historically underserved markets, and
- conducting consumer research and testing and promoting consumer education.

These studies would be used in support of the Federal Reserve's development and implementation of regulatory revisions, supporting consumer information, and monitoring

financial service providers.

The Federal Reserve seeks to develop and implement consumer protection policies and regulations based on information garnered from consumers, industry, and others that would enable consumers to make more educated financial decisions based on obtaining sound information and a clear understanding of how to use that information to better meet their personal needs. Direct information about consumer knowledge, sources of information and advice, and use of disclosure materials would best be obtained through studies of consumers, financial institutions, and other stakeholders described above.

The Federal Reserve has a long history of conducting surveys, including those of financial institutions and their senior officers, individual consumers and households, businesses (both small and large), and military personnel. Often the surveys have provided the only reliable source of information relevant to the motivation for the survey. Although these surveys have been driven by specific needs of the Federal Reserve, their findings have also been used extensively by researchers outside the Federal Reserve System and have been widely cited by the media.

The Federal Reserve also has a reputation for developing disclosures through consumer testing and continues to involve consumers in the development, design, and validation of consumer information materials and resources. Similarly, it is desirable to involve stakeholders – housing counselors and educators, for example – in the design and development of effective consumer information and education materials.

Many functional areas within Federal Reserve have occasional need to gather data on a timely basis from the public on their economic condition and financial relationships and their attitudes, perceptions, and expectations. These data may be particularly needed in times of critical economic or regulatory changes or when issues of immediate concern arise from Federal Reserve initiatives and working groups or requests from the Congress.

### **Description of Information Collection**

The Federal Reserve proposes to conduct various versions of the Consumer Protection Surveys during the year, as needed, to collect information on specific issues that affect its decision making. The survey's principal value would be the flexibility it provides the Federal Reserve to respond quickly to the need for data due to unanticipated economic, financial, or regulatory developments and unforeseen Congressional requests for information. The Federal Reserve cannot predict what specific information would be needed but, because such needs are generally very time sensitive, is requesting approval to conduct the Consumer Protection Surveys as needed. They could conduct up to 12 consumer-focused surveys, four financial institution surveys, and four stakeholder-focused surveys annually, although information may not be needed that frequently.

The survey topics discussed with the respondents would be time sensitive and the questions of interest would vary with the focus of the survey. Because the relevant questions would change with each survey, there would be no fixed reporting form. For each survey, the Federal Reserve would prepare questions of specific topical interest. The Federal Reserve would then determine the relevant target group to contact.

The FR 3053 could take the form of interviewer-mediated face-to-face or telephone interviews; self-administered interviews administered on paper, the telephone, or the Internet; controlled experiments; focus group discussions; cognitive interviews; or other formal or less formal formats. The size of the samples and the length of the data collection period would vary depending on the particular informational needs.

Written qualitative questions or questionnaires might include categorical questions, yes-no questions, ordinal questions, and open-ended questions. Written quantitative surveys would include dollar amounts, percentages, numbers of items, interest rates, and other such information; adequate data of this sort would not be available from any other source. Federal Reserve would review any information to be collected on a case-by-case basis to determine if the information is available by other means or sources. Less formal information collection studies, such as focus groups or cognitive interviews, would use a set of structured qualitative and quantitative questions as a guide to more extended discussion of the questions and answers.

Written quantitative surveys would enable the Federal Reserve to collect a limited amount of data from a defined set of consumers, financial institutions, stakeholders, or related entities in the event of an immediate and critical need for specific information. These data would not be collected on any other reporting form or on the same frequency as other substantively similar data.<sup>1</sup>

The FR 3053 could be conducted through a private firm, which would be chosen in a competitive bidding process or other acceptable negotiated process.<sup>2</sup> The research instruments could be developed by the Federal Reserve alone or jointly with the firm selected by the Federal Reserve. As necessary, the firm would be responsible for testing the survey procedures, following the sampling protocol established by the Federal Reserve, conducting the survey as specified by the Federal Reserve, preparing data files containing the responses, computing analysis weights, and documenting all survey procedures. Data editing and analysis of the results would be conducted either solely by the Federal Reserve or jointly with the firm.

For surveys of financial institutions, much of the information would be obtained via written surveys because (1) data are maintained in general ledger systems and may not be readily

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1 Studies to Develop and Test Consumer Regulatory Disclosures (FR 1380; OMB No. 7100-0312) and Ongoing Intermittent Survey of Households (FR 3016; OMB No. 7100-0150)

2 Firms used by the Federal Reserve to conduct past surveys include the University of Michigan's Survey Research Center (SRC), NORC (a social science and survey research organization at the University of Chicago), MacroInternational, Inc. in Calvert, MD, and Rockbridge and Associates in Great Falls, VA.

available or (2) the data may be maintained by different operational areas of the financial institution, requiring input from multiple individuals.

Topics covered by the FR 3053 may include:

For consumers

- ability to notice, comprehend, and use disclosures,
- ability to comprehend terms of credit or account agreements,
- preferences about the delivery of information (content, format, timing, and method),
- comprehension of particular deliveries of information (electronic and paper media),
- abilities to use a particular method of delivery, such as web-based disclosures, and
- skills and practices in searching, shopping, and negotiating for credit or other financial products.

For financial institutions and stakeholders

- effect of disclosure, marketing, advertising, and sales practices of the mortgage, consumer credit, and other relevant financial services industries,
- effect of disclosure, marketing, advertising, and sales practices of other financial services or products sold by banks,
- terms of credit or account agreements,
- influence of the Community Reinvestment Act (Reg BB; CRA) and fair lending regulations on the financial institution's involvement in lending and community development, and
- effect of marketing and other industry practices on the availability and price of credit to consumers of different races, ethnicities, genders, incomes, and geographic locations.

If this information collection is approved, the first proposed study would focus primarily on consumer financial capability and competency, using a random-sample Internet survey to gather data to compare with the Federal Reserve Board's 2001 Financial Literacy survey. Selected benchmark questions would be included to allow comparisons with other national and international financial capability studies.

### **Time Schedule for Information Collection and Publication**

The time schedules for the distribution of, response to, and collection of data for each survey would be determined during the planning phase prior to the distribution of the survey instrument. The Federal Reserve Board would choose whether to publish the data that it obtains from respondents. Survey information may be cited in published material such as Federal Reserve studies or working papers, professional journals, the *Federal Reserve Bulletin*, testimony and reports to the Congress, or other vehicles.

### **Legal Status**

The Board's Legal Division has determined that these surveys are authorized pursuant to the:

- Home Mortgage Disclosure Act, Section 305 (12 U.S.C. § 2804(a));
- Community Reinvestment Act, Section 806 (12 U.S.C. § 2905);
- Competitive Equality Banking Act, Section 1204 (12 U.S.C. § 3806);
- Expedited Funds Availability Act, Section 609 (12 U.S.C. § 4008);
- Truth in Saving Act, Section 269 (12 U.S.C. § 4308);
- Federal Trade Commission Act, Section 18(f) (15 U.S.C. § 57a(f));
- Truth in Lending Act, Section 105 (15 U.S.C. § 1604);
- Mortgage Disclosure Improvement Act, Sections 2501 through 2503 of the Housing and Economic Recovery Act of 2008 (15 U.S.C. 1638(b)(2));
- Higher Education Opportunity Act of 2008, Section 1021(a) (15 U.S.C. § 1638(e)(5));
- Consumer Leasing Act of 1976, Section 187(15 U.S.C. § 1667f)
- Fair Credit Reporting Act, Section 621 (15 U.S.C. § 1681s(e));
- Equal Credit Opportunity Act, Section 703 (15 U.S.C. § 1691b(a));
- Electronic Funds Transfer Act, Section 904 (15 U.S.C. § 1693b);
- Gramm-Leach-Bliley Act, Section 504 (15 U.S.C. § 6804); and
- Flood Disaster Protections Act of 1973, Section 102 (42 U.S.C. § 4012a).

Respondent participation in these surveys is voluntary. The ability of the Federal Reserve to maintain the confidentiality of information provided by respondents to the FR 3053 surveys will be determined on a case-by-case basis depending on the type of information provided for a particular survey. Depending upon the survey questions, confidential treatment could be warranted under the Freedom of Information Act. 5 U.S.C. § 552(b)(4) and (6).

### **Consultation Outside of the Agency and Discussion of Public Comments**

There has been no consultation outside the Federal Reserve System; however, surveys and studies could be conducted jointly with other agencies. If this were to occur, the Federal Reserve would consult with other agencies, to the extent practicable, to create a consistent set of questions or a substantively similar information collection. On July 16, 2009, the Federal Reserve published a notice in the *Federal Register* (74 FR 34577) requesting public comment for 60 days on the proposed FR 3053 information collection. The comment period for this notice expired on September 14, 2009. The Federal Reserve did not receive any comments. On September 25, 2009, the Federal Reserve published a final notice in the *Federal Register* (74 FR 48967). The FR 3052 will be implemented as proposed.

## Sensitive Questions

Household respondents might be asked to identify the age and gender of individual family members; information on race, if needed, would be collected under guidelines issued by the OMB. Such information might be needed in a survey in order to analyze the demographic aspects of consumer finances or businesses (particularly small businesses).

## Estimate of Respondent Burden

The burden for the proposed FR 3053 survey is estimated to be 6,550 hours annually as shown in the following table. Because the survey would be event generated, it is not possible to predict exactly how many surveys would be conducted in a given year. It is anticipated that the information collection would involve as many as 20 surveys. The burden estimates shown in the table below are based on the average number of responses anticipated. This represents less than 1 percent of total Federal Reserve System annual paperwork burden.

	<i>Estimated number of respondents</i>	<i>Estimated annual frequency</i>	<i>Estimated average time per response</i>	<i>Estimated annual burden hours</i>
<i>Consumer studies:</i>				
Quantitative and general studies	2000	4	.5 hours	4,000
Financial institution consumers	500	4	.5 hours	1,000
Qualitative studies	100	4	1.5 hours	<u>600</u>
				5,600
<i>Financial institution study:</i>				
Financial institution staff	25	4	1.5 hours	<u>150</u>
				150
<i>Stakeholder studies:</i>				
Stakeholder clientele	500	2	.5 hours	500
Stakeholder staff	100	2	1.5 hours	<u>300</u>
				800
<i>Total</i>				6,550

Based on a rate of \$20 per hour for consumer participation, the proposed estimated cost to the consumers for survey participation is \$112,000. Based on the formula provided in footnote 3 the

proposed estimated cost for industry participants is \$58,568. The total proposed cost to consumers and the industry is estimated to be \$170,568.<sup>3</sup>

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

The Federal Reserve would incur costs in terms of staff time for development and analysis, contractual services for a firm to implement the data collection portion of the study, and any payment or gift made to respondents for the sole purpose of increasing response rates. The total cost to the Federal Reserve System for this information collection over the three-year period is estimated to be approximately \$1.5 million, based on an estimate of a similar study.<sup>4</sup>

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<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 rate (30% Administrative or Junior Analyst @ \$25, 45% Managerial or Technical @ \$55, 15% Senior Management @ \$100, and 10% Legal Counsel @ \$144). Hourly rate estimates for each occupational group are averages using data from the Bureau of Labor and Statistics (BLS), Occupational Employment and Wages 2007, <http://www.bls.gov/news.release/ocwage.nr0.htm>. Occupations are defined using the BLS Occupational Classification System, <http://www.bls.gov/soc/>. The average consumer cost of \$20 is estimated using data from the BLS Economic News Release (Table B-3. Average hourly and weekly earnings of production and nonsupervisory workers (1) on private nonfarm payrolls by industry sector and selected industry detail). <http://www.bls.gov/news.release/empsit.t16.htm>

<sup>4</sup> Cost estimate is based on the Design and Testing of Truth in Lending Act Mortgage Disclosures, a similar yet smaller study, where costs over a three year period are estimated to be \$900,000.