

**Supporting Statement for the
Ongoing Intermittent Survey of Households
(FR 3016; OMB No. 7100-0150)**

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, with revision, the Ongoing Intermittent Survey of Households (FR 3016; OMB No. 7100-0150). The Federal Reserve uses this voluntary survey to obtain household-based information specifically tailored to the Federal Reserve's policy, regulatory, and operational responsibilities. Currently, the University of Michigan's Survey Research Center (SRC) includes survey questions on behalf of the Federal Reserve in an addendum to their regular monthly Survey of Consumer Attitudes and Expectations. The SRC conducts the survey by telephone with a sample of 500 households and asks questions of special interest to the Federal Reserve Board intermittently, as needed.

The frequency and content of the questions depend on changing economic, regulatory, and legislative developments. The Federal Reserve primarily uses the survey to study consumer financial decisions, attitudes, and payment behavior. The Federal Reserve proposes to revise its portion of the FR 3016 by decreasing the number of SRC surveys that would be conducted per year from four to two. This decrease is due to the Division of Consumer and Community Affairs (DCCA)'s restructuring of its research function as a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank).¹ The current annual burden for the FR 3016 is 683 hours and is estimated to decrease to 633 hours.

Background and Justification

Many functional areas of the Federal Reserve need to gather data on a timely basis from consumers on their financial attitudes and decisions. These data are needed to address issues of immediate concern arising from Federal Reserve committee initiatives and working groups, economic developments or requests from the Congress. It is not always feasible to propose a survey and wait for the completion of the 60-day public comment period and the remainder of the clearance process to obtain timely and accurate data. The Federal Reserve has no other information collection that supplies these data.

In the subject areas covered by past surveys and future proposed surveys, much of the information needs to be obtained via a survey of individual households, either because (1) personal attitudes or opinions are sought or (2) the desired information is not, or could not be, systematically compiled by financial institutions. In several instances, the surveys have provided the only reliable source of information about developing events in the financial markets. The findings of the surveys have been widely used in the press and extensively by researchers outside the Federal Reserve System.

¹ Pub.L. 111-203, H.R. 4173.

Division of Research and Statistics

The Ongoing Intermittent Survey of Households was initiated in 1981 by the Division of Research and Statistics (R&S). Over the past 29 years, the survey data have helped the Federal Reserve understand consumer credit markets and consumer behavior. The Federal Reserve has used the data to meet the current analysis needs of the Federal Reserve Board, to respond to mandates from the Congress, to prepare academic research papers, and to provide information to the public.

To help meet current analysis needs, R&S sponsors monthly questions on household expectations of future changes in inflation and house prices. R&S is currently sponsoring ongoing questions on home mortgage refinancing three times a year and on automobile financing four times a year. Recently, R&S sponsored two modules designed to measure the response of household consumption to the 2008 economic stimulus payments and to the 2009 tax credit and stimulus payments to retirees and other specified groups. In the past, R&S has also sponsored questions on home purchase behavior, the rate of return households expect to receive on their stock portfolios, and other topics. Analyses based on these data are released to the public through *Federal Reserve Bulletin* articles, speeches and testimony, and academic research papers.

R&S also sponsors questions periodically in response to requests from Congress. In 2004, R&S sponsored surveys on consumer knowledge of and attitudes toward prescreened credit card offers, privacy notices, debit card fees, and credit card disclosures. The data helped the Federal Reserve analyze issues raised by the Fair and Accurate Credit Transaction Act of 2003, the Gramm-Leach-Bliley Act (GLB Act), the Truth in Lending Act, and Regulation Z. In addition, the data contributed to the Federal Reserve Board's ongoing research and policy work on the payments industry. The Federal Reserve anticipates an ongoing need to sponsor modules in response to Congressional requests.

Division of Consumer and Community Affairs

DCCA entered into its own contract with the SRC for use of the Survey of Households in 1995. The survey results have contributed to a better understanding of consumer credit markets and consumer behavior. The questions have investigated timely subjects relating to the Federal Reserve's responsibilities for consumer credit, financial services, and consumer leasing. Topics covered in past surveys include consumers' use of electronic banking services (October and November 1999; June and July 2003; and November and December 2006), consumers' response to privacy notices under the GLB Act (December 2004), and consumers' use of store-value cards (March and April 2005). In the fall of 2010, DCCA repeated the 2004 questions on privacy related to the GLB Act, initially collected by the Federal Reserve.

Survey data on these topics have been used by the Federal Reserve to respond to information requests by the Congress and the Federal Reserve's Consumer Advisory Council, to verify trends in potentially problematic banking practices, to provide information to the Federal

Reserve as they conduct reviews of its regulations, and to prepare Federal Reserve reports and testimony for the Congress.

Other Divisions

From time to time other divisions may need to conduct similar surveys. If these surveys are conducted by vendors other than SRC, they would be contracted for separately. The Division of Reserve Bank Operations and Payment Systems (RBOPS) and other divisions may conduct surveys that would cover a broad range of topics. For example, a survey on consumer retail payments might document current patterns of consumer retail payment use and also help to examine the determinants of payment choice.

These surveys would be designed to meet three goals to document current patterns of consumer retail payment use, to determine consumer attitudes toward different types of retail payment instruments, and to examine the determinants of payment choice. The proposed areas of inquiry would include the characteristics of different types of payment transactions (for example, cash, check, debit card, credit card, and Automated Clearing House transactions) as well as the financial characteristics of households and certain types of household accounts. The Federal Reserve Board cannot anticipate what information will be needed, and the need for information may be time-critical. General approval is sought to conduct the surveys as needed.

Description of the Information Collection

For each monthly SRC survey conducted the SRC staff samples approximately 500 households from the universe of all private households in the coterminous United States. The sample is designed to be representative of the national population of households. The SRC staff conducts the interviews by telephone and respondent participation is voluntary. If the staff cannot obtain interviews with selected respondents, they select replacement respondents until they complete approximately 500 interviews. The Federal Reserve Board drafts and edits the questions in consultation with the SRC personnel. The SRC conducts a field pretest of the questions; however, the Federal Reserve is charged only for the time used on the actual survey.

The survey includes questions about inflation and house prices expectations monthly and includes questions of special interest to the Federal Reserve Board intermittently, when needed, as additions to the SRC's regular survey format. These questions relate to various aspects of consumer financial behavior and the impact of regulations affecting consumer financial services. Other questions cover consumer retail, depository institution, and corporate retail payment systems usage, processing, and technology.

It is difficult to determine in advance the specific number of times the Federal Reserve Board will ask the SRC to obtain survey data since the need for data often arises from unpredictable legislative and economic developments, or from unforeseen congressional requests for information. In the past, the Federal Reserve has participated in about six SRC surveys each year in addition to the standard R&S inflation and house price expectation questions. Although the Federal Reserve Board plans some surveys well in advance, the survey's principal value is

the flexibility it provides the Federal Reserve Board to respond quickly to changing economic, legislative, and regulatory developments.

Proposed Revision

DCCA proposes to revise their portion of the FR 3016 by decreasing the number of SRC surveys that would be conducted in 2011 from four to two surveys. As a result of Dodd-Frank, DCCA would decrease their participation in SRC surveys in order to focus on consumer testing under other Federal Reserve authorizations. In addition, as DCCA reshapes its research focus through their new responsibilities, the division is considering other approaches to surveys. For example, DCCA may enter into contracts with private firms that would provide random-sample internet panels. These surveys allow DCCA to show consumers a disclosure or a publication and solicit their feedback.

Non-SRC Surveys

Beginning in 2004, the Federal Reserve conducted other consumer and household surveys as needed not more than twice a year. These surveys were conducted as one-on-one interviews or focus group sessions. Experience has shown that focused discussions of twelve to fifteen respondents are most productive. For example, topics related to personal finance choices including, the quality, format, and understanding of the disclosures received from a financial institution about those product choices, can be better addressed in small focus group discussions. The goal for such focused discussions would be to identify what issues consumers want addressed and how they would like to receive this information. The Federal Reserve would work with the appropriate stakeholders to recruit small groups of consumers to serve as voluntary respondents. The Federal Reserve estimates these discussions may take up to 90 minutes.

Time Schedule for Information Collection and Publication

Under its current contract, the Federal Reserve Board can ask the SRC to obtain survey data as often as monthly; however, there may be months when no survey data are collected for the Federal Reserve. When a survey is conducted for the Federal Reserve, the SRC staff codes and edits the interview responses and then transmits the data via email or the University's secure website to Federal Reserve Board, who tabulates and analyzes the data.

The Federal Reserve Board does not publish the survey data that it obtains from the SRC. Survey information is frequently cited, however, in published material such as professional journals, the *Federal Reserve Bulletin*, and testimony and reports to the Congress. Under the terms of the contract, the SRC routinely places individual respondent data, stripped of names and other characteristics that would permit personal identification of respondents, in the public domain one year after collection. The time schedule and publication of data collected from surveys, other than those conducted by the SRC, would be detailed in the individual contract documents.

Legal Status

The Federal Reserve Board's has determined that the FR 3016 is authorized by the Federal Reserve Act (12 U.S.C. § 225a, 263) and the Securities Exchange Act of 1934 (15 U.S.C. § 1691b) and that respondent participation in the SRC survey is voluntary. No issue of confidentiality normally arises because names and any other characteristics that would permit personal identification of respondents are not reported to the Federal Reserve Board. However, exemption 6 of the Freedom of Information Act (5 U.S.C. § 552(b)(6)) would exempt this information from disclosure.

Consultation Outside the Agency

On November 19, 2010, the Federal Reserve published a notice in the *Federal Register* (75 FR 70919) requesting public comment for 60 days on the extension, with revision, of the Ongoing Intermittent Survey of Households. The comment period for this notice expired on January 18, 2011. The Federal Reserve did not receive any comments; the revisions will be implemented as proposed. On February 1, 2011 the Federal Reserve published a final notice in the *Federal Register* (76 FR 5590).

Sensitive Questions

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

Estimate of Respondent Burden

The current annual respondent burden for the Federal Reserve's portion of the surveys to be conducted by the SRC is estimated to be 383 hours. The Federal Reserve proposes to decrease the total annual respondent burden for the SRC surveys to 333 hours, attributed to the reduction in the number of SRC surveys that DCCA would conduct per year. The burden allocated for participation in SRC surveys by the other divisions would remain unchanged. The total proposed annual burden for the FR 3016 would decrease by 50 hours from 683 to 633 hours.

The following table shows estimates of current and proposed annual respondent burden. These estimates are based on the recent experiences of R&S, DCCA and other divisions. In total, the divisions anticipate fielding 17 SRC survey and 2 non-SRC survey components per year, although actual usage will depend on the divisions' needs. However, the total estimated burden hours will not exceed the amount budgeted. The estimated annual burden for the FR 3016 represents less than 1 percent of total Federal Reserve System paperwork burden.

	<i>Number of respondents</i>	<i>Annual frequency</i>	<i>Estimated average minutes per response</i>	<i>Estimated annual burden hours</i>
Current				
R&S	500	12	1.58 minutes	158
DCCA	500	4	3 minutes	100
Other divisions	500	3	5 minutes	<u>125</u>
<i>Subtotal</i>				383
Non-SRC surveys	100	2	90 minutes	<u>300</u>
				683
Proposed				
R&S	500	12	1.58 minutes	158
DCCA	500	2	3 minutes	50
Other divisions	500	3	5 minutes	<u>125</u>
<i>Subtotal</i>				333
Non-SRC surveys	100	2	90 minutes	<u>300</u>
<i>Total</i>				633
<i>Difference</i>				-50

The total cost to Federal Reserve respondents is estimated to decrease by \$2,105 from \$28,754 to \$26,649.²

Estimate of Cost to the Federal Reserve System

Division of Research and Statistics

The contract between the SRC and R&S commits the Federal Reserve Board to purchase 12 minutes of interview time per year. Under the 2011 R&S contract, the cost per minute is estimated to be \$5,211, for a minimum annual expenditure of \$62,532. The purchase of interview time for subsequent years would require Federal Reserve Board approval through normal budget procedures.

² 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% Office & Administrative Support @ \$16, 45% Financial Managers @ \$48, 15% Legal Counsel @ \$54, and 10% Chief Executives @ \$76). Hourly rate for each occupational group are the median hourly wages (rounded up) from the Bureau of Labor and Statistics (BLS), Occupational Employment and Wages 2008, www.bls.gov/news.release/ocwage.nr0.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/

Division of Consumer and Community Affairs

The DCCA addendum to the SRC contract commits the Federal Reserve Board to purchase 12 minutes of interview time per year, with an option to purchase up to fifteen additional minutes per year. Using the 2011 DCCA contract cost of \$5,211 per minute of interview time charged by the SRC, the Federal Reserve committed to a maximum of \$62,532 of its budget for surveys. DCCA has budgeted for the purchase of up to 12 minutes of interview time. The purchase of interview time in subsequent years would require Federal Reserve Board approval through normal budget procedures. The division has also budgeted \$85,000 for non-SRC surveys to be conducted in 2011, as needed.

Other Divisions

Other divisions can choose at any time to enter into a contract with the SRC. The purchase of interview time in subsequent years requires Federal Reserve Board approval through normal budget procedures.