

## **OMB Supporting Statement for the Consumer and Stakeholder Surveys (FR 3073; OMB No. to be assigned)**

### **Summary**

The Board of Governors of the Federal Reserve System (Federal Reserve Board), under delegated authority from the Office of Management and Budget (OMB), proposes to implement the voluntary Consumer and Stakeholder Surveys (FR 3073). The Federal Reserve would use this collection to inform consumer-focused supervision, research, and policy analysis; implement statutory requirements; and facilitate community development. The surveys in this collection would inform the Federal Reserve's work by identifying emerging risks and providing additional data on the issues that affect the well-being of consumers and communities and the function of the market for financial services.

The surveys in this collection would be used to gather quantitative and qualitative information directly from individual consumers or households (consumer surveys) on consumer finance topics. This collection also would be used to gather quantitative and qualitative information on current and emerging community economic issues from stakeholders (stakeholder surveys). Stakeholders may include, for example, such organizations as community groups, community development organizations, non-profit service providers, faith-based service organizations, public sector agencies, small business owners, health care organizations, food banks, K-12 public and private schools, community colleges, community development financial institutions, credit unions, banks, and other financial institutions and companies offering financial products and services. While these surveys would be ongoing, the frequency and content of the questions may change depending on economic conditions, regulatory, or legislative developments, as well as changes in technology, business practices, and other factors affecting consumers, stakeholders, and communities.

The Federal Reserve proposes to conduct the FR 3073 as needed up to 30 times per year. The annual burden is estimated to be 10,700 hours, based on the maximum of 30 surveys: 6 quantitative and 8 qualitative consumer surveys, and 8 quantitative and 8 qualitative stakeholder surveys.

### **Background and Justification**

The Federal Reserve conducts consumer-focused supervision, research, and policy analysis, as well as implements statutory requirements and facilitates community development. These activities promote a fair and transparent consumer financial services market, including for traditionally underserved households and neighborhoods.

The Federal Reserve previously initiated consumer and stakeholder survey efforts under the Consumer Financial Stability Surveys (FR 3053; OMB No. 7100-0323). Data from these surveys have provided timely information on developments in consumer financial markets, consumer behaviors, and conditions and emerging risks in communities. Due to the evolution of the Federal Reserve's work in these areas and the recurring nature of these surveys, the FR 3053 is not broad enough in scope to cover the needed data collection. Authorization of the FR 3073 would enable the Federal Reserve to conduct surveys to meet the ongoing need for this type of

information.

### *Consumer Surveys*

The Federal Reserve analyzes emerging issues in consumer financial services policies and practices in order to understand their implications for the economic and supervisory policies that are core to the Federal Reserve's functions, as well as to gain insight into consumer decision-making. Consumer surveys are an important tool for informing understanding of consumer financial decisions and markets, and the Federal Reserve has a long history of using surveys to inform its work.<sup>1</sup> To augment and complement existing survey efforts, the Federal Reserve has recently begun to conduct surveys utilizing internet panels to explore emerging and current issues with implications for the Federal Reserve's work.<sup>2</sup> Internet panels provide another avenue for obtaining data on consumer financial topics that can be more timely and cost-effective than telephone, mail, or in person surveys for some data collections, in part because baseline information on panel participants (such as age or homeownership) can aid in identifying potential respondents for a particular study. In addition, these panels provide the opportunity to survey the same respondents over time, which can provide additional insights into consumer behavior and financial conditions.

The Federal Reserve believes that quantitative surveys like internet panel surveys may be complemented by other methods of data collection, such as qualitative surveys using focus groups and individual interviews (which can provide more in depth information from a smaller group of consumers – e.g. 10 to 12 consumers in a focus group, or 8 to 10 consumers in individual interviews).<sup>3</sup> This type of collection allows for qualitative research methods to be used for exploring consumer responses to documents and disclosures and also for other purposes

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<sup>1</sup> The Ongoing Intermittent Survey of Households (FR 3016; OMB No. 7100-0150) enables the Federal Reserve to collect data using the University of Michigan's Survey of Consumers, helping the Federal Reserve understand consumer credit markets and consumer behavior. The Survey of Consumers is a telephone survey, while the quantitative consumer surveys under the FR 3073 are likely to be conducted using internet panels. Both survey modes are useful tools, and the choice of mode varies with the needs of a particular project. The 2013 Survey of Consumer Finances (FR 3059; OMB No. 7100-0287) and earlier surveys in this triennial series provides representative information on the structure of U.S. families' finances, including detailed data on the assets, debts, income, work history, pension rights, use of financial services, and attitudes of a sample of U.S. families. The consumer surveys conducted under the FR 3073 would augment information available from other regularly occurring surveys such as the Survey of Consumer Finances by asking new questions to expand understanding of a topic, and potentially by providing information between waves of these other surveys.

<sup>2</sup> For example, survey findings on mobile banking and payments have been released in reports and discussed in a *Federal Reserve Bulletin* article and in Congressional testimony. See Board of Governors of the Federal Reserve System (2012), *Consumers and Mobile Financial Services*, (Washington: Board of Governors, March), [www.federalreserve.gov/econresdata/mobile-devices/files/mobile-device-report-201203.pdf](http://www.federalreserve.gov/econresdata/mobile-devices/files/mobile-device-report-201203.pdf) and Board of Governors of the Federal Reserve System (2013), *Consumers and Mobile Financial Services 2013*, (Washington: Board of Governors, March), <http://www.federalreserve.gov/econresdata/consumers-and-mobile-financial-services-report-201303.pdf>. See also Matthew B. Gross, Jeanne M. Hogarth, and Maximilian D. Schmeiser (2012), "Use of Financial Services by the Unbanked and Underbanked and the Potential for Mobile Financial Services Adoption," *Federal Reserve Bulletin*, vol. 94, no. 4, [www.federalreserve.gov/pubs/bulletin/2012/articles/MobileFinancialServices/mobile-financial-services.htm](http://www.federalreserve.gov/pubs/bulletin/2012/articles/MobileFinancialServices/mobile-financial-services.htm) and Sandra F. Braunstein, Director, Division of Consumer and Community Affairs (2012), "Mobile payments," Before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, March 29, [www.federalreserve.gov/newsevents/testimony/braunstein20120329a.htm](http://www.federalreserve.gov/newsevents/testimony/braunstein20120329a.htm).

<sup>3</sup> In the past, the Board has made extensive use of focus groups and interviews for the purpose of developing consumer disclosures. A number of the studies conducted to inform regulatory development work are available at [http://www.federalreserve.gov/econresdata/consumerresearch\\_testing.htm](http://www.federalreserve.gov/econresdata/consumerresearch_testing.htm).

such as exploring a new topic or an ongoing area of focus in more depth, testing and developing the wording of survey questions, and complementing a quantitative survey in a mixed method research design.

### *Stakeholder Surveys*

In support of the Federal Reserve System's community development function, the Federal Reserve has convened stakeholders, conducted and shared research, and identified emerging issues. In an effort to increase knowledge related to economic growth and inclusion at the community level, the Federal Reserve has surveyed community stakeholders serving low-income consumers and communities across the country. Community stakeholders often play a central role in sustaining community economic development in low-to-moderate income locales. These stakeholders may include, for example, such organizations as community groups, community development organizations, non-profit service providers, faith-based service organizations, public sector agencies, small business owners, health care organizations, food banks, K-12 public and private schools and community colleges, community development financial institutions, credit unions, banks, and other financial institutions and companies offering financial products and services.

To monitor local economic conditions, the Federal Reserve has explored ways to tap stakeholder networks for data. For example, the Federal Reserve has partnered with an intermediary working with community-based nonprofits to collect responses from their affiliates and grantees on a voluntary basis. The design of these surveys has been short with less than nine community economic recovery questions in total. The survey questions have included current and emerging community economic issues ranging from job availability, access to affordable rental housing, access to credit to non-profit organizational capacity to meet community demands for services.

Survey data from these stakeholders also provide a national context for the regional results of polls conducted by each of the 12 Federal Reserve Banks. Results from the national survey have been shared with community development researchers at the Federal Reserve Banks. In addition, results are shared with the intermediary, and a chart-book summarizing results from the previous quarter has been provided to stakeholder respondents as an incentive for participation in the survey.

As with the consumer surveys described above, the Federal Reserve believes, quantitative stakeholder surveys may be complemented with smaller qualitative surveys, such as focus groups or interviews with stakeholders. These methods may be useful for exploring a new topic or an ongoing area of focus in more depth, testing and developing the wording of survey questions, and complementing a quantitative survey in a mixed method research design. Topics covered in stakeholder surveys may change over time as market conditions evolve and as information is needed to address issues of immediate concern arising from Federal Reserve and interagency initiatives, economic developments, and requests from Congress. The Federal Reserve continues to explore ways to systematically gather micro-data from community stakeholders and enhance our ability to use this information to understand regional and macro conditions and trends.

## Description of Information Collection

### *Consumer Surveys*

The consumer surveys would be used to gather quantitative and qualitative information directly from individual consumers or households. Topics explored in quantitative and qualitative consumer surveys are likely to vary over time, although some topics may be repeated. Surveys may relate to various aspects of consumer financial knowledge, attitudes, and behavior, and may inform understanding of changes in the markets for consumer financial services, including changes stemming from regulatory or legislative developments as well as from changes in technology and business practices. Some surveys may be needed to address issues of immediate concern, and such issues may not be anticipated in advance. Examples of topics for consumer surveys may include:

- use of financial products and services;
- use of technology and various service delivery channels;
- ability to notice, comprehend, and use disclosures,
- ability to comprehend terms of credit or account agreements;
- preferences about the delivery of information (content, format, timing, and method);
- comprehension of particular deliveries of information (electronic and paper media);
- abilities to use a particular method of delivery, such as web-based disclosures;
- sources and incidence of financial stress, and resources for coping with adverse shocks;
- behaviors related to searching, shopping, and negotiating for credit or asset purchases;
- financial planning, borrowing, investment, and insurance decisions;
- financial knowledge, attitudes, and advice-seeking behaviors; and
- human capital investment decisions and labor market outcomes.

For the quantitative consumer surveys, the Federal Reserve would typically contract with an outside vendor to collect the data. For surveys administered via an outside vendor, the Federal Reserve would design the survey and draft the survey questions in consultation with the vendor. The questions asked on any given survey would be specific to the particular topic of interest. Some questions may be repeated in subsequent surveys, but others may be asked on a single survey. The firm would be responsible for testing the survey procedures, following the sampling protocol and conducting the survey as specified by the Federal Reserve, preparing data files containing the responses, computing analysis weights, and documenting all survey procedures. Data editing and analysis of the results may be conducted either solely by the Federal Reserve and any research partner or jointly with the firm depending on the needs of the project.

The number of respondents to any given survey would vary depending on the purpose of the survey and the sample size needed to obtain statistically valid results. The Federal Reserve anticipates fielding up to two large surveys each year and four medium (in sample size and survey time length) surveys focused on particular topics for which data needs have arisen.

Qualitative surveys with consumers such as focus groups and interviews may be conducted on a variety of topics, either as a standalone study or as a complement to a quantitative study as a part of a larger project. Formal or informal qualitative surveys may be conducted by the Federal Reserve and any outside partners collaborating with the Federal

Reserve. They also may be conducted through a private contractor, which would be chosen in a competitive bidding process or other acceptable negotiated process. The research instruments may be developed by the Federal Reserve and any research partner or jointly with the contractor working on behalf of the Federal Reserve. As necessary, the contractor may be responsible for testing the study procedures, following the sampling protocol established by the Federal Reserve, conducting the study as specified by the Federal Reserve, collecting and coding responses, and documenting all procedures. Data editing and analysis of the results may be conducted by both the Federal Reserve and any research partner, by the contractor, or some combination of these depending on the project.

The number of respondents to any given qualitative survey would also vary depending on the purpose of the survey and the number of respondents needed to provide a range of viewpoints. FR 3073 would enable the Federal Reserve to conduct up to eight qualitative surveys each year with about 50 respondents per survey. For example, a qualitative survey could include several focus groups on a particular topic for which data needs have arisen.

### *Stakeholder Surveys*

The stakeholder surveys would be used to gather quantitative and qualitative information directly from stakeholders (stakeholder surveys). Stakeholders may include, for example, such organizations as community groups, community development organizations, non-profit service providers, faith-based service organizations, public sector agencies, small business owners, health care organizations, food banks, K-12 public and private schools, community colleges, community development financial institutions, credit unions, banks, and other financial institutions and companies offering financial products and services. Before initiating a new survey, the Federal Reserve would determine if the information to be collected is available by other means or sources within the Federal Reserve System to avoid imposing additional burden on stakeholders.

Quantitative surveys would initially be collected in partnership with an intermediary working with community-based nonprofits to gather responses from their affiliates and grantees on a voluntary basis. Quarterly invitations to complete the survey would be emailed to stakeholders. The surveys would be administered through a web-based platform and capture trends (information over time) as well as geographical dispersion (representative coverage of all 12 Reserve Bank districts). The Federal Reserve would continue to explore other avenues for collecting data from community stakeholders, including building a national stakeholder sampling frame.

The survey questions include current and emerging community economic issues including job availability, access to affordable rental housing, access to credit, and non-profit organizational capacity to meet community demands for services. Some topics would be covered each quarter, while others may be included less frequently. The Federal Reserve anticipates fielding up to eight quantitative stakeholder surveys each year, although surveys may not be conducted that frequently.

As with the consumer surveys described above, formal or informal qualitative surveys with stakeholders would be conducted by the Federal Reserve and any outside partners collaborating with the Federal Reserve. Such surveys may also be conducted through a private

contractor. Topics for qualitative surveys may vary and may include new issues of concern for stakeholders or communities, or exploring an ongoing area of focus in more depth. Such methods could also be used for testing and developing the wording of survey questions, and complementing a quantitative survey in a mixed method research design.

The number of respondents to any given qualitative stakeholder survey would vary depending on the purpose of the survey and the number of respondents needed to provide a range of viewpoints. FR 3073 would enable the Federal Reserve to conduct up to eight qualitative surveys each year with about 50 respondents per survey. For example, a qualitative survey could include several focus groups with different types of stakeholders or stakeholders from different areas of the country.

### **Time Schedule for Information Collection and Publication**

The time schedules for the distribution of, response to, and collection of data for each study is determined during the planning phase prior to the distribution of the study instrument. Before data collection begins, the voluntary respondents would be given an explanation of the purpose of the survey and how the data would be used. Such information may be provided on the survey instrument or through communication from the Federal Reserve or a contractor or partner working with the Federal Reserve. The Federal Reserve Board chooses whether to publish the data that it obtains from respondents. Information from consumer and stakeholder surveys may be cited in published material such as Federal Reserve reports or working papers, professional journals, the *Federal Reserve Bulletin*, testimony and reports to the Congress, or other vehicles.

### **Legal Status**

The Federal Reserve Board's Legal Division has determined that FR 3073 is generally authorized under sections 2A and 12A of the Federal Reserve Act. Section 2A requires that the Board of Governors of the Federal Reserve System and the Federal Open Market Committee (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. In addition, under section 12A of the Federal Reserve Act, 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 the regulations' bearing upon the general credit situation of the country. 12 U.S.C. § 263. The authority of the Federal Reserve to collect information to carry out the requirements of these provisions is implicit. Accordingly, the Federal Reserve is authorized to collect the information called for by the FR 3073 by sections 2A and 12A of the Federal Reserve Act.

The Federal Reserve Board is responsible for implementing and drafting regulations and interpretations for various consumer protection laws. The information obtained from the FR 3073 may be used in support of the Federal Reserve's development and implementation of regulatory provisions for these laws. Therefore, depending on the survey questions asked, the FR 3073 may be authorized pursuant to the Federal Reserve Board's authority under one or more of the following consumer protection statutes:

- Community Reinvestment Act, (12 U.S.C. § 2905);

- Competitive Equality Banking Act, (12 U.S.C. § 3806);
- Expedited Funds Availability Act, (12 U.S.C. § 4008);
- Truth in Lending Act, (15 U.S.C. § 1604);<sup>4</sup>
- Fair Credit Reporting Act, (15 U.S.C. § 1681s(e));<sup>5</sup>
- Equal Credit Opportunity Act, (15 U.S.C. § 1691b);<sup>6</sup>
- Electronic Funds Transfer Act, (15 U.S.C. §§ 1693b & 1693o-2);<sup>7</sup>
- Gramm-Leach-Bliley Act, (15 U.S.C. § 6801(b));<sup>8</sup> and
- Flood Disaster Protection Act of 1973, Section 102 (42 U.S.C. § 4012a).

Additionally, depending upon the survey respondent, the information collection may be authorized under a more specific statute. Specifically, the Federal Reserve Board is authorized to collect information from state member banks under section 9 of the Federal Reserve Act (12 U.S.C. § 324); from bank holding companies (and their subsidiaries) under section 5(c) of the Bank Holding Company Act (12 U.S.C. § 1844(c)); from Edge and agreement corporations under section 25 and 25A of the Federal Reserve Act (12 U.S.C. §§ 602 and 625); and from U.S. branches and agencies of foreign banks under section 7(c)(2) of the International Banking Act of 1978 (12 U.S.C. § 3105(c)(2)) and under section 7(a) of the Federal Deposit Insurance Act (12 U.S.C. § 1817(a)). Participation in the FR 3073 is voluntary

The ability of the Federal Reserve to maintain the confidentiality of information provided by respondents to the FR 3073 surveys will have to be determined on a case by case basis depending on the type of information provided for a particular survey. Some of the information collected on the surveys may be protected from Freedom of Information Act (FOIA) disclosure by FOIA exemptions 4 and 6. Exemption 4 protects from disclosure trade secrets and commercial or financial information, while Exemption 6 protects information “the disclosure of which would constitute a clearly unwarranted invasion of personal privacy.” See 5 U.S.C. § 552(b)(4) and (6).

Release of consumer surveys conducted using internet panels depends in part upon the practices of the panel provider. The time schedule and publication of data collected from surveys would be detailed in the individual contract documents. For example, under the terms of the contract with one outside vendor individual respondent data, stripped of names and other characteristics that would permit personal identification of respondents, are placed in the public domain one year after collection. Another vendor does not publicly release the data collected on

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<sup>4</sup> Although the Dodd-Frank Act (DFA) cut back the Board’s authority under the Truth in Lending Act, the Board retains rule-writing authority for implementing regulations with respect to auto dealers. DFA § 1100A(7).

<sup>5</sup> Although the DFA cut back the Board’s authority under the Fair Credit Reporting Act, the Board retains rule-writing authority for red flags, address changes, and disposal of records. DFA §§ 1002(12)(F) and 1088(a)(2)(D).

<sup>6</sup> Although the DFA cut back the Board’s authority under the Equal Credit Opportunity Act, the Board retains rule-writing authority for implementing regulations with respect to auto dealers. DFA § 1085(3).

<sup>7</sup> Although the DFA cut back the Board’s authority under the Electronic Fund Transfers Act, the Board retains rule writing authority for interchange fee regulations and authority to implement regulations with respect to auto dealers. DFA §§ 1075 & 1084.

<sup>8</sup> Although the DFA cut back the Board’s authority under the Gramm-Leach-Bliley Act, the Board maintains the authority to establish appropriate standards for the financial institutions relating to administrative, technical and physical safeguards for certain customer records and information. DFA § 1002(12).

behalf of its clients, thus the release of data collected under contract with that vendor is at the sole discretion of the Federal Reserve Board.

Access to contact information that is considered Personally Identifying Information (PII) is typically necessary to recruit respondents for the consumer and stakeholder surveys in this collection. Any PII used in recruiting respondents for these surveys would be handled in accordance with Board procedures. Outside vendors who conduct consumer surveys under contract with the Board remove PII before providing survey data to the Board. Consumer survey data, whether collected by an outside vendor or by the Board, would be collected for research purposes only and any identifying information on respondents would be removed before any data is publicly released.

### Consultation Outside of the Agency

In developing past surveys, the Federal Reserve has periodically consulted informally with outside experts, including other agencies and Reserve Banks, to obtain their input on topics or questions to explore. While the Federal Reserve has been responsible for directing surveys conducted to date, in the future surveys may be conducted jointly with other agencies or other outside partners. On December 24 2013, the Federal Reserve published a notice in the *Federal Register* (78 FR 77680) requesting public comment for 60 days on the proposal to implement the FR 3073. The comment period for this notice expired on February 24, 2014. The Federal Reserve did not receive any comments. On March 10, 2014, the Federal Reserve published a final notice in the *Federal Register* (79 FR 13301); implementing surveys as proposed, effective March 2014.

### Estimate of Respondent Burden

The burden for the FR 3073 survey is estimated to be up to 10,700 hours annually as shown in the following table. It is anticipated that the information collection would involve as many as 30 surveys, although the surveys may not be conducted that frequently. The burden estimates shown in the table below are based on the average number of responses anticipated. This represents less than 1 percent of total Federal Reserve System annual paperwork burden.

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	<i>Estimated number of respondents</i>	<i>Estimated annual frequency</i>	<i>Estimated average time per response</i>	<i>Estimated annual burden hours</i>
<i>Consumer surveys:</i>				
Quantitative surveys (medium)	2500	4	.25 hours	2,500
Quantitative surveys (large)	5000	2	.40 hours	4,000
Qualitative surveys	50	8	1.5 hours	<u>600</u>
				7,100
<i>Stakeholder surveys:</i>				
Quantitative surveys	1500	8	.25 hours	3,000
Qualitative surveys	50	8	1.5 hours	<u>600</u>
				3,600
<i>Total</i>				10,700

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The estimated cost for survey participation to consumers is \$163,300 and to the stakeholders is \$179,640. The total cost to respondents is estimated to be \$342,940.<sup>9</sup>

### **Estimate of Cost to the Federal Reserve System**

The Federal Reserve would incur costs for consulting services when outside expertise is needed on a project, for contractual services for a firm to implement the data collection portion of the study, and for any payment or gift made to respondents for the sole purpose of increasing response rates. If the surveys were conducted at the maximum frequency, the annual cost to the Federal Reserve System of such expenses for this information collection is estimated to total up to approximately \$1.05 million, based on estimates from other surveys.<sup>10</sup>

### **Sensitive Questions**

Household respondents might be asked to identify the age and gender of individual family members; information on race, if needed, would be collected under guidelines issued by the OMB. Such information might be needed in a survey in order to analyze the demographic aspects of consumer finances or businesses (particularly small businesses).

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<sup>9</sup> Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rate (30% Office & Administrative Support at \$18, 45% Financial Managers at \$59, 15% Lawyers at \$63, and 10% Chief Executives at \$85). Hourly rate for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), Occupational Employment and Wages 2012, [www.bls.gov/news.release/ocwage.nr0.htm](http://www.bls.gov/news.release/ocwage.nr0.htm). Occupations are defined using the BLS Occupational Classification System, [www.bls.gov/soc/](http://www.bls.gov/soc/). The average consumer cost of \$23 is estimated using data from the BLS Economic News Release (USDLE-12-0549)

<sup>10</sup> Cost estimate is based on recent contracting costs associated with internet panel surveys and stakeholder surveys, in addition to previous qualitative consumer testing contracts for disclosure development.