

**Supporting Statement for the
Census of Finance Companies and Survey of Finance Companies
(FR 3033p and FR 3033s; OMB No. 7100-0277)**

Summary

The Board of Governors of the Federal Reserve System (Board), under authority delegated by the Office of Management and Budget (OMB), has extended for three years, with revision, the Census of Finance Companies and Survey of Finance Companies (FR 3033p and FR 3033s; OMB No. 7100-0277). The FR 3033 information collection (the quinquennial) consists of the Census of Finance Companies (FR 3033p), which the Board revised, as well as the Survey of Finance Companies (FR 3033s), for which the Board has not revised at this time.

The Census of Finance Companies (FR 3033p) is the first part of a two-stage survey series, which has been conducted at a regular five-year interval since 1955. The FR 3033p is a census survey designed to identify the universe of finance companies eligible for potential inclusion in the FR 3033s and to enable the stratification of the sample for a more statistically efficient estimation. The FR 3033p gathers limited information including total assets, areas of specialization, and information on the corporate structure of the companies. The second part of this information collection, the Survey of Finance Companies (FR 3033s), collects balance sheet data on major categories of consumer and business credit receivables and major liabilities and is used to gather information on the geographic scope of the company's operations and loan and lease servicing activities.

The Board revised the FR 3033p to improve the accuracy of information collected to determine whether a company meets the definition of a finance company and to make minor modifications to the survey design. The Board did not revise the FR 3033s at this time. The current estimated total annual burden for the FR 3033 is 9,800 hours, and would decrease to 6,024 hours. The adopted revisions would result in a decrease of 3,776 hours. The survey form and instructions are available on the Board's public website at <https://www.federalreserve.gov/apps/reportforms/default.aspx>.

Background and Justification

Since June 1955, the Board has surveyed the assets and liabilities of finance companies in five-year intervals. For purposes of this survey, finance companies were defined as companies whose largest portion of assets is made up of consumer or business loans or leases excluding commercial banks, cooperative banks, investment banks, savings banks, savings and loan institutions and industrial loan corporations or their subsidiaries. Through 1975, all known U.S. finance companies were surveyed. To reduce reporting burden, in 1980 the survey was split into an extremely brief screening survey, which has been sent to all likely finance companies that operate in the United States and its territories and possessions, and a longer survey, which has been sent to a stratified random sample of identified finance companies. In 2005, the definition of finance company was revised to include companies whose largest portion of assets was made up of real estate loans; as a result, mortgage companies became eligible to participate in the

survey. In addition, the survey was revised to instruct finance companies to include the assets and liabilities of their mortgage company subsidiaries.

In 2010, the quinquennial underwent a major revision. The title of the FR 3033p was changed to “Census of Finance Companies” to stress that every response is important. Several questions on the census were modified to allow the Board to make the determination of whether a company is a finance company rather than asking whether it meets the definition. Similarly, the title of the FR 3033s was changed to “Survey of Finance Companies”. Revisions to the FR 3033s included reordering assets and liability data items from most liquid to least liquid, asking additional detail on assets and liabilities, adding a section to gather information on servicing activities and geographic distribution of the company’s activities, and creating a clearer distinction among the broad balance sheet data items, detailed loan and lease data items, and off-balance-sheet securitization data items. The respondent panel sizes for both questionnaires were increased, and the Board implemented a web-based survey option.

The Board has used the quinquennial survey data to benchmark monthly data series on major assets and quarterly data series on liabilities of finance companies developed from the monthly Domestic Finance Company Report of Consolidated Assets and Liabilities (FR 2248; OMB No. 7100-0005), which is collected from a smaller sample of companies. These data are used in internal analysis and are reported to the public in two monthly statistical releases, the Finance Companies (G.20) and the Consumer Credit (G.19), as well as the quarterly Financial Accounts of the United States (Z.1) release. As with many data series based on a fixed sample, errors of estimation tend to increase over time and thus require periodic correction. These errors reflect the evolution in the financial markets as new companies enter the market and market shares change and the deterioration of the monthly sample panel as respondents close, merge or otherwise leave the panel.

In addition to benchmarking the Flow of Funds data, information from the quinquennial survey also provides the Board with an opportunity to learn about an important part of the financial system. Finance companies are a key supplier of credit to households and businesses, holding or managing about 13 percent of total consumer credit outstanding and a significant share of the short- and intermediate-term business finance market. The business and consumer credit holdings of finance companies are key elements of domestic nonfinancial debt, which is monitored by the Board and the Federal Open Market Committee (FOMC) in the implementation of monetary policy.

Description of Information Collection

FR 3033p

The FR 3033p is a census survey designed to identify the universe of finance companies eligible for potential inclusion in the FR 3033s and to enable the stratification of the sample for more statistically efficient estimation. The FR 3033p currently comprises 11 questions to assess the company’s asset size, level of loan and lease activity, company structure, and licensing authority.

FR 3033s

From the universe of finance companies identified by the FR 3033p, a sample of finance companies will be invited to fill out FR 3033s. From these finance companies, the FR 3033s survey collects balance sheet data on major categories of consumer and business credit receivables and major liabilities. In addition, the survey may be used to gather information on topics that are pertinent to increasing the Federal Reserve's understanding of the finance companies.

Respondent Panel

Currently, the Board is in the process of identifying the potential universe of finance companies. There is no national registry of finance companies to serve as the list frame for the FR 3033p. In 2015, a list frame (which includes companies that are likely to be finance companies) was obtained primarily from Dun and Bradstreet (D&B), Avention, and to a lesser degree from other sources. Although these data vendors attempted to consolidate subsidiaries to the highest level within any given corporate structure, responses to the census revealed their algorithm was not adequate. Furthermore, there were a substantial number of the census forms returned by the post office as undeliverable. The Board is currently working to identify the vendor(s) with the best coverage of companies that are likely to meet the definition of a finance company.

For the nation as a whole, the Board estimates up to 40,000 companies that, based on results from the 2015 census, may meet the requirements for forming the list frame. In addition, the Board may use Home Mortgage Disclosure Act (HMDA) data to identify additional mortgage lenders that may meet the FR 3033p definition of a finance company. As in the past, the Board proposes to contact all companies identified as likely finance companies with the exception of companies that file the Financial Statements of U.S. Nonbank Subsidiaries of U.S. Holding Companies (FR Y-11; OMB No. 7100-0244). The Board would mail census forms to up to 40,000 companies. This is in line with the 2015 census in which approximately 37,000 censuses were mailed. Once the companies return the census, the Board would determine the panel of respondents for inclusion in the FR 3033s.

If the census fails to achieve an 80 percent response rate, the Board will conduct a nonresponse bias study¹. In 2015, the census had a response rate of 32 percent, excluding the postal returns. The Board is uncertain of likely response rates for the 2020 census but is basing its burden estimates on a response rate of 30 percent. Thus, the Board is planning for the nonresponse bias study, described below.

In an effort to improve the response rate for the census, which has been trending lower in the past two decades, the Board is planning to conduct census mailings based on experience from other surveys. The current plan includes a pre-survey notification letter, initial mailing, a second-wave mailing of the entire survey package to nonrespondents 15 days after the previous mailing,

¹ See Office of Management and Budget Standards and Guidelines for Statistical Surveys, September 2006, https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/assets/OMB/inforeg/pmc_survey_guidance_2006.pdf.

and a postcard reminder sent to nonrespondents approximately 10 days after each wave of mailing. The Board believes that these measures should bolster response rates. The adoption of a web-based survey, which was inaugurated in 2010, is also expected to have positive effects on response rates.

To cope with the expected level of nonresponse to the census, the Board also intends to select a subsample of nonrespondents for further follow-up with phone calls. Comparison of the characteristics between this subsample and the general population would form the basis for the nonresponse bias study for the census and consequently serve to shape the design of the sample for the FR 3033s. The Board, along with Federal Reserve Banks, anticipate following up with 4,000 nonrespondents for the census.

Revisions to the FR 3033p

The Board revised the FR 3033p to improve the accuracy of identifying finance companies, improve response rates, and simplify the form overall; the FR 3033s was not revised in this submission. The FR 3033p revisions, which are effective for the May 2020 survey date, include:

- Revising the questionnaire title to “2020 Census of Finance Companies and Other Lenders” for clarity. Responses from past rounds of surveys indicated that some respondents might not view themselves as finance companies, even though they are likely to be a target of interest by the survey definition.
- Revising general instructions at the beginning of the survey for clarity.
- Renumbering questions as needed to conform to revisions and to improve clarity, as a result the FR 3033p will have seven questions instead of eleven.
- Clarifying the “No” option in question 1 to read “My company or I do not make loans or leases (in person or online)” so that an early exit is offered to recipients who have likely received the survey form by mistake.
- Revising the “Other” option in question 1 to have two choices: “Sold” and “Not in business”.
- Simplifying question 3 to a yes/no question.
- Revising the wording in question 4 to read “Business loans and leases” and “Consumer loans and leases”. Definitions for these terms are incorporated into the answer choices.
- Deleting question 5. This question asks about the types of credit or financing that a company offers. It has five parts with multiple choices available for selection. This question was first added to the 2015 census and the responses showed little value. The burden seems relatively high, especially given the lack of value.
- Revising old question 11 and renumbering as 7. Explicit categories for contact information are created, such as name of person completing the survey and title of the person. City, state, and zip code information are asked in separate categories.
- Adding a check box at the end of the questionnaire to offer respondents an opportunity to receive the results of the survey. This is a way to encourage participation and improve survey response.

Time Schedule for Information Collection

The Board conducts the quinquennial every five years. First, the FR 3033p census would be sent out to respondents as a pretest to establish the respondent universe and inform the exact questions of the FR 3033s. The FR 3033s survey is sent out to the respondents identified in the FR 3033p one year later. Conducting the census less frequently would not provide the Board with timely enough information to accomplish its goals and support the Board's mission. The first step of conducting the FR 3033p allows the Board to select more appropriate respondents for the FR 3033s and ultimately benchmark the monthly Domestic Finance Company Report of Consolidated Assets and Liabilities (FR 2248; OMB No. 7100-0005).

Public Availability of Data

The Board has used the quinquennial survey data to benchmark monthly data series on major assets and quarterly data series on liabilities of finance companies developed from the FR 2248, which is collected from a smaller sample of companies. These data are used in internal analysis and are reported in aggregate format to the public in two monthly statistical releases, the Finance Companies (G.20) and the Consumer Credit (G.19), as well as the quarterly Financial Accounts of the United States (Z.1) release.

Legal Status

The FR 3033 is authorized pursuant to sections 2A and 12A of the Federal Reserve Act (FRA). Section 2A of the FRA requires that the Board and the 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). Under section 12A of the FRA, 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 their bearing upon the general credit situation of the country (12 U.S.C. § 263). Information collected from the FR 3033 is used to fulfill these obligations. The FR 3033 is voluntary.

The information collected pursuant to the FR 3033 is confidential pursuant to exemption 4 of the Freedom of Information Act (5 U.S.C. § 552(b)(4)), which protects "trade secrets and commercial or financial information obtained from a person and privileged or confidential."

Consultation Outside the Agency

For the renewal of this information collection, the Board consulted with OpenCorporates, Competiscan, Zoominfo, Melissa Data, and Infogroup to identify companies as potential respondents for the census.

Public Comments

On January 16, 2020, the Board published an initial notice in the *Federal Register* (85 FR 2740) requesting public comment for 60 days on the extension, with revision, of the FR 3033p and FR 3033s. The comment period for this notice expired on March 16, 2020. The Board did not receive any comments. On April 13, 2020, the Board published a final notice in the *Federal Register* (85 FR 20496).

Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the FR 3033 is 9,800 hours, and would decrease to 6,024 hours with the adopted revisions. The total number of respondents including those that will respond to the nonresponse follow-up for the FR 3033p is based on an estimated response rate of 30 percent of 40,000 potential respondents and a lower response rate of 20 percent of 4,000 nonrespondents selected for follow-up, which equals 12,800 respondents. The response rate of 30 percent was based on the 2015 FR 3033p actual response rate of 32 percent. As there are no changes being proposed for the FR 3033s at this time, the burden will stay the same. These reporting requirements represent less than 1 percent of the Board's total paperwork burden.

FR 3033	<i>Estimated number of respondents²</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Current				
FR 3033p	16,000	1	0.5	8,000
FR 3033s	1,200	1	1.5	<u>1,800</u>
	<i>Total</i>			9,800
Proposed				
FR 3033p	12,800	1	0.33	4,224
FR 3033s	1,200	1	1.5	<u>1,800</u>
	<i>Total</i>			6,024
	<i>Change</i>			(3,776)

² Of these respondents, it is anticipated that 11,500 FR 3033p respondents and 1,150 FR 3033s respondents would be considered small entities as defined by the Small Business Administration (i.e., entities with less than \$600 million in total assets), <https://www.sba.gov/document/support--table-size-standards>. There are no special accommodations given to mitigate the burden on small institutions.

The estimated total annual cost to the public for the FR 3033 is \$565,950, and would decrease to \$347,886 with the adopted revisions.³

Sensitive Questions

These collections of information contain no questions of a sensitive nature, as defined by OMB guidelines.

Estimate of Cost to the Federal Reserve System

The estimated cost to the Federal Reserve System for collecting and processing this information collection is \$536,300.

³ Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rates (30% Office & Administrative Support at \$20, 45% Financial Managers at \$71, 15% Lawyers at \$70, and 10% Chief Executives at \$93). 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 2019*, published March 31, 2020, <https://www.bls.gov/news.release/ocwage.t01.htm>. Occupations are defined using the BLS Standard Occupational Classification System, <https://www.bls.gov/soc/>.