

**Supporting Statement for the
Survey of Household Economics and Decisionmaking
(FR 3077; OMB No. 7100-NEW)**

Summary

The Board of Governors of the Federal Reserve System (Board), under delegated authority from the Office of Management and Budget (OMB), proposes to implement the voluntary Survey of Household Economics and Decisionmaking (SHED) (FR 3077; OMB No. 7100-NEW). This survey would be used to collect insightful information from consumers concerning the well-being of U.S. households and how individuals and their families are faring in the economy.

The information collected could be used for the Board's *Report on the Economic Well-Being of U.S. Households*, for Board studies or working papers, professional journals, the *Federal Reserve Bulletin*, testimony and reports to the Congress, or other vehicles. Such event-driven consumer data collections could also be used to inform Board policy, regulatory, supervisory and operational decisions.

The Board anticipates that the SHED would include such topics as individuals' overall financial well-being, employment experiences, income and savings behaviors, economic preparedness, access to banking and credit, housing and living arrangement decisions, education and human capital, student loans, and retirement planning. The overall content of the SHED instrument would depend on changing economic, regulatory, or legislative developments as well as changes in the financial services industry. The Board expects to conduct the FR 3077 annually. The total annual burden for the 17,030 proposed respondents is estimated to be 8,170 hours.

Background and Justification

The Board conducts consumer-focused research, as well as implements statutory requirements and facilitates community development. The Board's Division of Consumer and Community Affairs (DCCA) directs consumer- and community-related functions performed by the Board, including conducting research on financial services policies and practices and their implications for economic and supervisory policies that are core to the Board's functions, as well as to gain insight into consumer decisionmaking, consumer financial stability, community development, and neighborhood stabilization. These activities promote a fair and transparent consumer financial services market, including for traditionally underserved households and neighborhoods.

Data from consumer survey efforts is used to provide timely information on developments in consumer financial markets, consumer behaviors, and conditions and emerging risks in communities. Consumer surveys are an important tool for informing understanding of consumer financial decisions and markets, and the Board has a long history of using surveys to inform its work.

Previously, the SHED was conducted as an ad hoc survey under the Consumer Financial Stability Surveys (FR 3053; OMB No. 7100-0323), then as an anticipated survey under the Consumer and Stakeholder Surveys (FR 3073; OMB No. 7100-0359), with the resulting reports and publically released datasets (void of sensitive personally identifiable information (PII)) from previous iterations of the SHED made available on the public website.¹

Since then the SHED has grown in the number of respondents and in the length of the instrument. The number of SHED respondents has grown in order to increase the level of sub-group analysis. The instrument has grown in length to collect additional information on topics that are of interest between years and to accommodate the demand for information on new trends and risks that are emerging. It has also become a well-recognized tool for researchers both within and outside the Federal Reserve System. The SHED's goal has also expanded to include question modules that can be utilized to quickly respond to the need for information on emerging risks and trends. Due to the growth of the data collection, the anticipation that this collection will continue on an annual basis, the changing nature of the information that is collected and the potential policy, operational, supervisory and regulatory uses, the Board proposes to implement the SHED as a standard information collection.

Description of Information Collection

The proposed SHED would be used to collect such voluntary information from consumers as would provide insight to the well-being of U.S. households as well as information about how individuals and their families are faring in the economy. The information collected under the SHED would contribute to Board studies that explore the activities, experiences, and attitudes of individual consumers regarding their financial lives and the financial wellbeing of those in their household.

The proposed SHED would be comprised of a significant section of core content, which would remain the same year over year. The survey would also normally include a number of special questions to address the Board's need for information on emerging risks and trends that affect consumers. The proposed core of the SHED would be comprised of the following:

Living Arrangements: respondents report information on the types of people living in the household and why these individuals are living together.

General Well-Being: respondents report information on the major life events that have affected them in the last year and how they are managing financially.

Employment: respondents report information on their

- recent or current labor market status and desired status,
- recent employment benefits and satisfaction,
- interactions with the labor market, and
- perception of their human capital and skills.

¹ See www.federalreserve.gov/consumerscommunities/shed.htm.

Young Workers: respondents between the years of 18 and 30 report on their perceived level of qualification for their recent, current, and future employment.

Housing: respondents report on their housing arrangement and satisfaction with their housing situation.

Rent: respondents report information on

- whether they have even been evicted,
- the reason for their current rental status,
- their rental experience, and
- their monthly rent payment.

Homeownership and Mortgage: respondents report information on whether they have missed a mortgage payment and on the amount of their monthly mortgage payments.

Banking: respondents report on whether they have an account with a bank and whether they have recently used alternative financial services.

Credit Application: respondents report on their confidence in being approved for credit and their recent experiences applying for credit.

Credit Condition: respondents report on

- the ways that they manage their finances,
- the perception of their credit score, and
- their experiences with having and using credit.

Education: respondents report information on

- their recent, current, and expected future education,
- the reasons for not attending or completing an educational program, and
- their perceptions of the value (cost vs benefit) of their most recent educational program.

Student Loans: respondents report information on their use of and experiences with student loans.

Retirement Planning: respondents report information on

- the types of retirement savings or pension plans they have and their use of these plans,
- their comfort with making investment decisions related to these plans,
- their reasoning for or planned age in which to retire, and
- their source of funds for retirement.

Income and Consumption: respondents report information on their savings and expenses, as well as sources and variability of income.

Financial Support From Outside the Home: respondents report information on whether they receive assistance from and/or provide assistance to anyone outside of the household for bill payment.

Emergency Fund: respondents report information on their emergency savings and their ability to pay emergency unexpected expenses.

Healthcare and Insurance: respondents report whether

- they recently chose to forgo medical treatment due to the expense,
- paid for an unexpected medical expense out of pocket, and
- are currently covered by health insurance.

Financial Hardship: respondents report information on economic hardships that they recently experienced and the financial strain the hardships caused.

Childhood Background: respondents report information on

- how frequently they worried as a child about finances, food, safety, and a caregiver,
- the information they received in school about jobs and careers, and
- the highest level of education that their parents received.

Financial Literacy: respondents answer questions used to gauge their understanding of financial markets.

Panel Selection Methodology

The Board anticipates conducting the SHED annually with as many as 17,000 respondents per survey. The SHED data collection is conducted through a vendor who maintains an online probability-based Internet panel. An online probability-based Internet panel is defined here as a panel of voluntary respondents that have been recruited through an address-based sampling methodology (ABS) using the Delivery Sequence File of the United States Postal Service technique or other similar technique that would allow for equal probability of selection into the panel for all potential respondents. There are several reasons that a probability-based Internet panel was selected as the method for this survey. First, these types of Internet surveys that employ address based sampling (ABS) (or a similar sampling technique) for recruitment have been found to be representative of the general population. Second, the ABS Internet panel allows the same respondents to be re-interviewed in subsequent surveys with relative ease, as the respondents remain active in the panel for several years. Third, Internet panel surveys have numerous existing data points on respondents from previously administered surveys, including detailed demographic and economic information, allowing for the inclusion of additional information on respondents without increasing respondent burden. Finally, collecting data through an ABS Internet panel survey is cost-effective and can be done relatively quickly. The resulting samples would behave as Equal Probability of Selection Method (EPSEM) samples.

The questions in the survey have been designed to better illuminate the activities, experiences, and attitudes of individual consumers regarding their financial lives and the financial wellbeing of those in their household. They are intended to complement and augment the existing base of knowledge from other data sources.

The SHED would be a general population survey such that it would behave as an EPSEM. The methodology used to develop a respondent universe that behaves as an EPSEM

would start by weighting the respondent universe to detailed geodemographic benchmarks of adults living in the United States from, for example, the latest March supplement of the Current Population Survey (CPS). The weights would then be used as the measure of size (MOS) for each respondent within the respondent universe, allowing for a probability proportional to size (PPS) procedure to select the 2017 SHED respondent sample, in turn allowing each respondent to carry a design weight of unity. To accommodate for the oversample of low- or moderate-income respondents, the corresponding design weights would be manually adjusted to correct for this departure from a representative sample of the general population.

The survey data would be weighted to produce reliable estimates of population parameters. It is expected that the 2017 SHED would be weighted to compensate for limitations such as differential nonresponse and undercoverage within the respondent universe.

To further compensate for limitations within the panel when sub-populations vary considerably, each subpopulation (stratum) would be sampled independently. The strata would be mutually exclusive (i.e., members must be assigned to only one stratum) and collectively exhaustive (i.e., no members can be excluded).

Random or systematic sampling would then be applied within each stratum. Stratification² would likely improve the representativeness of the sample by reducing sampling error. It would also likely produce a weighted mean that has less variability than the arithmetic mean of a simple random sample of the population.

In order to identify the relevant strata for the SHED, the universe of respondents could be enhanced with various ancillary data (maintained by the vendor) to facilitate a stratification plan. This ancillary data could allow for a disproportionate stratified sampling methodology across such strata as:

- Stratum 1:* Hispanic households with at least one 18 to 24 year-old
- Stratum 2:* Remaining Hispanic households
- Stratum 3:* Remaining households with at least one 18-24 year-old
- Stratum 4:* All remaining households

Initial, follow-up, and survey initiation contact with the sample respondents within the respondent universe would be conducted by the vendor. The exact form of each of these contacts would vary somewhat, depending upon vendor preference.

² Stratification is the process of grouping members of the population into relatively homogeneous sub-groups before sampling.

Sample Respondent Contact

Steps	Description
1	Adults from address-based sampled households are invited to join the vendor panel through a series of mailings or other initial contact methods. Households who receive the initial contact have the opportunity to respond and join the panel.
2	The subset of addresses that match to a corresponding telephone number and have not responded to the initial contact (mailing or other form) receive a follow-up phone call. Households who receive the follow-up contact call have the opportunity to respond and join the panel.
3	Respondents who join the panel receive surveys through the processes and technology established by the vendor.

The respondents receive e-mails when there is a survey available for them to take. The surveys would be posted on a secure website developed and maintained using the vendor's proprietary web survey delivery system. The software would easily accommodate different question formats, including open-ended response fields. It would also allow participants to skip questions. Development and testing of the web survey would follow well-established, documented best methods. If a respondent could not be reached through the web, an in person or phone survey could be conducted.

These surveys could be qualitative or quantitative in nature. It is expected that the quantitative and some of the qualitative aspects of this survey would be conducted online. Qualitative data collected could include questions that are categorical, yes-no, ordinal, and open-ended. Quantitative data collected could include dollar amounts, percentages, numbers of items, and other such information pertaining to the financial health of the consumer.

To ensure that the questions are clearly written and would produce accurate and valid results, the Board would conduct cognitive testing on a subset of the new or revised questions. Cognitive testing is a well-established qualitative research method intended to identify problems respondents have with comprehension of survey questions (Willis 2005)³. Efforts would be made to recruit respondents who are demographically representative of the population being surveyed.

The Board expects that the respondents would include non-institutionalized individuals⁴ who are 18 years of age and older with the respondent components including an oversample of low- or moderate-income individuals (such as households who make \$40,000 or less per year), a sample of re-interviewed respondents from the previous survey, and a fresh, nationally representative sample of respondents. The oversample of low- or moderate- income respondents would allow a deeper analysis into segments of the population most likely to experience financial hardship. The sample of re-interviewed respondents would allow for evaluating changes in

³ Willis, G.B. (2005). *Cognitive Interviewing: A Tool for Improving Questionnaire Design*. Thousand Oaks, CA: Sage Publications.

⁴ Non-institutionalized individuals refers to individuals who are not inmates of institutions. This would include those who are incarcerated, live in a retirement home, a hospital or other medical institution, and active duty military.

respondent's economic conditions as well as time series analysis. The vendor could use incentives such as modest cash deposits, raffles and lotteries with cash, and other prizes to enhance the completion rate. Because the 2017 SHED would be longer than 15 minutes, the Board could use additional cash incentives (expected to be between \$5 and \$10), to be paid through the same system that the vendor provides its incentives, to enhance completion rates. Prepaid cash incentives have been found to increase response rates.⁵

The Board expects to retain all final reports, final survey instruments, and non-restricted data (without PII) on the public website. Restricted data associated with the final report will be retained for at least four years; drafts of the final report will be retained for at least two years; the data collected from the survey instruments will be retained by the third party vendor for at least six months; recruiting and participant lists will be maintained by the third party vendor who fielded the instrument; and Contracting Officer's Technical Representative contract records will be retained for at least six years after final payment.

Time Schedule for Information Collection and Publication

The data submission timeline for each survey would be determined prior to the distribution of the survey materials, but the Board expects the survey would be conducted in the third or fourth quarter each year. In soliciting participation, the Board would outline to respondents the purpose of the survey and how the data might be used. The Board would publish survey data annually, excluding any PII, as described above.

Legal Status

The Board's Legal Division has determined that section 2A of the Federal Reserve Act (FRA) requires that the Board and the Federal Open Market Committee 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). Under section 12A of the FRA, the Federal Open Market Committee 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 their bearing upon the general credit situation of the country (12 U.S.C. 263). Because the Board and the Federal Open Market Committee use the information obtained on the FR 3077 to fulfill these obligations, these statutory provisions provide the legal authorization for the collection of information on the FR 3077. The FR 3077 is a voluntary survey.

The ability of the Board to maintain the confidentiality of information provided by respondents to the FR 3077 will have to be determined on a case-by-case basis depending on the type of information provided for a particular survey. To the extent that a respondent's answers reveal information "the disclosure of which would constitute a clearly unwarranted invasion of

⁵ Church, A. H. (1993). Estimating the effect of incentives on mail survey response rates: A meta-analysis. *Public Opinion Quarterly*, 57, 62-79.

Edwards, P., Roberts, I., Clarke, M., DiGuseppi, C., Prata, S., Wentz, R., & Kwan, I. (2002). Increasing response rates to postal questionnaires: Systematic review. *British Medical Journal*, 324, 1183-1191.

personal privacy,” such information would likely be exempt from disclosure under exemption 6 of the Freedom of Information Act (5 U.S.C. 552(b)(6)).

Consultation Outside of Agency

On August 9, 2017, the Board published an initial notice in the *Federal Register* (82 FR 37227) requesting public comment for 60 days on the implementation of the FR 3077. The comment period for this notice expired on October 10, 2017. The Board did not receive any comments. On October 24, 2017, the Board published a final notice in the *Federal Register* (82 FR 49206) and the survey will be implemented as proposed.

Estimate of Respondent Burden

The total annual burden for the proposed FR 3077 survey is estimated to be 8,170 hours. The number of respondents represents the number of responses per survey conducted, inclusive of any pretesting that would be required. For the purposes of this estimate, it is assumed that the survey would be conducted once per year. The Board estimates that on average, each quantitative survey would require 0.47 hours to complete. The Board expects that on average, each qualitative survey would require 2 hours to complete. These reporting requirements represent less than 1 percent of the total Federal Reserve System paperwork burden.

FR 3077	<i>Number of respondents</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Quantitative Survey ⁶	17,000	1	0.47	7,990
Qualitative Survey	30	3	2	<u>180</u>
	<i>Total</i>			8,170

The total cost to the public for this information collection is estimated to be \$212,420.⁷

Sensitive Questions

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

⁶ Inclusive of the number of respondents, the number of non-responders who received a request for the survey, and those who pretested the instrument.

⁷ The average consumer cost of \$26 is estimated using data from the BLS Economic News Release (USDLE-16-0462) www.bls.gov/news.release/cewqtr.nr0.htm.

Estimate of Cost to the Federal Reserve System

The estimated annual cost to the Board for conducting the SHED is not expected to exceed \$500,000. The exact cost would depend on the size of the sample, the number of questions asked, the type and complexity of the questions asked, and the frequency of the surveys. There would be no other costs associated with the SHED outside the Board.