

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

Summary

The Board of Governors of the Federal Reserve System (Board), under authority delegated by the Office of Management and Budget (OMB), proposes to extend for three years, without revision, two voluntary consumer credit reports:

- Quarterly Report of Interest Rates on Selected Direct Consumer Installment Loans (FR 2835; OMB No. 7100-0085), which collects information on interest rates on loans for new vehicles and loans for other consumer goods and personal expenses from a sample of commercial banks, and
- Quarterly Report of Credit Card Plans (FR 2835a; OMB No. 7100-0085), which collects information on interest rates, finance charges, and loan balances for credit card accounts from a sample of commercial banks.

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 estimated total annual burden for the FR 2835 and FR 2835a reports is 274 hours. The forms and instructions are available on the Board's public website at <https://www.federalreserve.gov/apps/reportingforms>.

Background and Justification

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

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 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.

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.

Description of Information Collection

The two consumer credit reports gather data from commercial banks on loan rates, balances, and collection experience. The Board understands that respondents use information technology to comply with these provisions, including submitting data via Reporting Central.²

Quarterly Report of Interest Rates on Selected Direct Consumer Installment Loans (FR 2835)

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.

The reporting panel for the FR 2835 consists of commercial banks. There are currently 81 commercial banks on the panel.³ Although some banks have merged or otherwise dropped out of

² The Reporting Central application serves as a single point of entry for Federal Reserve, Federal Financial Institution Examination Council (FFIEC), and Treasury electronic reports submission and file uploads.

³ As of May 2023.

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).

Quarterly Report of Credit Card Plans (FR 2835a)

The FR 2835a collects information on credit card finance rates and balances from card-issuing commercial banks. The Board uses the information collected on credit card finance rates to calculate two different measures of these rates. One measure is the average nominal finance rate offered to credit cardholders and the total number of accounts. The other measure reflects finance charges billed in a period and total balances on which finance charges are computed for accounts with finance charges and is internally referred to as the “average computed finance rate.” The form also collects data on end-of-year balances on credit cards by asking the total ending balances for all accounts and for accounts with finance charges. The Board uses the data to analyze the credit card market and draw implications for the household sector.

Finance Rates

(1) *Average nominal finance rate.* For the measure termed the “average nominal finance rate, all accounts,” respondents are asked to report the simple average of interest rates across all of the issuer’s card accounts. Equivalently, respondents may provide the weighted average of interest rates across types of accounts that carry different rates, with the weights equaling the percentage of accounts of each type.⁴ Respondents are also asked to provide the total number of accounts, which the Federal Reserve uses to calculate the weighted average of the nominal finance rate across banks.

This measure represents the rate at which banks are offering to make credit available to cardholders. It abstracts from what cardholders actually pay on average. In particular, many cardholders are “convenience users” who generally avoid finance charges by paying balances in full within an interest-free grace period. For a variety of reasons, interest rates on the accounts of convenience users may tend to differ from rates on the accounts cardholders who revolve balances and incur finance charges.⁵ Although these convenience users may rarely pay interest on credit card balances, the average nominal finance rate reflects the interest rate at which they could borrow (in addition to the rate paid by cardholders revolving balances).

(2) *Average computed finance rate.* For the measure termed the “average computed finance rate,” respondents report the total finance charges billed during the survey month and the total balances on which finance charges are computed. The Board calculates the average computed finance rate by dividing reported finance charges by the balances to which they

⁴ In both cases, respondents are asked to report the rate applicable to purchases, as opposed to cash advances (which often are associated with a different rate).

⁵ The magnitude and even the sign of differences in interest rates across cardholders of differing payment habits are a priori unclear. Convenience users, since they ordinarily do not incur finance charges, should be fairly insensitive to rates and thus seem as likely to choose a high-rate card as a low-rate card. However, insofar as convenience users are low-risk customers, card issuers may offer them lower rates (perhaps hoping that a low enough rate may stimulate some revolving of balances). Cardholders who revolve balances would be likely to seek low-rate cards. But insofar as they are higher-risk customers, card issuers may not offer them lower rates.

apply (multiplying the result by 12 to obtain an annualized rate). The Board then computes a volume-weighted average finance rate across banks.

The average computed finance rate reveals the interest rates actually paid by those consumers who use their credit cards to obtain credit (beyond any initial grace period), as distinct from the rates offered to all cardholders.⁶

Both measures of credit card interest rates are necessary, given the range of Board activities that require data on credit card interest rates. For example, Board members have been asked in the past to testify before Congress on proposed federal legislation to set ceilings on credit card rates. The average nominal finance rate is more relevant to these inquiries. On the other hand, the average computed finance rate is usually more relevant to the macroeconomic issues addressed in monetary policy deliberations. For example, in analyzing consumer spending behavior, the Board needs accurate data on rates faced by those who are actually in debt and thus most vulnerable to income disruptions.

Balances

Respondents are also asked to provide initial total ending balances for all accounts and for accounts with finance charges. The difference between these amounts represents a measure of convenience credit-balances that are incurred during the billing cycle but are paid off in full within the grace period. The share of convenience credit in total debt has varied over time in a way that potentially distorts traditional measures of household financial vulnerability. For example, the Board has done research showing that some of the uptrend in the aggregate financial obligations ratio has stemmed from greater convenience use of credit; this finding complicates the interpretation of the evolution of the financial obligations ratio since convenience balances are not necessarily associated with greater household financial strain in the way that longer-term debt might be.

Based on previous filings, there are currently 27 commercial banks on the FR 2835a respondent panel.⁷ 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.

Respondent Panel

⁶ It might appear that data from the Consolidated Reports of Condition and Income (Call Report) (FFIEC 031, FFIEC 041, and FFIEC 051; OMB No. 7100-0036) could be used to calculate a similar finance rate, as it collects outstanding receivables and interest income for revolving credit. However, the report does not distinguish the balances of convenience users from those of cardholders revolving balances; only the latter should be used in deriving an implicit interest rate from finance charges. In addition, the Call Report provides data corresponding to a mixture of revolving credit types rather than data exclusively for credit cards.

⁷ As of May 2023.

The FR 2835 panel comprises a sample of commercial banks. The FR 2835a panel comprises a sample of commercial banks with \$1 billion or more in credit card receivables and a representative group of smaller issuers.

Frequency and Time Schedule

The FR 2835 are submitted quarterly, in February, May, August and November, and correspond to the calendar week beginning on the first Monday of the survey month, with the as-of date being the Saturday of that week. The FR 2835a data are collected quarterly for the latest billing cycle, in February, May, August, and November, with the as-of date being the last business day of the month.

Public Availability of Data

The data from the FR 2835 and FR 2835a are used to create aggregates that are published in the Federal Reserve's monthly G.19 *Consumer Credit* statistical release. The G.19 is released on or about the fifth business day of the second month following the reference month. The release contains aggregate data on consumer credit outstanding and lending terms. Additional information about finance company lending terms is included in the Federal Reserve's monthly G.20 *Finance Companies* statistical release. Loan term data are also used by the Federal Reserve in the calculation of the aggregate household debt service and financial obligations ratio for the Federal Reserve's quarterly *Household Debt Service and Financial Obligations Ratios* release, and they are used by the Bureau of Economic Analysis to calculate interest paid by households as part of the *National Income and Product Accounts*.

Legal Status

The FR 2835 and the FR 2835a are authorized by sections 2A and 11(a) of the Federal Reserve Act (FRA).⁸ Section 2A of the FRA requires that the Board and the Federal Open Market Committee 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. Section 11(a) of the FRA authorizes the Board to require reports from each member bank as it may deem necessary and authorizes the Board to prescribe reports of liabilities and assets from insured depository institutions to enable the Board to discharge its responsibility to monitor and control monetary and credit aggregates.

The obligation to respond to both the FR 2835 and FR 2835a is voluntary.

Most of the information collected through the FR 2835 is not considered confidential. Only narrative information submitted to explain large fluctuations in reported data is considered confidential. This narrative information would not be subject to disclosure under the Freedom of Information Act (FOIA), pursuant to exemption 4.⁹ Exemption 4 prevents the disclosure of confidential commercial or financial information, so long as that the provider of the information

⁸ 12 U.S.C. §§ 225a, 248(a), respectively.

⁹ 5 U.S.C. § 552(b)(4).

customarily and actually treats such information as private.¹⁰ To the extent that respondents to the FR 2835 do customarily and actually keep the narrative information regarding the data submitted to the Board private, this information would be covered by exemption 4 and would not be subject to disclosure under FOIA.

Individual respondent data collected through the FR 2835a are considered confidential because these responses contain nonpublic commercial or financial information, which is both customarily and actually treated as private by the respondent. As a result, this information would also not be subject to disclosure under the FOIA, pursuant to exemption 4 for confidential commercial or financial information.

Consultation Outside the Agency

There has been no consultation outside the Federal Reserve System.

Public Comments

On November 14, 2023, the Board published an initial notice in the *Federal Register* (88 FR 78025) requesting public comment for 60 days on the extension, without revision, of the FR 2835 and FR 2835a. The comment period for this notice expires on January 16, 2024.

Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the FR 2835 and FR 2835a is 274 hours. The number of respondents is drawn from a sample of 150 member banks. The average hours per response is based on the estimate that the FR 2835 filing would require one person to spend 17 minutes to complete and the FR 2835a filing would require one person to spend 30 minutes to complete. These reporting requirements represent less than 1 percent of the Board’s total paperwork burden.

FR 2835 and FR 2835a	<i>Estimated number of respondents¹¹</i>	<i>Estimated Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
FR 2835	150	4	0.29	174
FR 2835a	50	4	0.50	<u>100</u>
<i>Total</i>				274

The estimated total annual cost to the public for this collection of information is

¹⁰ See *Food Marketing Institute v. Argus Leader Media*, 139 S. Ct. 2356, 2364 (2019).

¹¹ Of these respondents to this information collection, 32 for the FR 2835 and 1 for the FR 2835a are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$850 million in total assets). Size standards effective March 17, 2023. See <https://www.sba.gov/document/support--table-size-standards>. There are no special accommodations given to mitigate the burden on small institutions.

\$18,153.¹²

Sensitive Questions

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

Estimates of Cost to the Federal Reserve System

The estimated cost to the Federal Reserve System for collecting and processing the FR 2835 is \$48,200 per year. The estimated cost for collecting and processing the FR 2835a is \$34,200 per year.

¹² Total cost to the responding public is estimated using the following formula: total burden hours, multiplied by the cost of staffing, where the cost of staffing is calculated as a percent of time for each occupational group multiplied by the group's hourly rate and then summed (30% Office & Administrative Support at \$22, 45% Financial Managers at \$80, 15% Lawyers at \$79, and 10% Chief Executives at \$118). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor Statistics (BLS), Occupational Employment and Wages, May 2022, published April 25, 2023 <https://www.bls.gov/news.release/ocwage.t01.htm#>. Occupations are defined using the BLS Standard Occupational Classification System, <https://www.bls.gov/soc/>.