Quinquennial Finance Company Survey, 2005

The Federal Reserve System has surveyed the assets and liabilities of finance companies at roughly five-year intervals since 1955. The survey provides a benchmark for the System's monthly report on the outstanding accounts receivable of finance companies (presented in the Federal Reserve System's G.20 statistical release) and provides a comprehensive update on these companies' sources of funds. This information in turn becomes an important input to the estimates of total consumer credit (presented in the Federal Reserve's G.19 statistical release) and the U.S. flow of funds accounts, all produced by the Federal Reserve System.

The quinquennial finance company survey had traditionally collected balance sheet information from non-depository institutions for which the combination of sales finance receivables, personal cash loans, short- and intermediate-term business loans, and junior liens on real estate represent the largest portion of assets. This definition excluded mortgage companies, which are non-depository institutions that specialize in first liens on real estate. However, with this quinquennial survey, the Federal Reserve System has changed the panel definition to include mortgage companies. This change is intended to improve the System's estimates of financial flows, particularly household mortgage debt growth.[1]

As a first step in establishing a population for the 2005 quinquennial survey, pre-survey questionnaires were mailed to 3,796 companies that were identified from the mailing list for the 2000 survey and from other sources. Data were collected on the size of the company, its primary type of activity or specialty, and the classification of its parent, if any. Companies that responded to the questionnaire with information showing that they had gone out of business, had been sold to another firm, were not a finance company, or were a subsidiary of another finance company or a bank were excluded from the population. Companies whose questionnaires were returned by the Postal Service as undeliverable ("postal returns") were also excluded from the population.

Follow-up investigations of companies that did not return the pre-survey questionnaire were conducted to estimate the number of additional companies that belonged in the population. Investigations of a stratified random sample of 295 companies drawn from the 1,911 nonresponding companies yielded 98 eligible companies. Projecting this result on the basis of size and specialty class added 580 companies to the population. Combining these estimates with the usable responses to the pre-survey questionnaire, the population of finance companies on December 31, 2005, was estimated at 1,509; these companies constituted the sampling frame.

The sample for the full 2005 quinquennial survey consisted of two groups: the 44 finance companies surveyed monthly for the Domestic Finance Company Report (FR 2248) and a stratified random sample of 696 additional companies from the sampling frame. All 44 monthly reporters responded. A total of 117 of the 696 additional companies provided usable responses.

Estimates of the assets and liabilities of the finance company population were produced using the stratified mean expansion estimator, where the strata were based on both the size and the lending specialty of the company. The estimator was defined as

[1] The System has been without a regular data source on the balance sheets of mortgage companies since the Department of Housing and Urban Development discontinued its Survey of Mortgage Lending Activity in the late 1990s.

$$Y = \sum_h Y(h) = \sum_h y(h) \frac{N(h)}{n(h)}$$

where

Y	=	Estimated national total
$Y(h)$	=	Estimated aggregate total for stratum h
y(h)	=	Sample aggregate total for companies in stratum h
$N(h)$	=	Total number of companies in stratum h
$n(h)$	=	Number of sample companies in stratum h.