

CONSUMER FINANCIAL PROTECTION BUREAU

SUPPORTING STATEMENT PART A

REPORT OF TERMS OF CREDIT CARD PLANS (FORM FR 2572)

(OMB CONTROL NUMBER: 3170-0001)

TERMS OF CLEARANCE: When the Office of Management and Budget (OMB) last approved this information collection on May 5, 2016, it instructed the Bureau of Consumer Financial Protection to display the OMB Control Number and inform respondents of its legal significance in accordance with 5 CFR 1320.5(b). The Bureau has ensured the required PRA statement is on all appropriate instruments.

ABSTRACT: Form FR 2572 collects data on credit card pricing and availability from a sample of at least 150 financial institutions that offer credit cards. The data enable the Bureau of Consumer Financial Protection (Bureau) to present information to the public on terms of credit card plans. The Bureau has introduced an online channel for submission that has driven down burden costs for participating institutions.

JUSTIFICATION

1. Circumstances Necessitating the Data Collection

The FR 2572 was implemented in February 1990 as required by Section 5 of the Fair Credit and Charge Card Disclosure Act (FCCCA) of 1988.¹ Each respondent provides information about its credit card plan with the largest outstanding number of cards. The FCCCA required 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 was 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 Congress.

FCCCA's language does not specify why the credit card reports are required. 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.² In this context, the credit card reports are

¹ The FCCCA was enacted on November 3, 1988, and amends the Truth in Lending Act (TILA) (15 U.S.C. 1601 et seq). Section 5 of the FCCCA added section 136(b) of TILA (15 U.S.C. § 1646(b). 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. *See* 54 FR 13855 (Apr. 6, 1989).

² U.S. Congress, Senate, "Report of the Committee on Banking, Housing, and Urban Affairs, to accompany H.R.

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 1985.³

Section 1100A of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), Public Law 111-203, transferred the authority to conduct the semiannual Report of Terms of Credit Cards from the Federal Reserve Board to the Bureau on July 21, 2011. The Bureau began to collect this information starting July 31, 2012, and the credit card plan information is now also available at <http://www.consumerfinance.gov/credit-cards/>.

In July 2018, the Bureau began allowing for responses to be submitted through its online channel "Collect." About 60 percent of respondents submitted the survey via Collect, and burden to respond decreased by about one-third.

2. Use of the Information

Section 136(b) of the Truth in Lending Act (TILA) (15 U.S.C. § 1646(b)) requires the Bureau to "collect, on a semiannual basis, credit card price and availability information, including the information required to be disclosed under section 127(c) of TILA (15 U.S.C. § 1637(c)). Section 127(c) requires issuers disclose, among other things:

- 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). The majority of respondents offer national plans. Both Collect and the traditional Form 2572 allow respondents to provide information on their most common terms. The reporting form also collects information on credit card plan enhancements and telephone number for consumer questions.

Reporting Panel

515," December 16, 1987. Statements by Edward M. Gramlich, p.12, and Senators Garn, Hecht, Bono, Karnes, and Shelby, p.14.

³ Board of Governors of the Federal Reserve System, "Annual Percentage Rate Demonstration Project," March 1987.

The Bureau follows the selection method the Federal Reserve used to identify the card issuers to which the FR 2572 is sent, 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, 051, 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 Bureau distributed the FR 2572 reporting forms to 162 institutions in July 2018 and 168 institutions in January 2019. The Bureau expects that, for a number of reasons, there will be some level of non-response. For example:

1. 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;
2. the panel may include a number of subsidiaries of the same parent bank, in which case the Bureau will consolidate the data of these subsidiaries and count them as only one response; and,
3. on occasion, banks are included if they are offering particularly attractive deals for consumers, regardless of size, as long as the offer is national, among other things.

For the preceding reasons, the Bureau plans to increase the number of solicitations to approximately 175 for each period going forward.

Typically, about 90 percent of the responses come from commercial banks, with the remainder from savings banks, industrial banks, and savings and loans associations.⁴ In January 2013, the Bureau added credit unions to its panel in order to ensure representation of such issuers. The panel is consistent with the criteria of the FCCCA: a reasonable number of 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 Bureau collects 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 within 10 business days of the as-of date by submitting form FR 2572 electronically via the Bureau's online channel: Collect. Alternatively, respondents able to submit the completed FR 2572 to a dedicated CFPB email box (Collect_Support@cfpb.gov). Individual respondent data are then published on CFPB's public website. The reports are intended to facilitate credit card shopping by consumers and enhance competition.

⁴ Retailers are excluded since they are not financial institutions and because their card issuance is limited to store-specific cards. The Bureau may add retailers to the panel at its discretion when it deems it appropriate to do so. The Report of Credit Card Terms 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.

3. Use of Information Technology

In July 2018, the Bureau began allowing for responses to be submitted through its online channel “Collect.” About 60 percent of respondents submitted the survey via Collect, and burden to respond decreased by about one-third.

4. Efforts to Identify Duplication

This data are not otherwise available from any other source.

5. Efforts to Minimize Burdens on Small Entities

The Bureau is required by the FCCCA to populate a sample from both an equitable geographic distribution and representation of a wide spectrum of institutions. Therefore, some small entities are included in the panel by necessity. The Bureau has endeavored to make this collection minimally burdensome to all institutions, and does not expect that small entities experience excess burden compared to large institutions.

6. Consequences of Less Frequent Collection and Obstacles to Burden Reduction

To meet statutory requirements, the Bureau is required to collect the data twice a year and make the information available to Congress and the general public. Without this data the public would be hindered in their ability to comparison shop for credit cards and competition would thereby be harmed.

7. Circumstances Requiring Special Information Collection

This collection of information is consistent with the applicable guidelines contained in 5 CFR 1320.5(d)(2). The Bureau notes that it requests entities to respond within 10 business days in order that it can provide information in its entirety to the general public in a timely fashion. However, the Bureau appreciates that this is not always possible for all institutions, and notes that, comporting with OMB rules regarding information collections, an entity has up to 30 days to make the required response.

8. Consultation Outside the Agency

In accordance with 5 CFR 1320.8(d)(1), the Bureau published a notice in the *Federal Register* allowing the public 60 days to comment on the proposed renewal of the Form FR 2572. The Bureau received only one comment in response to the renewal of information collection. The commenter stated general support for the information collection, and did not comment on burden or burden calculation. In accordance with 5 CFR 1320.5(a)(1)(iv), the Bureau published a notice in the *Federal Register* allowing the public 30 days to comment on the submission of this renewal request to the OMB.

9. Payments or Gifts to Respondents

None.

10. Assurances of Confidentiality

The information collected will be made publicly available and no assurances of confidentiality are given to respondents. No personally identifiable information is collected, and the Bureau will treat all information received consistent with its confidentiality regulations at 12 CFR, Part 1070 *et seq.* There is no personally identifiable information collected by this collection, therefore there is no System of Records Notice (SORN) or Privacy Impact Assessment (PIA) that is applicable to this collection.

11. Justification for Sensitive Questions

This information collection does not include questions of a sensitive nature.

12. Estimated Burden of Information Collection

| Collection of Information | Estimated Number of Annual Respondents | Average Number of Responses Per Respondent | Estimated Number of Annual Responses | Estimated Average Response Time (hours) | Estimated Annual Burden (hours) |
|---|---|---|---|--|--|
| Collection of Credit Card Plan Information (via FR 2572 or Collect) | 35 | 2 | 70 | 0.18 ⁵ | 13 |
| Collection of Credit Card Plan Information (via Collect) | 140 | 2 | 280 | .17 | 48 |
| One time Collect registration* | 140 ⁶ | 1 | 140 | .017 | 2 |
| Totals: | 175 | ////////// | 490 | ////////// | 63 |

*Respondents who register for the Collect system are a subset of respondents. See note 6.

The proposed annual burden for the FR 2572 is 63 hours. The Bureau is required to collect form FR 2572 from at least 150 credit card issuers, but the Bureau expects to expand the total number of surveys sent to 175 in order to receive at least 150 responses as required by the FCCCA. 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 additional burden.

⁵ In the January 2019 survey the Bureau received 80% of responses via Collect (10 minutes to respond) and 20% via Collect_Support@cfpb.gov (15 minutes to respond). The weighted average response time is 11 minutes.

⁶ There is one time burden associated with registering to use the Collect system. The Bureau estimates that 80% of respondents will experience burden of 1 minute to complete the registration form. $175 \times .8 = 140$ respondents

Associated Labor Costs:

| Title (Bureau of Labor Statistics Occupation Code) | Rate (USD)⁷ | Percent of task | Weighted rate (Rate x Percent of task, USD) | Cost per response (Weighted rate x Average hours per response, USD) |
|---|-------------------------------|------------------------|--|--|
| Market Analyst (13-1161) | 30.40 | 30 | 9.12 | 1.67 |
| Managerial or technical (11-2021) | 63.57 | 50 | 31.79 | 5.83 |
| Senior Management (11-0000) | 62.89 | 15 | 9.43 | 1.73 |
| Legal Counsel (23-1011) | 57.33 | 5 | 2.87 | .53 |
| Total per response | | 100 | | 9.75 |

The Bureau expects that this information collection will cost the average respondent \$9.75 in labor costs to complete and return the FR 2572 form per response. The total average annual labor costs to respond to FR 2572 to be \$3,414.⁸ This includes both semi-annual filings.

13. Estimated Total Annual Cost Burden to Respondents or Recordkeepers

Since these data are already collected by the respondents in their ordinary course of business, reporting it on this form imposes no significant additional material or equipment costs on them.

14. Estimated Cost to the Federal Government

None. The Bureau incurs no unique costs as a result of this data collection.

15. Program Changes or Adjustments

| | Total Respondents | Annual Responses | Burden Hours | Cost Burden (O & M) |
|-------------------------------|--------------------------|-------------------------|---------------------|--------------------------------|
| Total Annual Burden Requested | 175 | 490 | 63 | \$0 |
| Current OMB Inventory | 150 | 300 | 75 | \$0 |
| Difference (+/-) | +25 | +190 | (12) | |
| Program Change | | +140 | -12 | |
| Discretionary | | | | |
| New Statute | | | | |
| Violation | | | | |

⁷ Hourly median wage found using the Bureau of Labor Statistics May 2017 National Occupational Employment and Wage Estimates tables available here: https://www.bls.gov/oes/current/oes_nat.htm#23-0000.

⁸ \$9.75 per hour x 175 respondents x 2 per year x 11 minutes per response = \$3,413 total average industry cost per year.

| | | | | |
|------------|-----|-----|--|---|
| Adjustment | +25 | +50 | | 0 |
|------------|-----|-----|--|---|

As discussed in section 12 above, in order for the Bureau to obtain the statutorily mandated 150 responses, it sends out at least 175 surveys. Therefore, the Bureau requests enough annual burden to send the survey to 175 respondents semi-annually. The Bureau estimates that the introduction of Collect will lower the total industry burden by 11 hours per year. There is a net burden reduction of approximately 12 hours; however, 2 hours are added due to adding a nominal one-time burden for registering for the Collect system. The Bureau expects that those respondents who use the Collect system will save about 5 minutes per response (e.g., 15 minutes per response for the paper form versus about 10 minutes per response when using the Collect system).

16. Plans for Tabulation, Statistical Analysis, and Publication

Individual respondent data are collected and then published on Bureau's public web site. There are no complex analytical techniques being used. The final presentation of the information does include basic search, filter and sort functionalities.

17. Display of Expiration Date

The Bureau plans to display the OMB control number and expiration date for OMB approval of the information collection on all instruments, including the Collect registration form. The OMB control number and expiration date associated with this PRA submission will be displayed on the Federal government's electronic PRA docket at www.reginfo.gov, as well as in the Federal Register Notice of the submission.

18. Exceptions to the Certification Requirement

The Bureau certifies that this collection of information is consistent with the requirements of 5 CFR 1320.9, and the related provisions of 5 CFR 1320.8(b)(3) and is not seeking an exemption to these certification requirements.

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