

**Supporting Statement for the
Domestic Finance Company Report of
Consolidated Assets and Liabilities
(FR 2248; OMB No. 7100-0005)**

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 Domestic Finance Company Report of Consolidated Assets and Liabilities (FR 2248; OMB No. 7100-0005). The FR 2248 is a voluntary report, collected monthly as of the last calendar day of the month from a stratified sample¹ of finance companies.² Each monthly report collects balance sheet data on major categories of consumer and business credit receivables and on major short-term liabilities. For quarter-end months (March, June, September, and December) additional asset and liability items are collected to provide a full balance sheet. A supplemental section collects data on securitized assets. The Federal Reserve may ask either quantitative or qualitative questions through the use of a special addendum section no more than twice per year.

The data are used to construct universe estimates of finance company holdings, which are published in the monthly statistical releases Finance Companies (G.20) and Consumer Credit (G.19), in the quarterly statistical release Financial Accounts of the United States (Z.1), and in the *Federal Reserve Bulletin* (Tables 1.51, 1.52, and 1.55).

The Federal Reserve proposes to revise the FR 2248 reporting form by: (1) separating Other Consumer Loans into three data items: Government-guaranteed Student Loans, Private Student Loans, and Other Consumer Loans, (2) combining Non-recourse debt associated with financing activities and Notes, bonds and debentures into Notes, bonds, debentures and other debt, and (3) increasing the panel size from 70 to 150 finance companies. The current annual burden for the FR 2248 is estimated to be 350 hours. The proposed increase in panel size would result in an increase of 400 hours annually, to 750 hours. The proposed changes to the FR 2248 would be effective with the January 31, 2014, report date.

Background and Justification

Since the mid-1940s, the Federal Reserve has collected consumer credit data from finance companies on a regular basis. In 1955, the Federal Reserve conducted its first universe survey of finance companies, including business finance companies. In that survey, information was collected on major assets and liabilities, with an emphasis on receivables. Using data from that first universe survey, the Federal Reserve developed a monthly sample survey. Two sample

¹ Potential universe of respondents is identified by the quinquennial Census of Finance Companies (FR 3033p) and Survey of Finance Companies (FR 3033s) (OMB NO. 7100-0277).

² Finance Companies include companies in which 50 percent or more of assets are held in any of the following types of loan or lease assets: (i) liens on real estate, defined by outstanding balances on loans and leases, for any purpose secured by liens on real estate; (ii) loans and leases not secured by real estate, such as business loans and leases, defined as outstanding balances on loans and leases for commercial and industrial purposes to sole proprietorships, partnerships, corporations or other business enterprises, or consumer loans and leases outstanding balances on loans and on leases, for household, family and other personal expenditures.

panels were drawn from companies reporting in that universe survey, one representing consumer finance companies (which mainly provided small cash loans to individuals) and the other representing sales finance companies (which mainly purchased credit contracts generated in the sale of durable consumer goods). Companies in each sample panel were asked to supply the Federal Reserve with monthly data on their major consumer credit receivables.

To benchmark the monthly sample series, the Federal Reserve continued to conduct the universe finance company survey at five-year intervals. In 1980, this benchmark survey was changed from a universe to a sample survey.

In 1970, the Federal Reserve abandoned the distinction between consumer and sales finance companies, owing to widespread diversification within the finance company industry. At that time, a single new reporting form was introduced to cover all major types of lending (consumer, sales, and business financing). Since 1970, other changes have been made to the reporting form in order to capture information on new types of activities in which finance companies were engaging as well as to eliminate data items no longer needed by the Federal Reserve. Major changes made in 1987 include the elimination of extensions data and the addition of the supplement on securitized assets.

In 2002, the survey was modified in three ways. First, the authorized panel size was reduced to 80 finance companies because the number of finance companies responding to the survey had declined, owing to industry consolidation and attrition. Second, four questions on the breakdown of real estate loans for one- to four-family structures were added in order to improve flow of funds estimates of such loans. Third, a special addendum section was added, which may be used if the need arises for timely information on questions of immediate concern to the Board. In 2005, the definition of finance company was revised to include companies whose real estate loans made up 50 percent or more of their assets; this change effectively brought mortgage companies onto the panel. This definition of a finance company includes finance company subsidiaries of a bank holding company (BHC) or a foreign banking organization (FBO).³

In 2008, the reporting form was revised to split All other assets and accounts and notes receivable, into three separate data items. This revision enhanced the Federal Reserve's estimate of the finance company balance sheet currently published in the Federal Reserve System's Flow of Funds accounts. In addition, the authorized panel size was reduced to 70 companies because the number of finance companies responding to the survey had declined, owing to industry consolidation and attrition.

In 2010, the FR 2248 was revised in order to be consistent with typical balance sheet presentations and to improve the ability of the Federal Reserve to analyze consumer credit outstanding held by finance companies to make more informed policy decisions. In addition, these revisions to the FR 2248 aligned with the survey used to benchmark these data—the FR 3033s. The FR 3033s data are used to benchmark the FR 2248 data on a quinquennial basis. In

³ Although the Financial Statements of U.S. Nonbank Subsidiaries of U.S. Bank Holding Companies (FR Y-11/FR Y-11S; OMB No. 7100-0244) and the Financial Statements of U.S. Nonbank Subsidiaries Held by Foreign Banking Organizations (FR Y-7/FR Y-7NS; OMB No. 7100-0125) collect balance sheet and income statement information from BHCs and FBOs, these reports do not provide the level of granularity necessary to produce detailed series on consumer, real estate, and business credit at finance companies.

essence, the FR 3033s survey is the second stage of the two-stage survey, sent to finance companies that respond to a simple questionnaire, the FR 3033p, sent to all known domestic finance and mortgage companies. The FR 3033p requests information about each company's total net assets, areas of specialization, and other characteristics in order to first identify a potential universe of domestic finance companies, from which the sample of finance companies is drawn.

Finance companies also provide a significant share of short- and medium-term credit to businesses. Business investment, both for fixed capital and inventory, is one of the more cyclically sensitive components of GDP. Because of the significant effect monetary policy can have on business investment, in part via the availability of credit, monitoring the sources of funding to businesses is important for the conduct of monetary policy. Currently, there is no other information collection for domestic finance companies in place that supplies the monthly data obtained on the FR 2248.

Description of Information Collection

The FR 2248 collects information on amounts outstanding in major categories of consumer and business credit held by finance companies and on major short-term liabilities of the finance companies. For quarter-end months (March, June, September, and December) the report also collects information on other assets and liabilities outstanding as well as information on capital accounts in order to provide a full balance sheet. In addition, a supplemental section collects data about assets that have been pooled by finance companies and sold to third parties that issue securities based on those assets. The supplemental section is organized in the same four categories of credit (consumer, real estate, business, and lease-related). The special addendum section may be used if the need arises for the collection of timely information on questions of immediate concern to the Federal Reserve. When necessary, respondents would be asked no more than twice a year to provide answers to a limited number of relevant questions, which would be distributed in advance to ease burden and which would take, on average, ten minutes to complete. This addendum provides the Federal Reserve a valuable source of information regarding timely topics and events in financial markets.

Proposed Revisions

The Federal Reserve proposes to revise the FR 2248 reporting form in order to obtain detailed information on student loans, which will improve the ability of the Federal Reserve to have a better understanding of the student loan market. In addition to monetary and economic policymaking, finance company-level data on student loans would assist the Federal Reserve in identifying trends and concentrations of student loans and help to assess consumer compliance risk of its institutions. Finally, the systematical collection of these data would improve the Federal Reserve's ability to respond to requests from the Congress and further enhance the Federal Reserve's prudential supervision efforts. In addition, the Federal Reserve proposes to increase the authorized respondent panel size from 70 to 150 finance companies in order to capture a greater number of finance companies consistent with the FR 3033p and to improve the statistical accuracy of the estimates.

Specific changes to the Balance Sheet:

- Breakout line item Other Consumer Loans (3B.3) into three line items:
 - Government-guaranteed Student Loans (3.B.3)
 - Private Student Loans (3.B.4)
 - Other Consumer Loans (3.B.5)
- Combine line items Non-recourse Debt Associated with Financing Activities (7.C) and Notes, Bonds and Debentures (7.D) into Notes, Bonds, Debentures, and Other Debt (proposed new line item (7.C). The Federal Reserve believes combining these line items may help reduce respondent reporting burden. Subsequently, line items 7.E through 7.G would be renumbered accordingly.

Reporting Panel

The current FR 2248 authorized panel size is 70 finance companies. The reporting panel for the FR 2248 will be drawn from the sample of finance companies that respond to the Census of Finance Companies (FR 3033p; OMB No. 7100-0277). With the proposed revisions, the authorized panel size would increase to 150 finance companies.

Frequency

The Federal Reserve will retain the monthly frequency, with some data items continuing to be reported only for the quarter-end months.

Consultation Outside the Agency

On November 6, 2013, the Federal Reserve published a notice in the *Federal Register* (78 FR 66714) requesting public comment for 60 days on the extension, with revision, of this information collection. The comment period for this notice expired on January 6, 2014. The Federal Reserve did not receive any comments. On January 15, 2014, the Federal Reserve published a final notice in the *Federal Register* (79 FR 2658) implementing the revisions as proposed, effective with the January 31, 2014, report date.

Time Schedule for Information Collection and Publication

The majority of survey respondents submit their FR 2248 data monthly to the Federal Reserve Banks. Other finance companies in the panel submit their data directly to the Board on a monthly basis. Respondents submit quarterly data for quarter-end months only. To help ease the reporting burden on respondents, any semiannual special addendum questions would be sent to the respondents approximately three weeks in advance of the report as-of date. This advance notice would allow the respondents to submit the addendum data along with their regular monthly data. The data are edited and transmitted to the Board for central processing. All data are due at the Board on the 18th business day after the end of the month. Aggregate data are published in the Board's monthly statistical releases Consumer Credit (G.19) and Finance Companies (G.20), in the quarterly statistical release Flow of Funds Accounts of the United States (Z.1), and in the *Federal Reserve Bulletin* (Tables 1.51, 1.52, and 1.55).

Sensitive Questions

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

Legal Status

The Board's Legal Division has determined that the FR 2248 is authorized by law (12 U.S.C. §225(a)) and is voluntary. Individual respondent data are confidential under section (b) (4) of the Freedom of Information Act (5 U.S.C. §552).

Estimate of Respondent Burden

The following table shows estimates of the burden imposed by the Federal Reserve System on the domestic finance companies that participate in the FR 2248. It is estimated that the proposed revisions to the FR 2248 would increase the reporting burden from 350 hours to 750, an increase of 400 hours. The burden increase is attributed to the increase in the panel size from 70 respondents to 150 respondents. The Federal Reserve believes burden associated with breaking out student loan items would be mitigated by the consolidation of two liability line items. The FR 2248 information collection represents less than 1 percent of total Federal Reserve System paperwork burden.

FR 2248	<i>Number of respondents⁴</i>	<i>Annual frequency</i>	<i>Estimated average time per response</i>	<i>Estimated annual burden hours</i>
Current				
Monthly	70	8	20 minutes	187
Quarterly	70	4	30 minutes	140
Addendum	70	2	10 minutes	<u>23</u>
	<i>Total</i>			350
Proposed				
Monthly	150	8	20 minutes	400
Quarterly	150	4	30 minutes	300
Addendum	150	2	10 minutes	<u>50</u>
	<i>Total</i>			750
	<i>Change</i>			+400

The total cost to the public is estimated to increase from the current level of \$17,465 to \$37,425 for the revised FR 2248.⁵

⁴ Of the current respondents filing this information collection six are small entities as defined by the Small Business Administration (i.e., entities with less than \$500 million in total assets).

⁵ 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 at \$18, 45% Financial Managers at \$59, 15% Lawyers at \$63, and 10% Chief Executives at \$85). Hourly rate for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), Occupational Employment and Wages 2012, www.bls.gov/news.release/ocwage.nr0.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/

Estimate of Cost to the Federal Reserve System

The cost to the Federal Reserve System for collecting and processing this report is estimated to be \$44,200, with a one-time implementation cost of \$12,400.