

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

Summary

The Board of Governors of the Federal Reserve System (the Board), 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; OMB No. 7100-0323). 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 is authorized 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 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 twenty surveys: three quarterly consumer-focused, one quarterly financial institution study, and two semi-annual stakeholder-focused surveys.

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

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 surveys 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 surveys 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.

In the past, the Federal Reserve has involved consumers in the development, design, and validation of consumer and community development policies and programs. Similarly, it has been 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 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 committee initiatives and working groups or requests from Congress.

The Federal Reserve created the consumer financial stability survey process in September 2009 and it was first used in 2010 to respond to a request from Congress on ATM fees. Since its renewal in 2012, there have been consumer surveys conducted to collect information related to consumers' use of mobile financial services (2012 and 2013), household economic decision making (2013) and the experiences of young workers in the labor market (2013).

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 principal value of the survey 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 surveys, 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.

The FR 3053 may be conducted through a private firm, which would be chosen in a competitive bidding process or other acceptable negotiated process.¹ 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 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

¹ 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, Rockbridge and Associates in Great Falls, VA, GfK (an online consumer research company), and RAND Corporation in Santa Monica, CA.

- 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),
- perceptions about the usefulness of financial products,
- 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 surveys 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 the FR 3053 is generally authorized under sections 2A and 12A of the Federal Reserve Act. Section 2A requires that the Board of Governors of the Federal Reserve System and the Federal Open Market Committee (FOMC) maintain long run growth of the monetary and credit aggregates commensurate with the economy's long run potential to increase production, so as to promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates (12 U.S.C. § 225a). In addition, under section 12A of the Federal Reserve Act, the FOMC is required to implement regulations relating to the open market operations conducted by Federal Reserve Banks with a view to accommodating commerce and business and with regard to the regulations' bearing upon the general credit situation of the country (12 U.S.C. § 263). The authority of the Federal Reserve to collect economic data to carry out the requirements of these provisions is implicit. Accordingly, the Federal Reserve is authorized to collect the information called for by the FR 3053 by sections 2A and 12A of the Federal Reserve Act.

In addition, the Board is responsible for implementing and drafting regulations and interpretations for various consumer protection laws. The information obtained from the FR 3053 may be used in support of the Board's development and implementation of regulatory provisions for these laws. Therefore, depending on the survey questions asked, the FR 3053 may be authorized pursuant to the Board's authority under one or more of the following consumer protection statutes:

- 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);
- Electronic Funds Transfer Act, (15 U.S.C. §§ 1693b and 1693o-2);
- Gramm-Leach-Bliley Act, (15 U.S.C. § 6801(b)); and
- Flood Disaster Protection Act of 1973, Section 102 (42 U.S.C. § 4012a).

Additionally, depending upon the survey respondent, the information collection may be authorized under a more specific statute. Specifically, the Board is authorized to collect information from state member banks under section 9 of the Federal Reserve Act (12 U.S.C. § 324); from bank holding companies (and their subsidiaries) under section 5(c) of the Bank Holding Company Act (12 U.S.C. § 1844(c)); from Edge and agreement corporations under section 25 and 25A of the Federal Reserve Act (12 U.S.C. §§ 602 and 625); and from U.S. branches and agencies of foreign banks under section 7(c)(2) of the International Banking Act of 1978 (12 U.S.C. § 3105(c)(2)), and under section 7(a) of the Federal Deposit Insurance Act (12 U.S.C. § 1817(a)).

In general, the obligation to respond to the FR 3053 is voluntary. However, with respect to collections of information from state member banks, bank holding companies (and their subsidiaries), Edge and agreement corporations, and U.S. branches and agencies of foreign banks authorized under the specific statutes noted above, the Federal Reserve could make the obligation to respond mandatory. The ability of the Federal Reserve to maintain the confidentiality of information provided by respondents to the FR 3053 surveys will have to be determined on a case by case basis depending on the type of information provided for a particular survey. In some instances, when a contractor collects the data, the data may not be considered an agency record, and if it is not considered an agency record, no issue of confidentiality will arise. In circumstances where the Board collects that data or the contractor provides the identifying information to the Board, such information could possibly be protected from Freedom of Information Act (FOIA) disclosure by FOIA exemptions 4 and 6. Exemption 4 protects from disclosure trade secrets and commercial or financial information, while Exemption 6 protects information "the disclosure of which would constitute a clearly unwarranted invasion of personal privacy" (5 U.S.C. § 552(b)(4) and (6)).

Consultation Outside the Agency

There has been no consultation outside the Federal Reserve System; however, surveys

and surveys 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 14, 2015, the Federal Reserve published a notice in the *Federal Register* (80 FR 27686) requesting public comment for 60 days on the FR 3053 information collection. The comment period for this notice expired on July 13, 2015. The Federal Reserve did not receive any comments. On July 23, 2015, the Federal Reserve published a final notice in the *Federal Register* (80 FR 43776).

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.

FR 3053	<i>Number of respondents²</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<i>Consumer surveys:</i>				
Quantitative and general surveys	2,000	4	0.5	4,000
Financial institution consumers	500	4	0.5	1,000
Qualitative surveys	100	4	1.5	<u>600</u>
				5,600
<i>Financial institution survey:</i>				
Financial institution staff	25	4	1.5	150
<i>Stakeholder surveys:</i>				
Stakeholder clientele	500	2	0.5	500
Stakeholder staff	100	2	1.5	<u>300</u>
				800
<i>Total</i>				6,550

² Of these respondents required to comply with this information collection, none are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$550 million in total assets) www.sba.gov/content/small-business-size-standards.

The estimated cost for survey participation to consumers is \$134,400 and to the financial institutions and stakeholders is \$49,163. The total cost to the public is estimated to be \$183,563.³

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 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 \$3.37 million, based on estimates from previous surveys.⁴

³ The average consumer cost of \$24 is estimated using data from the BLS Economic News Release (USD-14-0433) www.bls.gov/news.release/cewqtr.nr0.htm.

The total cost for financial institutions and stakeholders was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rates (30% Office & Administrative Support at \$17, 45% Financial Managers at \$63, 15% Lawyers at \$64, and 10% Chief Executives at \$87). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), *Occupational Employment and Wages May 2014*, published March 25, 2015, www.bls.gov/news.release/ocwage.nr0.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.

⁴ Cost estimate is based on the Home Equity Loan survey, Mobile Financial Services survey, Survey of Household and Economic Decisionmaking, and the Survey of Young Workers in addition to previous consumer testing contracts.