

Supporting Statement for the Report of Terms of Credit Card Plans (FR 2572; OMB No. 7100-0239)

Summary

The Board of Governors of the Federal Reserve System, under delegated authority from the Office of Management and Budget (OMB), proposes to extend for three years, without revision, the semiannual Report of Terms of Credit Card Plans (FR 2572; OMB No. 7100-0239). This report collects data on credit card pricing and availability from a sample of at least 150 financial institutions that offer credit cards to the general public. The information is reported to the Congress and made available to the public in order to promote competition within the industry. A copy of the reporting form and instructions is attached.

Background and Justification

The Report of Terms of Credit Card Plans was implemented in February 1990 as required by Section 5 of the Fair Credit and Charge Card Act (FCCCA) of 1988.¹ Each respondent provides information about its credit card plan with the largest outstanding number of cards. The FCCCA requires the Federal Reserve to collect this information semiannually from the largest twenty-five issuers of credit cards and at least 125 additional institutions, in a manner that ensures both an equitable geographic distribution within the sample and representation of a wide spectrum of institutions. The Federal Reserve is further directed to make the credit card price information for each institution available to the public upon request and to report the information semiannually to the Congress. The Federal Reserve publishes the information in a brochure titled "SHOP: The Card You Pick Can Save You Money" (SHOP), available through Publication Services at the Federal Reserve Board (Board) and on the Board's public web site, www.federalreserve.gov/pubs/shop.² Prior to 2000, large numbers of brochures were preprinted. Currently, the primary vehicle for distribution is the Board's public web site.

Although the House and Senate Conference Report that accompanied the FCCCA did not explain specifically why the credit card reports are required, the legislative history suggests that the reports are intended to facilitate credit card shopping by consumers and thereby enhance competition.³ In this context, the credit card reports are similar to the

1. The FCCCA was enacted on November 3, 1988, and amends the Truth in Lending Act (15 U.S.C. §§ et seq). Amendments to Regulation Z implementing the provisions of the FCCCA were adopted by the Board on March 30, 1989, with an effective date of April 3, 1989. Creditors were required to comply with the new disclosure rules by August 31, 1989.

2. The information was previously published in the E.5 statistical release "Report on the Terms of Credit Card Plans," but the E.5 was discontinued in 1994 in favor of the present brochure format.

3. U.S. Congress, Senate, "Report of the Committee on Banking, Housing, and Urban Affairs, to accompany H.R. 515," December 16, 1987. Statements by Edward M. Gramlich, p.12, and Senators Garn, Hecht, Bono, Karnes, and Shelby, p.14.

Shopper's Guide to Credit that the Board prepared as required by law for the Annual Percentage Rate Demonstration Project in 1984 and 1985.⁴

The report was discontinued prior to the July 2000 reporting date pursuant to the Federal Reports Elimination and Sunset Act of 1995 (Sunset Act) (PL 104-66). In December 2000, the Congress approved the American Homeownership and Economic Opportunity Act of 2000 (Act) that restored the reporting of this information collection, along with forty others. Title XI of the Act states that Section 3003(a)(1) of the Sunset Act "shall not apply to any report required to be submitted under any of the following provisions of law: ... Section 8 of the Fair Credit and Charge Card Disclosure Act of 1998 (15 U.S.C. 1637 note); ...".

In 2001, the Congress approved legislation that amended Section 136(b)(1) of the Truth in Lending Act (TILA) (15 U.S.C. 1646). This amendment requires the Federal Reserve to collect, on a semiannual basis, from a broad sample of financial institutions that offer credit card services, further credit card price and availability information. As a consequence of the 2001 act, the report was reinstated in July 2002.

Description of Information Collection

Section 127(c) of the Truth in Lending Act (15 U.S.C. §1637), as amended by the FICCA, is quite specific with respect to the credit term information that is to be included in the semiannual reports. The following items on pricing and fees must be collected:

- annual percentage rate for purchases (must state if it is a variable rate)
- length of the grace period
- name or description of the balance computation method
- minimum finance charge
- fee for issuance or availability (membership fee)
- fee for late payment
- fee for exceeding credit limit
- transaction fee for purchases
- transaction fee for cash advances

To report credit card availability information, respondents state whether the credit card plan is available to consumers nationally (in all fifty states and the District of Columbia) or limited to consumers within a specific region or state (such as the issuer's home state). Respondents are not generally required to fill out each line (corresponding to the states); rather, respondents may fill out one line that describes the most common terms, and then circle the states in which those terms apply, or fill out the lines for states in which different terms are offered. In practice, the majority of respondents offer national plans and fill out only one or two lines on the form. The reporting form also

4. Board of Governors of the Federal Reserve System, "Annual Percentage Rate Demonstration Project," March 1997.

collects information on credit card plan enhancements, name and address to obtain a credit card application, and telephone number for consumer questions.

Reporting Panel

The Board staff identifies the card issuers to which they will send the FR 2572, including the twenty-five largest issuers, by analyzing data on the volume of outstanding credit card receivables which are reported on the Reports of Condition and Income for commercial banks (FFIEC 031 and 041; OMB No. 7100-0036; Call Reports) and the Thrift Financial Report for thrift institutions (OTS Form 1313; OMB no. 1550-0023). Like the twenty-five largest issuers, the other respondents are chosen by size, but only such that the required diversity of region and type of institution are achieved. The dynamism of the card industry, with trading of card receivables portfolios and entry into and exit from the industry, ensures turnover in the panel.

The Federal Reserve Banks distribute the FR 2572 reporting forms to approximately 180 institutions each period, which generally has proven sufficient to generate at least 150 responses, as required. The number of solicitations exceeds 150 because some institutions that do not issue cards are chosen on the basis of holding large portfolios of credit card receivables. There is a lag of several months between the as-of date of the Call Report data used to choose the panel and the as-of date of the upcoming FR 2572, and an institution selected for the panel may have ceased issuing cards during that period. In addition, the extra solicitations are needed because the panel may include a number of subsidiaries of the same parent bank, in which case the Board staff consolidates the data of these subsidiaries and counts them as only one response. Also, the staff on occasion adds banks that are offering particularly attractive deals, regardless of size, as long as the offer is national.

Typically, about 90 percent of the responses come from commercial banks, with the remainder from savings banks, industrial banks, and savings and loans associations.⁵ The panel is consistent with the three criteria of the FCCCA: a reasonable number of creditors of each type, a significant geographic dispersion, and at least 150 card issuers, including the twenty-five largest issuers.

Time Schedule for Information Collection

Twice a year, the Federal Reserve Banks collect credit card price and availability information from a sample of card issuers, as of January 31 and July 31. Each respondent

5. Credit unions are, generally, not included because they normally limit their card issuance to consumers with a pre-existing relationship with the organization, such as employees. However, if a credit union expressed interest in reporting data to the Board, staff would have no objections to the credit union's participation. Similarly, retailers are excluded since they are not financial institutions and because their card issuance is limited to store-specific cards. The credit card term report includes credit card banks, such as Discover Bank (a subsidiary of Morgan Stanley), which issues the "Discover Card," and American Express Centurion Bank (a subsidiary of the American Express Company), which issues the "Optima Card." It also includes large consumer finance companies that issue credit cards through banks or thrifts.

must send its data to the appropriate Reserve Bank within ten business days of the as-of date, and the Reserve Bank must edit and transmit the data to the Board within twenty business days of the as-of date. Individual respondent data are then published in SHOP, in a format that the public can easily use to compare credit terms. A copy of the brochure is submitted to the Congress within sixty days of each report collection. The data also are published on the Board's public web site.

Legal Status

The Board's Legal Division has determined that 15 U.S.C. §1646(b) authorizes the Board to collect the information contained in the FR 2572. The report is voluntary. The data are not considered confidential.

Consultation Outside the Agency

There has been no consultation outside the Federal Reserve System.

Sensitive Questions

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

Estimate of Respondent Burden

As shown in the table below, the burden for the FR 2572 is estimated to be 75 hours annually. The Federal Reserve is required to collect this voluntary information from at least 150 credit card issuers; typically the number of respondents fluctuates right around 150. Since the information collected on the FR 2572 is in nearly all respects identical to information that card issuers are required to disclose in their credit card solicitations, the FR 2572 imposes little marginal burden.

	<i>Number of respondents</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
FR 2572	150	2	.25	75

Based on a rate of \$20 per hour, the estimated annual cost to the public for the FR 2572 is \$1,500.

Estimate of Cost to the Federal Reserve System

The principal method of distribution for the brochure is the Board's public web site. The brochure is updated semiannually on the web site. The cost to the Board for printing and distributing varies as the brochure is now printed only on an as needed basis. No brochures were printed in 2001. In 2000, 15,000 were printed at a cost of \$4,840.