

**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, with minor clarifications, the semiannual Report of Terms of Credit Card Plans (FR 2572; OMB No. 7100-0239). The FR 2572 collects data on credit card pricing and availability from a sample of at least 150 financial institutions that offer credit cards. The information is reported to the Congress and made available to the public in order to promote competition within the industry.

The Federal Reserve Board proposes minor clarifications to the form and instructions that would clarify items 56 through 58. The current annual burden is estimated to be 75 hours and would remain unchanged. A copy of the draft 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 Disclosure 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 Board 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 Board 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 credit card plan information is available only at the Federal Reserve Board's public web site, <http://www.federalreserve.gov/pubs/shop/survey.htm>.² General consumer information about shopping for credit cards is also available at this 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

¹ The FCCCA was enacted on November 3, 1988, and amends the Truth in Lending Act (15 U.S.C. 1601 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 a brochure format. Today, this credit card plan information is available only at the Board's public web site.

thereby enhance competition.³ In this context, the credit card reports are similar to the Shopper's Guide to Credit that the Federal Reserve 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 amendment, 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 FCCCA, 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). Generally, respondents are not required to fill out each line (corresponding

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.

⁴ Board of Governors of the Federal Reserve System, "Annual Percentage Rate Demonstration Project," March 1987.

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

Reporting Panel

The Federal Reserve Board 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 that are reported on the Reports of Condition and Income for commercial banks (FFIEC 031 and 041; Call Reports) and for thrift institutions (OTS Form 1313). 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 200 institutions each period, which 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 Federal Reserve Board consolidates the data of these subsidiaries and counts them as only one response. Also, the Federal Reserve Board 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.

⁵ Credit unions are not included because they normally limit their card issuance to consumers with a pre-existing relationship with the organization, such as employees. 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.

Proposed Clarifications

The Federal Reserve proposes two minor clarifications on the FR 2572 form and instructions with regard to items 56 through 58, in which the fee amounts for cash advances, late payments, and exceeding the credit limit are reported. Clarification is needed to ensure that only one of two mutually exclusive responses is reported. Responses must diverge according to whether the particular fee is uniform or variable over the card plan’s geographic area of availability. Using item 56 as an example, the language on the report form would be revised as follows (new or modified language is underlined):

Transaction fee for cash advances:

If fee is uniform over region, identify amount:

If fee varies across or within states, identify range:

Minimum amount

Maximum amount

For consistency, the instructions for items 56 through 58 would also be rephrased in order to clarify the meaning of these questions.

Time Schedule for Information Collection and Publication

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 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 Federal Reserve Board within twenty business days of the as-of date. Individual respondent data are then published on the Federal Reserve Board’s public web site.

Legal Status

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

Consultation Outside the Agency

There has been no consultation outside the Federal Reserve System.

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. Total burden for this information collection represents less than 1 percent of total Federal Reserve System reporting 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.

Sensitive Questions

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

Estimate of Cost to the Federal Reserve System

The total annual cost to the Federal Reserve System for the support and processing of the FR 2572 report is estimated to be \$51,800.