

**Supporting Statement Part B for the
Survey of Small Business and Farm Lending
(FR 2028; OMB No. 7100-0061)**

Summary

For all information collections that involve surveys or require a statistical methodology, the Board of Governors of the Federal Reserve System (Board) is required to provide a complete justification and explanation of the use of such a methodology. For collections that employ surveys without such a methodology, the Board should be prepared to justify its decision not to use statistical methods in any case where such methods might reduce burden or improve accuracy of results.

Background

The Survey of Small Business and Farm Lending (SSBFL) comprises the following three reports:

- Survey of Terms of Bank Lending to Farmers (FR 2028B),
- Prime Rate Supplement of Survey of Terms of Lending (FR 2028S), and
- Small Business Lending Survey (FR 2028D).

The SSBFL collects unique information concerning price and certain nonprice terms of loans made to businesses and farmers each quarter (February, May, August, and November) from a sample of banks. The FR 2028B collects detailed data on individual loans funded during the first full business week of the mid-month of each quarter and the FR 2028S collects the prime interest rate for each day of the survey week from FR 2028B respondents. The FR 2028D provides focused and enhanced information on small business lending including rates, terms, credit availability, and reasons for their changes. The FR 2028D collects quarterly average quantitative data on terms of small business loans and qualitative information on changes and the reasons for changes in the terms of lending. From these sample SSBFL data, estimates of the terms of business loans and farm loans extended are constructed. The aggregate estimates for business loans are published in the Federal Reserve Bank of Kansas City's quarterly release, *Small Business Lending Survey*, and aggregate estimates for farm loans are published in the statistical release, *Agricultural Finance Databook*.

Universe and Respondent Selection

The FR 2028B panel has an authorized size of 250 domestically chartered commercial banks. The panel of banks has been drawn from a random sample of banks stratified according to farm loan volumes since 1989. Since that time, the authorized size of the panel has been 250 banks, with 164 banks currently reporting. The number of respondents is less than the authorized size due to mergers among reporters and loss of respondents due to the voluntary nature of the panel. Table 1 presents the number of reporters disaggregated by Federal Reserve District and by bank-size group for the current panel. If the authorized size of the panel is reduced to 164, the standard errors for the data items would increase 23 percentage points. Moreover, the standard errors on the regional estimates, which are based on smaller samples, likely would be greatly

increased. In addition, the Federal Reserve has implemented an on-going effort to recruit new reporting banks and expand the panel to the authorized size of 250. Consequently, the recommendation is not to change the authorized number of banks.

Table 1
Number of Reporters on FR 2028B and FR 2028S

District	Number of Small FR 2028B and FR 2028S Respondents¹	Number of Large FR 2028B and FR 2028S Respondents²
1	0	0
2	0	1
3	0	3
4	11	13
5	4	2
6	3	4
7	24	1
8	14	8
9	11	2
10	34	10
11	6	6
12	3	4
TOTAL	110	54

The authorized panel for the FR 2028D panel is 398 domestically chartered commercial banks. The size is based on obtaining survey results with a 95% confidence level and 5% standard error, allowing for a 10% nonresponse rate. The panel of banks is a random sample of banks stratified according to the dollar volumes of commercial and industrial loans with original amounts of \$1,000,000 or less. Table 2 presents the current number of reporters disaggregated by district and by bank size group for the panel.

The number of respondents is less than the authorized panel size due primarily to the voluntary nature of the report, recruiting challenges during the panemic, and because it is a relatively new survey. If the authorized size of the panel is reduced to 122, the standard errors for the data items would increase 81 percentage points. No changes to the authorized panel size are recommended.

¹ Institutions with total consolidated assets less than \$750 million.

² Institutions with total consolidated assets of \$750 million or more.

Table 2
Number of Reporters on FR 2028D Panel

District	Number of Small FR 2028D Respondents³	Number of Large FR 2028D Respondents⁴
1	0	5
2	0	6
3	0	8
4	2	12
5	4	6
6	3	10
7	7	13
8	1	1
9	4	3
10	7	14
11	0	8
12	1	7
TOTAL	29	93

Procedures for Collecting Information

The FR 2028B and FR 2028S are filed every mid-quarter as of February, May, August, and November. The FR 2028D transmission period begins the day following the last day of each calendar quarter (March, June, September and December) and concludes 14 days after the first business day in the second month of each quarter

Methods to Maximize Response

The process to recruit respondents for the FR 2028 panels uses an algorithm which, after verifying that there is still room on the panel based on outstanding panel requests, selects replacement banks randomly based on panel needs. Responses to the panel requests may take several months, including credentialing and preparation time.

Testing of Procedures

There is no testing of procedures.

³ Institutions with total consolidated assets less than \$750 million.

⁴ Institutions with total consolidated assets of \$750 million or more.