

**Supporting Statement Part B for the
Quarterly Report of Interest Rates on Selected Direct Consumer Installment Loans
and
Quarterly Report of Credit Card Plans
(FR 2835 and FR 2835a; OMB No. 7100-0085)**

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 data from these reports help the Board analyze current household financial conditions and the implications of these conditions for household spending and, as such, these data provide valuable input to the monetary policymaking process. The data are also used to create aggregate statistics on consumer loan terms that are published in the Federal Reserve's monthly statistical releases G.19 *Consumer Credit* and G.20 *Finance Companies*, and in the Federal Reserve Bulletin. Some of the aggregates are used by the Board in the calculation of the aggregate household debt service and financial obligations ratios for the Federal Reserve's quarterly *Household Debt Service and Financial Obligations Ratios* statistical release and by the Bureau of Economic Analysis to calculate interest paid by households as part of the *National Income and Product Accounts*.

The Board has been the primary producer of aggregate statistics related to U.S. consumer credit since 1942. This role stems from the Board's need to make well-informed monetary policy decisions and its public policy responsibilities related to consumer credit. Since the 1940s, the Board has maintained programs for the direct collection of consumer credit data from commercial banks and finance companies. It obtains its information on credit provided by other types of financial institutions mainly through secondary sources.¹

The Board has revised the consumer credit data collection program over the years to lessen reporting burden, eliminate items of lesser importance, and focus on items of highest priority for economic analysis. For example, in 1994, the Board removed a data item on credit card interest rates from the FR 2835 and introduced the FR 2835a and thus was able to ask for more detailed information from large issuers of credit cards without burdening the majority of the FR 2835 respondents. In 2006, the Federal Reserve added a data item to the FR 2835 to collect the most common interest rate on 60-month loans for new vehicles. This change was motivated by the growing popularity of the 60-month loan term. In 2015, the FR 2835 added an item to collect the most common rate on 72-month loans for new automobile loans.

¹ Prior to 1963, the Federal Reserve also operated an extensive data collection and publication program covering department store credit; that responsibility was subsequently transferred to the Bureau of the Census.

The Board's long-standing interest in consumer credit issues arises from a need to evaluate macroeconomic conditions and the probable consequences of monetary policy actions. The amount that consumers borrow and the terms at which they are able to borrow are major determinants of the general financial conditions of households. These conditions, in turn, play a major role in supporting consumer spending, the largest component of gross domestic product (more than two-thirds of the total). Moreover, some of the more volatile components of consumer spending directly depend on the terms at which households can obtain consumer loans. This information is not available from other sources.

Universe and Respondent Selection

The reporting panel for the FR 2835 consists of commercial banks. There are currently 81 commercial banks on the panel.² Although some banks have merged or otherwise dropped out of this voluntary survey, the Board has attempted to maintain the panel as close as possible to the authorized size of 150. The FR 2835 panel is drawn from a sample of 150 member banks (most large banks and a random sample of smaller banks).

The FR 2835a collects information on two measures of credit card interest rates from a sample of commercial banks with \$1 billion or more in credit card receivables and a representative group of smaller issuers. The Board uses the data to analyze the credit card market and draw implications for the household sector. Based on previous filings, there are currently 27 commercial banks on the panel.³ Although the current respondents represent the largest issuers of bank credit cards, the Federal Reserve will continue its efforts to recruit additional respondents to bring the panel up to its authorized size (50 commercial banks) so that the data will better represent the entire industry. This panel design is used so that the data will be representative of interest rates paid by consumers on bank credit cards. The outstanding balances of the respondents represent about 60 percent of all owned and managed credit card receivables at commercial banks.

Procedures for Collecting Information

The FR 2835 collects information from a sample of commercial banks on interest rates charged on loans for new vehicles and loans for other consumer goods and personal expenses. Interest rates on consumer loans made by commercial banks continue to be analytically significant. Auto and personal loans are major components of bank consumer lending, and changes in the terms of these loans represent an important input to analyses of the household sector prepared for the Federal Reserve. The data are used for internal analysis of household financial conditions.

The FR 2835 respondents are asked to provide "the most common rate," meaning the rate at which the largest dollar volume of loans of a particular type was made during the reporting week. For adjustable-rate loans, the initial rate is reported. Respondents are also asked to provide narrative explanations for large fluctuations in reported data.

² As of May 2023.

³ As of May 2023.

The FR 2835a collects information on two measures of average credit card interest rates from card-issuing commercial banks. One measure reflects the interest rate offered to credit cardholders, and the other reflects finance charges paid by cardholders with balances.

The FR 2835 and FR 2835a are submitted in Reporting Central and flow through the Receive Site Module to the Financial Data Repository.

Methods to Maximize Response

As described in above, all members of the selected panel provide a response, so there is no need for additional efforts to maximize the response rate.

Testing of Procedures

There is no testing of procedures for this collection.