

**Supporting Statement for the
Consumer Financial Stability Surveys
(FR 3053; OMB No. 7100-0323)**

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, without revision, the voluntary Consumer Financial Stability Surveys (FR 3053). The Federal Reserve uses this event-driven survey to obtain information specifically tailored to the Federal Reserve's supervisory, regulatory, operational, informational, and other responsibilities. The Federal Reserve conducts 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 depends on changing economic, regulatory, or legislative developments as well as changes in the financial services industry itself. Respondents 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 are 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 examining the institutions it supervises for compliance with many consumer protection laws designed to ensure that consumers receive comprehensive information and fair treatment in their financial services transactions. In addition, the Federal Reserve is responsible for drafting regulations and interpretations under certain consumer laws for specific entities. The Federal Reserve also has responsibilities for promoting financial stability, including the financial stability of consumers and households. Accordingly, the Federal Reserve Board's responsibilities include:

- writing and interpreting regulations under certain laws for specific entities, 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 consumer complaints 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 promoting consumer financial stability.

These studies are used in support of the Federal Reserve Board's development and implementation of regulatory revisions, supporting consumer financial stability, and monitoring financial service providers.

The Federal Reserve seeks to develop and implement consumer policies and regulations based on information garnered from consumers, industry, and others that 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 are best 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 continues to involve consumers in the development, design, and validation of consumer and community development policies and programs. Similarly, it is desirable to involve stakeholders – housing counselors and educators, for example – in the design and development of effective consumer and community development information and materials.

Many functional areas within the Federal Reserve have occasionally needed 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 committee initiatives and working groups or requests from the Congress.

The Federal Reserve created the consumer financial stability survey process in September 2009. Since its creation, a survey has been conducted several times. The first survey conducted in 2010 was a survey of financial institution staff, used to respond to a request from Congress on ATM fees. During 2010 and 2011, surveys of community stakeholders were conducted as part of the Federal Reserve Board's Community Data Initiative. Consumer surveys conducted in 2011 collected information related to home equity loans and lines of credit and consumers' use of mobile financial services.

Description of Information Collection

The Federal Reserve conducts various versions of the Consumer Financial Stability Surveys during the year, as needed, to collect information on specific issues that affect its

decision making. The survey's principal value is 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, the Federal Reserve conducts the Consumer Financial Stability Surveys as needed. The Federal Reserve may 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 are often time sensitive and the questions of interest may vary with the focus of the survey. Because the relevant questions may change with each survey, there is no fixed reporting form. For each survey, the Federal Reserve prepares questions of specific topical interest and then determines the relevant target group to contact.

The FR 3053 may 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 vary depending on the particular informational needs.

Written qualitative questions or questionnaires may include categorical questions, yes-no questions, ordinal questions, and open-ended questions. Written quantitative surveys may 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. The Federal Reserve also reviews 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, use a set of structured qualitative and quantitative questions as a guide to more extended discussion of the questions and answers.

Written quantitative surveys 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 are not collected on any other reporting form or on the same frequency as other substantively similar data.¹

The FR 3053 may be conducted through a private firm, which would be chosen in a competitive bidding process or other acceptable negotiated process.² The research instruments may be developed by the Federal Reserve alone or jointly with the firm selected by the Federal Reserve. As necessary, the firm is responsible for testing the survey procedures, following the sampling protocol established by the Federal Reserve, conducting the survey as specified by the

1 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.

Federal Reserve, preparing data files containing the responses, computing analysis weights, and documenting all survey procedures. Data editing and analysis of the results may be conducted either solely by the Federal Reserve or jointly with the firm.

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

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.

Time Schedule for Information Collection and Publication

The time schedules for the distribution of, response to, and collection of data for each survey is determined during the planning phase prior to the distribution of the survey instrument. The Federal Reserve Board chooses whether to publish the data that it obtains from respondents. Survey information may be cited in published material such as staff 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:

- Community Reinvestment Act, (12 U.S.C. § 2905);
- Competitive Equality Banking Act, (12 U.S.C. § 3806);
- Expedited Funds Availability Act, (12 U.S.C. § 4008);
- Truth in Lending Act, (15 U.S.C. § 1604);
- Fair Credit Reporting Act, (15 U.S.C. § 1681s(e));
- Equal Credit Opportunity Act, (15 U.S.C. § 1691b(a));
- Electronic Funds Transfer Act, (15 U.S.C. § 1693b);
- Gramm-Leach-Bliley Act, (15 U.S.C. § 6801(b)); and
- Flood Disaster Protections Act of 1973, (42 U.S.C. § 4012a).

Additionally, depending upon the survey respondent, the information collection may be authorized under a more specific statute. Specifically, this information collection is authorized pursuant to the: Federal Reserve Act, Sections 2A, 9, 12A, 25, and 25A (12 U.S.C. §§ 225a, 324, 263, 602, and 625); Bank Holding Company Act, Section 5(c) (12 U.S.C. § 1844(c)); International Banking Act of 1978, Section 7(c)(2) (12 U.S.C. § 3105(c)(2)); and Federal Deposit Insurance Act, Section 7(a) (12 U.S.C. § 1817(a)).

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 may be warranted under the Freedom of Information Act. 5 U.S.C. § 552(b)(4) and (6).

Consultation Outside of the Agency

There has been no consultation outside the Federal Reserve System; however, surveys and studies may 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 May 23, 2012, the Federal Reserve published a notice in the *Federal Register* (77 FR 30532) requesting public comment for 60 days on the FR 3053 information collection. The comment period for this notice expired on July 23, 2012. The comment period for this notice expired on July 23, 2012. The Federal Reserve did not receive any comments. On August 10, 2012, the Federal Reserve published a final notice in the *Federal Register* (77 FR 47841).

Estimate of Respondent Burden

The burden for the FR 3053 survey is estimated to be 6,550 hours annually as shown in the following table. Because the survey is event generated, it is not possible to predict exactly how many surveys will 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
				<u>800</u>
				6,550
<i>Total</i>				

The estimated cost for survey participation to consumers is \$128,800 and to the industry and stakeholders is \$42,608. The total cost to respondents is estimated to be \$171,408.³

Estimate of Cost to the Federal Reserve System

The Federal Reserve incurs 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 \$1.12 million, based on estimates from previous studies.⁴

³ 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 @ \$17, 45% Financial Managers @ \$52, 15% Legal Counsel @ \$55, and 10% Chief Executives @ \$81). 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 2011, www.bls.gov/news.release/ocwage.nr0.htm Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/ The average consumer cost of \$23 is estimated using data from the BLS Economic News Release (USDLE-12-0549)

⁴ Cost estimate is based on Home Equity Loan and Mobile Financial Services surveys in addition to previous consumer testing contracts.

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).