

**Supporting Statement for the
Report of Terms of Credit Card Plans
(FR 2572; OMB No. 7100-0239)**

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 semiannual Report of Terms of Credit Card Plans (FR 2572) and the Report of Terms of Credit Card Plans Supplemental Survey (FR 2572S) (OMB No. 7100-0239). The FR 2572 collects data on credit card pricing and availability from a sample of at least 150 financial institutions that offer credit cards. The information is reported to the Congress and made available to the public in order to promote competition within the industry and to help consumers shop for a credit card. The FR 2572S is a one-time survey¹ that was implemented in December 2009, under emergency clearance², and is scheduled to be completed by May 2010. The FR 2572 is collected by Federal Reserve Bank staff and the FR 2572S is collected by Federal Reserve Board staff.

The Federal Reserve proposes to revise the information collection to remove the Supplemental Survey (FR 2572S) that was mandated by Section 505 of the Credit Card Accountability Responsibility and Disclosure Act of 2009 (Credit Card Act). Section 505 of the Credit Card Act directed the Federal Reserve Board to conduct a survey, by May 2010, regarding the extent to which credit card issuers adjust consumer credit lines or interest rates based on certain factors. Respondents comprised 25 of the largest bank credit card issuers and a nationally representative random sample of 150 additional card issuers. The proposed revision would decrease the estimated annual reporting burden for this information collection from 338 to 75 hours.

Background and Justification

The FR 2572 was implemented in February 1990 as required by Section 5 of the Fair Credit and Charge Card Disclosure Act (FCCCA) of 1988.³ Each respondent provides information about its credit card plan with the largest outstanding number of

¹ The one-time survey was conducted by Federal Reserve Board staff.

² The Paperwork Reduction Act includes a provision for an emergency submission of a new information collection request in those circumstances where it is essential to the mission of the agency and the agency cannot reasonably comply with the submission time periods. The Office of Management and Budget is able to provide an "emergency" clearance that permits an agency to avoid the 60-day and 30-day Federal Register notices seeking public comment if the emergency situation warrants it. Under the Paperwork Reduction Act, an "emergency" approval is only valid for a maximum of 6 months. See Paperwork Reduction Act of 1995 (Pub. L. 104-13, 44 U.S.C. Chapter 35) and 5 CFR 1320.13.

³ The FCCCA was enacted on November 3, 1988, and amends the Truth in Lending Act (15 U.S.C. 1601 et seq). Amendments to Regulation Z implementing the provisions of the FCCCA were adopted by the Federal Reserve Board on March 30, 1989, with an effective date of April 3, 1989. Creditors were required to comply with the new disclosure rules by August 31, 1989.

cards. The FCCCA requires the Federal Reserve to collect this information semiannually from the largest 25 issuers of credit cards and at least 125 additional institutions, in a manner that ensures both an equitable geographic distribution within the sample and representation of a wide spectrum of institutions. The Federal Reserve is further directed to make the credit card price information for each institution available to the public upon request and to report the information semiannually to the Congress. The credit card plan information is made available at the Federal Reserve Board's public web site, <http://www.federalreserve.gov/pubs/shop/survey.htm>.⁴ General consumer information about shopping for credit cards is also available at this web site.

Although the House and Senate Conference Report that accompanied the FCCCA did not explain specifically why the credit card reports are required, the legislative history suggests that the reports are intended to facilitate credit card shopping by consumers and thereby enhance competition.⁵ In this context, the credit card reports are similar to the Shopper's Guide to Credit that the Federal Reserve prepared as required by law for the Annual Percentage Rate Demonstration Project in 1984 and 1985.⁶

The report was discontinued prior to the July 2000 reporting date pursuant to the Federal Reports Elimination and Sunset Act of 1995 (Sunset Act) (PL 104-66). In December 2000, the Congress approved the American Homeownership and Economic Opportunity Act of 2000 (Act) that restored the reporting of this information, along with 40 other collections. Title XI of the Act states that Section 3003(a)(1) of the Sunset Act "shall not apply to any report required to be submitted under any of the following provisions of law: ... Section 8 of the FCCCA (15 U.S.C. 1637 note); ...".

In 2001, the Congress approved legislation that amended Section 136(b)(1) of the Truth in Lending Act (TILA) (15 U.S.C. 1646). This amendment requires the Federal Reserve to collect, on a semiannual basis, from a broad sample of financial institutions that offer credit card services, further credit card price and availability information. As a consequence of this 2001 amendment, the report was reinstated in July 2002.

In May 2009, Congress passed the Credit Card Act. Section 505 of the Credit Card Act directed the Federal Reserve to conduct a survey of the extent to which credit card issuers reduce credit lines or raise interest rates on open-end credit accounts issued to consumers based on certain specific factors (such as type of merchant the consumer transacts with or the type or price of items purchased). The study called for a review of

⁴ The information was previously published in the E.5 statistical release "Report on the Terms of Credit Card Plans," but the E.5 was discontinued in 1994 in favor of a brochure format. Today, this credit card plan information is available only at the Federal Reserve Board's public web site.

⁵ U.S. Congress, Senate, "Report of the Committee on Banking, Housing, and Urban Affairs, to accompany H.R. 515," December 16, 1987. Statements by Edward M. Gramlich, p.12, and Senators Garn, Hecht, Bono, Karnes, and Shelby, p.14.

⁶ Board of Governors of the Federal Reserve System, "Annual Percentage Rate Demonstration Project," March 1987.

practices that may have been in place over the past three years. The survey is to include information on the number of creditors that have considered such factors and the extent to which the practices may have had an adverse effect on minority and low-income consumers. A report to Congress is due one year from enactment or May 22, 2010.

In December 2009, the Federal Reserve approved, under the emergency clearance process, the implementation of the FR 2572S to gather information on the number of creditors that have engaged in one or more of the practices identified in Section 505 of the Credit Card Act. The survey addresses both current practices and practices that may have been in place over the past three years. The Federal Reserve has no other source for obtaining this information.

Description of Information Collection

Section 127(c) of the TILA (15 U.S.C. §1637), as amended by the FCCCA, is quite specific with respect to the credit term information that is to be included in the semiannual reports. The following information on pricing and fees must be collected:

- annual percentage rate for purchases (must state if it is a variable rate)
- length of the grace period
- name or description of the balance computation method
- minimum finance charge
- fee for issuance or availability (membership fee)
- fee for late payment
- fee for exceeding credit limit
- transaction fee for purchases
- transaction fee for cash advances

To report credit card availability information, respondents state whether the credit card plan is available to consumers nationally (in all 50 states and the District of Columbia) or limited to consumers within a specific region or state (such as the issuer's home state). Generally, respondents are not required to fill out each line (corresponding to the states); rather, respondents may fill out one line that describes the most common terms, and then circle the states in which those terms apply, or fill out the lines for states in which different terms are offered. In practice, the majority of respondents offer national plans and fill out only one or two lines on the form. The reporting form also collects information on credit card plan enhancements, name and address for consumers to obtain a credit card application, and telephone number for consumer questions.

Proposed Revisions

The Federal Reserve proposes to discontinue collection of the FR 2572S data. As directed by the Section 505 of the Credit Card Act, the Federal Reserve Board conducted a one-time survey regarding the extent to which credit card issuers adjust consumer credit lines or interest rates based on certain factors. The Credit Card Act required the Federal Reserve Board to complete the survey and submit a report to Congress by May 22, 2010. For this reason, the Federal Reserve is proposing to discontinue the FR 2572S.

Reporting Panel

The Federal Reserve identifies the card issuers to which they will send the FR 2572, including the 25 largest issuers, by analyzing data on the volume of outstanding credit card receivables that are reported on the Reports of Condition and Income for commercial banks (Call Reports) (FFIEC 031 and 041; OMB No. 7100-0036) and for thrift institutions (OTS Form 1313; OMB No. 1550-023). Like the 25 largest issuers, the other respondents are chosen by size, but only such that the required diversity of region and type of institution is achieved. The dynamism of the card industry, with trading of card receivables portfolios and entry into and exit from the industry, ensures turnover in the panel.

The Federal Reserve Banks distribute the FR 2572 reporting forms to approximately 200 institutions each period, which has proven sufficient to generate at least 150 responses, as required. The number of solicitations exceeds 150 because some institutions that do not issue cards are chosen on the basis of holding large portfolios of credit card receivables. There is a lag of several months between the as-of date of the Call Report data used to choose the panel and the as-of date of the upcoming FR 2572, and an institution selected for the panel may have ceased issuing cards during that period. In addition, the extra solicitations are needed because the panel may include a number of subsidiaries of the same parent bank, in which case the Federal Reserve consolidates the data of these subsidiaries and counts them as only one response. Also, the Federal Reserve on occasion adds banks that are offering particularly attractive deals for consumers, regardless of size, as long as the offer is national.

Typically, about 90 percent of the responses come from commercial banks, with the remainder from savings banks, industrial banks, and savings and loans associations.⁷ The panel is consistent with the three criteria of the FCCCA: a reasonable number of

⁷ Credit unions are not included because they normally limit their card issuance to consumers with a pre-existing relationship with the organization, such as employees. Similarly, retailers are excluded since they are not financial institutions and because their card issuance is limited to store-specific cards. The credit card term report includes credit card banks, such as Discover Bank, which issues the Discover Card, and American Express Centurion Bank (a subsidiary of the American Express Company), which issues the Optima Card. It also includes large consumer finance companies that issue credit cards through banks or thrifts.

creditors of each type, a significant geographic dispersion, and at least 150 card issuers, including the 25 largest issuers.

Time Schedule for Information Collection and Publication

Twice a year, the Federal Reserve Banks collect credit card price and availability information from a sample of card issuers on the FR 2572, as of January 31 and July 31. Each respondent must send its data to the appropriate Reserve Bank within 10 business days of the as-of date, and the Reserve Bank must edit and transmit the data to the Federal Reserve Board within 20 business days of the as-of date. Individual respondent data are then published on the Federal Reserve Board's public web site.

Legal Status

The Federal Reserve Board's Legal Division has determined that Section 136(b) of the Truth in Lending Act, 15 U.S.C. §1646(b), requires the Federal Reserve Board to collect, on a semiannual basis, the credit card price and availability information contained in the FR 2572 from a broad sample of financial institutions. Participation is required of the 25 largest issuers; other financial institutions participate voluntarily. The data are not considered confidential.

Consultation Outside the Agency

On March 31, 2010, the Federal Reserve published a notice in the *Federal Register* (75 FR 16120) requesting public comment for 60 days on the extension, with revision of the FR 2572. The comment period for this notice expires on June 1, 2010. The Federal Reserve did not receive any comments on the extension, with revision. On June 15, 2010, the Federal Reserve published a final notice in the *Federal Register* (75 FR 33807).

Estimate of Respondent Burden

As shown in the following table, the current annual reporting burden for the information collection is estimated to be 338 hours. The proposed annual burden for the FR 2572 would be 75 hours, a decrease of 263 hours. The burden decrease is attributed to the removal of the FR 2572S, which is a one-time supplementary survey. The Federal Reserve is required to collect the FR 2572 from at least 150 credit card issuers; typically the number of respondents fluctuates right around 150. Since the information collected on the FR 2572 is in nearly all respects identical to information that card issuers are required to disclose in their credit card solicitations, the FR 2572 imposes little burden. These reporting requirements represent less than 1 percent of total Federal Reserve System paperwork burden.

| | <i>Number of respondents</i> | <i>Annual frequency</i> | <i>Estimated average hours per response</i> | <i>Estimated annual burden hours</i> |
|-----------------|--------------------------------------|-----------------------------|---------------------------------------------------------|--------------------------------------------------|
| Current | | | | |
| FR 2572 | 150 | 2 | 0.25 | 75 |
| FR 2572S | 175 | 1 | 1.50 | <u>263</u> |
| <i>Total</i> | | | | 338 |
| Proposed | | | | |
| FR 2572 | 150 | 2 | 0.25 | <u>75</u> |
| <i>Change</i> | | | | -263 |

The total cost to the public is estimated to decrease from the current level of \$20,838 to \$4,624 for the revised FR 2572.⁸

Sensitive Questions

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

Estimate of Cost to the Federal Reserve System

The total annual cost to the Federal Reserve System for the support and processing of the FR 2572 report is estimated to be \$31,700.

⁸ 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/>