

Supporting Statement for the 2004 Survey of Consumer Finances (FR 3059; OMB No. 7100-0295)

Summary

The Board of Governors of the Federal Reserve System, under delegated authority from the Office of Management and Budget (OMB), proposes to pretest and execute the 2004 Survey of Consumer Finances (SCF; FR 3059; OMB No. 7100-0295). This would be the eighth triennial SCF since 1983, the beginning of the current series. This survey is the only source of representative information on the structure of U.S. families' finances. The survey would collect data on the assets, debts, income, work history, pension rights, use of financial services, and attitudes of a sample of U.S. families. Because the ownership of some assets is relatively concentrated in a small number of families, the survey would make a special effort to ensure proper representation of such assets by systematically over-sampling wealthier families.

The Federal Reserve proposes to conduct up to 400 interviews averaging about 75 minutes (pretest) to be obtained in a series of tests of the survey procedures in 2003, and 5,600 interviews averaging about 75 minutes (survey) between May and December 2004. NORC, a social science and survey research organization at the University of Chicago, was selected as the contractor for the SCF on the basis of competitive bids submitted for the 1995 survey. The initial request for proposals specified that the Board could choose to continue the SCF with the selected vendor at the Federal Reserve's convenience; the Federal Reserve has decided to continue this relationship for the 2004 survey.

Data for the pretest and the survey would be collected using a computer program; thus there is no paper version of the questionnaire other than the text of the computer program. For convenience of review, a paper copy of the questionnaire from the 1992 SCF (the last year in which a paper questionnaire was used) that has been modified to reflect the revisions for the 1995 through 2001 surveys is attached. The most notable proposed revisions to the 2004 instrument are in the pension questions; a draft copy of these revised questions is also attached. While some other questions could be deleted or modified, this material represents the Federal Reserve's expectation of the range of content and approaches that would be included in the final questionnaire.

Background and Justification

For many years, the Federal Reserve has sponsored consumer surveys to obtain information on the financial behavior of households. The 2004 SCF would be the latest in a triennial series, which began in 1983, that provides comprehensive data for U.S. families on the distribution of assets and debts, along with related information and other data items necessary for analyzing behavior. These are the only surveys conducted in the United States that provide such financial data for a representative sample of households.

In addition to providing baseline information for current analysis, data from earlier SCFs have proved directly useful in policy work at the Federal Reserve. For

example, these surveys have been used for current analysis examining the distribution and changes in the distribution of debt burdens in the population, coverage of household deposits by federal deposit insurance, ownership of mutual funds and stocks, automobile leasing, and many other areas. The surveys have also been used extensively for longer-term research, within the Federal Reserve System, the Department of the Treasury, in other government agencies, in academia, in other research institutions, and in businesses.

Description of Information Collection

The core information collected by the survey is summarized in the first seven items below, and the eighth item describes changes for 2004.

1. *Financial assets.* These include checking, savings, and money market accounts, holdings of publicly traded stock, bonds, certificates of deposit, mutual funds, annuities, trusts, and insurance.
2. *Real estate and business assets.* These include the value and purchase terms of the household's principal residence and other properties, and detailed information on privately held businesses.
3. *Pension assets.* These include IRA, Keogh, thrift, profit sharing, 401(k), and other tax deferred account holdings. Information would also be collected on current or expected benefits from each pension and from Social Security. Questions on the expected date of retirement, spousal benefits, vesting, and amount in defined contribution accounts would enable the calculation of the present value of pension benefits. Sufficient information on each household member's work history and future work plans would be collected such that the present value of Social Security benefits also could be calculated.
4. *Other assets.* Information would be collected on other assets such as oil leases, mineral rights, and royalties. Some data would also be gathered on jewelry, art objects, other valuables, and major consumer durables such as automobiles and boats.
5. *Household debts.* The purpose, amount outstanding, source, and terms of each household debt would be collected. These debts include home mortgages and home equity loans, lines of credit, credit cards, other consumer loans, and other loans from businesses and individuals. Information would also be collected on major household expenditures related to debt acquisition including those for automobiles and other durables, home improvements, health care, and education. Particular care would be taken to monitor the growth of home equity loans, lines of credit, and adjustable rate mortgages.
6. *Demographic data.* These include education, employment and marital history, age, health, race, and earnings for each household member. A detailed breakdown of income designed to align with tax data would also be collected.

7. *Attitudes and financial decision making.* Attitudes toward saving and credit would be collected. Information on the use of financial services and methods of choosing among competing sources would also be sought. Institutional data would be sought for each account or financial service used by the household. These data would be collected in a way that would allow identification of any clustering of services at institutions. For each institution, information would be obtained on the type of institution, proximity, and typical mode of use.
8. *Revisions for 2004.* The major proposed change for the 2004 survey would be a complete revision of the pension questions to respond to great changes in the types of pensions offered to workers. Other changes would be made throughout the instrument where necessary to clarify questions or to resolve analytical ambiguities.

Statistical Methods

For the pretest, NORC would interview no more than 400 households based on random samples they would select. After the pretest, NORC would forward the data collected to the Federal Reserve and would conduct a formal debriefing of interviewers and others involved in the administration of the survey. In response to issues that emerge at this point, NORC would revise procedures for the survey.

For the survey, NORC and the Federal Reserve would draw samples for the survey designed to obtain at most 5,600 completed interviews. The sample selected by NORC would be an area-probability design, a type of geographically-structured random sample that provides good national coverage of widely-distributed behavior. The sample selected by the Federal Reserve would be drawn from statistical records derived from individual tax returns; this sample would be designed to over-sample wealthy families. Both samples would be selected in a way that is consistent with procedures used in earlier SCFs. Interviewing for the survey is scheduled to take place between June and December 2004, with interviews averaging approximately 75 minutes.

The survey questionnaire is designed to collect information consistent with that collected in the earlier SCFs. This instrument would provide a comprehensive view of the finances of U.S. households.

NORC would select, train, and supervise interviewers during the execution of the survey in areas selected throughout the continental United States. Over the course of the field period, NORC would regularly transmit the information collected by interviewers to the Federal Reserve. At the end of the field period, NORC would provide the Federal Reserve with the final data along with coded equivalents of verbatim responses entered by interviewers.

Time Schedule for Information Collection and Publication

The field-work for the pretest would be conducted during 2003. The field-work for the survey would be conducted between May and December 2004. Very preliminary results from the survey would be available to the Board of Governors in January 2005. It is expected that the data would be published in summary form in the *Federal Reserve Bulletin*. A version of the micro data, which would be altered to protect the identity of individual respondents, would be made available to the public through the Board's public website.

Legal Status

The Board's Legal Division has determined that the statutory basis for collecting this information is section 2A of the Federal Reserve Act [12 U.S.C. § 225a]; the Bank Merger Act [12 U.S.C. § 1828(c)]; and sections 3 and 4 of the Bank Holding Company Act [12 U.S.C. §§ 1842 and 1843] and 12 U.S.C. 353 and 461. Respondent participation in the survey is voluntary. The names and other characteristics that would permit identification of respondents will be retained by the Board's contractor and not made available to Federal Reserve staff. Accordingly, the Legal Division believes that such data are not records subject to the Freedom of Information Act. If these data are deemed records, however, the Legal Division believes that they are exempt from disclosure pursuant to exemption 6 in the Freedom of Information Act [5 U.S.C. § 552(b)(6)].

Sensitive Questions

Respondents would be asked to identify the age and sex of individual family members; information on race would be collected using guidelines from the Office of Management and Budget. This information is needed in the proposed survey in order to analyze the demographic aspects of consumer finances.

Consultation Outside the Agency

This survey questionnaire would be developed jointly by the Federal Reserve and the NORC. The NORC would conduct the interviews for this survey.

The data to support the part of the survey sample selected by the Federal Reserve would be provided by the Statistics of Income Division (SOI) of the Internal Revenue Service under a contract that allows this use of the data as well as other more limited use of the data for statistical adjustments to the final data and related purposes. As in past SCFs, the sample selection and survey administration would be managed so that Federal Reserve staff are not given any names of survey participants, and SOI is never given data to link survey responses with tax records.

Estimate of Respondent Burden

It is estimated that completion of both the pretest and the interview would require an average of 75 minutes per household. With 400 respondents, the estimated pretest burden would be 500 hours, to be incurred on a one-time basis within fiscal year 2003. With 5,600 respondents, the estimated interview burden would be 7,000 hours, to be incurred on a one-time basis in 2004. This burden represents less than 1 percent of the total Federal Reserve System paperwork.

	<i>Number of respondents</i>	<i>Estimated annual frequency</i>	<i>Estimated response time</i>	<i>Annual burden hours</i>
Pretest	400	1	75 minutes	500
Interview	5,600	1	75 minutes	<u>7,000</u>
<i>total</i>				<u>7,500</u>

Based on a rate of \$20 per hour, the estimated cost to the public for the information collection would be \$150,000.

Estimate of Cost to the Federal Government

Work on the survey would be performed under a contract with NORC. The total cost to the Federal Reserve for the execution of the 2004 SCF is anticipated to be approximately \$6.65 million.

ATTACHMENTS

Draft Questionnaire for the 2004 SCF