

The Growth and Diffusion of Credit Cards in Society

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I. INTRODUCTION

Over the last thirty years, credit cards have democratized credit, with card ownership growing not only in total numbers, but across virtually all demographic groups. Credit cards are now used by every segment of our society, from college students to retirees, from the unemployed to hopeful entrepreneurs, from some of the poorest households to the wealthiest, and across all race, sex, and ethnic groups.¹ Credit cards enable their users to pay for things conveniently at 24 million merchants worldwide² and allow consumers to finance these purchases, an extraordinary convenience that enables consumers to match consumption to their long-run incomes rather than their weekly paychecks.

Before the introduction of MasterCard and Visa (both started under different names in 1966), consumers had to rely principally on cash and checks to make payments. Cash was neither convenient nor particularly safe for purchasing large items, and checks were almost useless far from home. Financing purchases was not easy either. Some stores offered installment credit, but most stores demanded immediate payment.

In the early days of credit cards, the typical holder of a Visa or MasterCard was a college-educated, upper middle class, white male.³ Today, the typical holder of a Visa or MasterCard is, well, typical. Credit cards have pervaded all segments of society and, in doing so, have especially helped those who would otherwise have had the hardest time accessing credit. It is this growth and diffusion of credit cards that is documented in this paper.

Section II of this paper provides some background information on credit cards and describes the role of credit cards in the economy. Section III examines the growth of credit cards from 1970 to 2001. Section IV documents how credit card ownership has become demographically democratized.

1 This paper focuses on “general purpose credit cards”, which can be used at many individual merchants for payment and financing. General purpose credit cards are available from two associations of banks and two proprietary companies. The bank associations are Visa and MasterCard. Member banks of these associations issue cards under those brand names. The proprietary companies are Discover Financial Services and American Express. Discover issues the Discover and Private Issue credit cards. American Express issues the Blue and Optima credit cards. The term “bankcards” refers to general purpose credit cards issued by MasterCard and Visa. When we refer to credit cards, we do not include store cards like the Sears card or charge cards like the American Express Green card or the Diners Club Card. This paper does not discuss debit cards, which deduct purchases directly from the cardholder’s checking account. Debit cards were not widely issued or used until the early 1990s, but have grown rapidly in recent years. Nevertheless, information on debit cards remains limited in the Survey of Consumer Finances (SCF).

2 *The Nilson Report*, No. 762, Apr. 2002. This figure refers to MasterCard and Visa locations. Other cards can be used at a smaller number of locations. Since some locations take American Express and Discover but not Visa and MasterCard, the total number of locations that take at least one credit card is at least 24 million.

3 In 1970, according to the Survey of Consumer Finances, college-educated, white males in the highest income quintile were most likely to own credit cards.

This paper is based on the Survey of Consumer Finances (SCF), a survey that the Federal Reserve Board has been conducting since the end of World War II. The SCF is a highly regarded and oft-published source of information on the saving, spending and financing habits of American households. The SCF started including detailed questions on credit card use in 1970. The last SCF for which data are available was conducted in 2001.⁴ Appendix A provides a more detailed technical background of the surveys.

The SCF has strengths and weaknesses. It provides data on credit card use among a random sample of the population along with extensive detail on the socioeconomic characteristics of these households, but the data people report to survey takers often are not completely reliable. For example, people tend to understate the amount of debt they have. As a result, the SCF is not the best source of data, for example, on the total bankcard debt of the American public—Visa and MasterCard have more reliable information—but the SCF is the best source of data for making comparisons between different segments of the public.

II. PAYMENTS, CREDIT AND OTHER ATTRIBUTES

As an alternative to cash, checks, and money orders, credit cards are useful for countless types of consumer transactions. Credit cards can be used in place of secured loans from banks or installment loans from stores to finance household durable goods such as computers or refrigerators. Likewise, small business owners are finding credit cards to be a good alternative source of business financing.

About 73 percent of all households have at least one credit card.⁵ In 2001, there were almost 515 million Visa and MasterCard accounts alone, and nearly 550 million credit cards in the hands of U.S. consumers.⁶ Consumers used those cards to purchase almost \$900 billion worth of goods and services in 2001.⁷ Although there are many types of payment cards, the remainder of this paper focuses on

4 The SCF is conducted every three years.

5 Note that if we exclude households below the poverty line (as reported in the *Federal Register* by the Department of Health and Human Services (HHS)), nearly 80 percent of all households own at least one credit card.

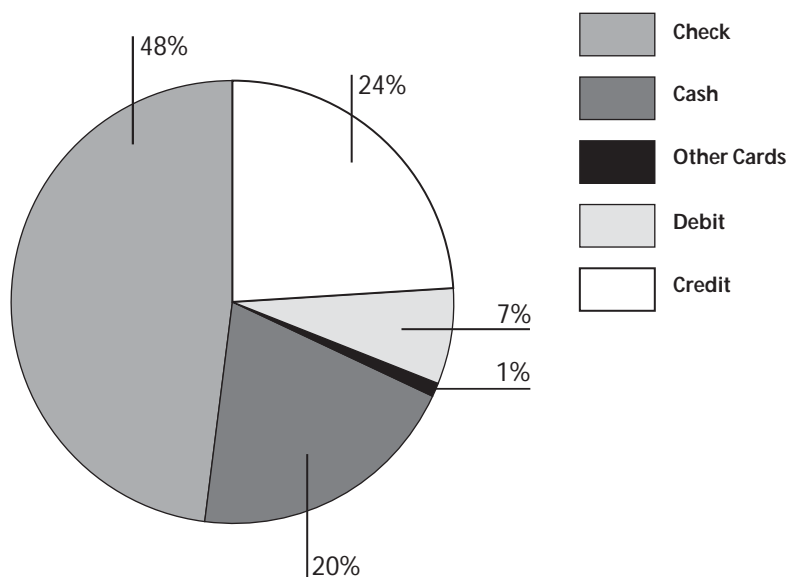
6 *The Nilson Report*, No. 760, Mar. 2002. This figure includes Visa, MasterCard, and Discover. To the extent that American Express also issues credit cards, this figure understates the total number of credit cards and total volume of spending on credit cards.

7 *Id.*

general purpose credit cards such as those issued under the Visa, MasterCard, Discover or Optima brands.⁸

Credit cards have become an important payment method. As Figure 1 illustrates, although checks still accounted for 48 percent of consumer expenditures in 2001, credit cards make up a significant and growing portion of payment transactions.⁹ For example, 24 percent of the 2001 dollar volume of consumer expenditures were paid for with credit cards.¹⁰

Figure 1. Consumer Spending by Dollar Volume of Payment Methods, 2001



Note: Consumer spending does not include certain business-related expenditures reported by restaurants, airlines, auto-rental agencies, etc.

Source: *The Nilson Report*, December 2002, Number 777

8 The credit card industry has been developing and growing for the last thirty years. As a result, various credit card products have entered and exited. SCF questions are modified in each survey year to reflect the changes in credit card products over time. In 1970, for example, all general purpose credit cards were bankcards. The credit card questions from 1970 to 1983 therefore dealt solely with bankcards. For 1989 and 1992, credit card questions were broadened to include “bank-type cards”, ostensibly to include Discover, which was started in 1985. By 2001, the credit card questions referenced solely Visa, MasterCard, Discover and American Express Optima cards. The SCF data do not (yet) include, for example, American Express’s Blue Card, a credit card.

9 *The Nilson Report*, Dec. 2002, Number 777. Nilson estimates the share of consumer expenditures accounted for by each major payment method. Consumer expenditures as used by Nilson are, roughly speaking, equivalent to personal consumption expenditures less those consumption items that do not involve payment (such as the implicit rent “paid” on owner-occupied housing) as reported by the Bureau of Economic Analysis of the U.S. Department of Commerce.

10 *Id.*

The growth of credit cards has benefited consumers widely for several reasons. For consumers, credit cards provide a convenient method of completing transactions. Moreover, credit cards can help consumers coordinate the timing of consumption and the flow of income. Credit cards make people less tied to their periodic paychecks. If consumers see an item on sale today, they can buy it now and pay for it a few weeks later when their monthly statement arrives. And credit cards allow consumers to purchase items today based on their expected future earnings.

Credit cards are a convenient source of credit for both consumers and merchants. Consumers can use their cards at various merchants, yet make only one monthly payment. Merchants don't have to operate their own credit programs, allowing smaller retailers to compete more easily with national retail chains that have the resources and scale economies to offer consumers credit through store cards or installment loans.

Consumers who use their credit cards mainly as a convenient substitute for cash and checks, and write one check at the end of each month to pay their card bills in full, are called *transactors*. Consumers who use payment cards to finance purchases are called *revolvers*. In 2001, 54 percent of households with active credit cards were revolvers in the sense that they had an outstanding balance due on at least one of their credit cards. Of course, not all consumers can be neatly classified solely as either transactors or revolvers, but the designations are useful for our discussion.

For many consumers, credit cards may be the only available source of credit. It is relatively easy to obtain secured loans—loans for which the lending institution uses the borrower's automobile, house, or other asset as collateral. It is much more difficult to obtain unsecured loans—loans for which the lender has to rely entirely on the predicted ability of the borrower to pay from income or savings. Credit cards do not necessarily offer the lowest lending rates to all consumers—the lowest rates are generally offered for the lowest-risk loans, such as secured loans. However, due to the nature and structure of credit card issuance, credit cards provide unsecured credit to a far greater span of consumers than other types of secured or unsecured lending. Credit cards allow almost everyone but the impoverished to benefit from the convenience and greater consumption possibilities that buying on credit offers.

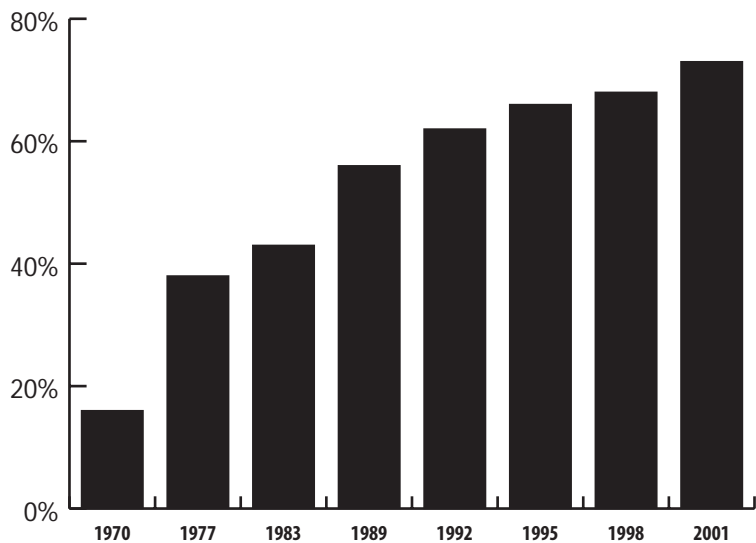
III. THE BROAD MASSES

A. Growth of Credit Cards Across the Entire Population

Figure 2 shows that between 1970 and 2001, the percent of households with at least one credit card grew almost five-fold: from only 16 percent to 73 percent. In 1970, households who had a credit card were generally the economic elite, but by 2001, people who did not have credit cards were on the economic fringes of society. In fact, approximately 70 percent of households without cards in 2001

had incomes under \$30,300. About 35 percent of households without cards in 2001 fell below the poverty line.¹¹

Figure 2. Percent of Households with at Least One Credit Card, 1970-2001



Source: Surveys of Consumer Finances, 1970-2001

B. Growth of Charge Volume

Credit card usage also increased between 1970 and 2001. In 1970 when general purpose credit cards were relatively new, they were used infrequently. For those households that had credit cards, the average monthly charge amount was about \$136. (To make comparisons over time easier, all dollar amounts have been adjusted to 2002 dollars using the gross domestic product implicit price deflator.) By 2001, the average monthly household charges had more than quintupled to about \$720.¹²

11 Note that we calculated the poverty line based on the poverty thresholds reported by the U.S. Census Bureau. The poverty line is determined both by household size and household income. The poverty line for two-person households in 2001, for example, was approximately \$11,690, while the poverty line for four-person households in 2001 was approximately \$18,290.

12 Survey respondents were asked how much they charged in the most recent month before the survey was taken. To arrive at these figures, we calculated the average response across all cardholding households.

In 1970, the average household with credit cards used their cards to make purchases that amounted to 4 percent of their total annual household income. By 1989, households on average were using their credit cards to make purchases that amounted to 11 percent of their total annual income. By 2001, that figure had risen to 18 percent.

C. Growth of Balances

In 1970, households on average carried a balance of about \$279.¹³ (Recall that all absolute dollar figures have been adjusted to 2002 dollars.) By 2001, the average monthly balance had grown to \$2,095. These numbers, however, do not tell the entire story. Households have not only increased the size of their balances, the number of households carrying balances has also increased. In 1970, just less than 40 percent of all card-owning households held balances on their cards. By 2001, 54 percent were revolvers.

While total balances have grown over time because more households carry them, the size of the average balance itself has also grown. Concentrating for a moment only on revolvers and ignoring those households who do not carry balances, we can see to what extent the size of their balances has grown since 1970. The average household balance grew by more than five times, from \$760 in 1970 to just over \$3,900 in 2001.

D. Debt Composition Has Changed over Time

As households have increased their credit card borrowing over time, credit cards have displaced other forms of credit. Many households that used to rely on large department stores or consumer finance companies are now relying on their credit cards to take out loans. More households are substituting credit card debt for other forms of debt, and households are charging more on their credit cards now than they have in the past. Figure 3 demonstrates how the composition of household debt from consumer loans has changed over time.

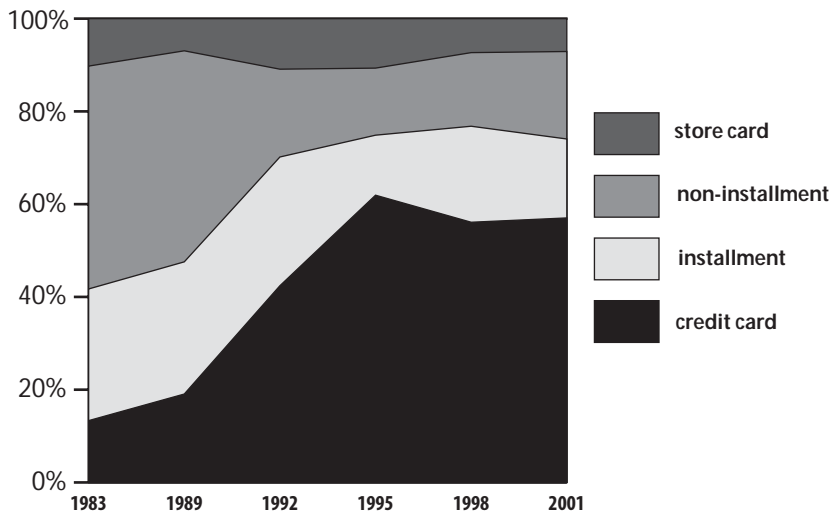
The SCF defines consumer loans as loans for “household appliances, furniture, hobby or recreational equipment, medical bills, loans from friends or relatives or other loans.” This category excludes mortgage loans, real estate loans or home equity lines of credit,¹⁴ as well as loans for automobiles or mobile homes.

13 Survey respondents were asked how large a balance was left over after they made their most recent monthly credit card payment. To arrive at these figures, we calculated the average response across all cardholding households, including transactors. As we noted in the introduction, households do not report all of their debt. If our concern in this paper were to report the most accurate absolute figures available, we would have a problem. For this examination however, we are more concerned with presenting the growth of balances over time and across demographic groups. Since we have no reason to believe that people’s underestimation habits have changed over the last thirty years, or that these habits vary across demographic groups, the figures in our discussion are useful for making comparisons.

14 Home equity loans became especially popular in the late 1980s as a result of the elimination of the tax-deductibility of credit card interest and the increasing equity belonging to homeowners.

Since 1983, credit card debt as a percent of total household debt from consumer loans has grown to account for approximately 60 percent of all outstanding household debt from consumer loans.

Figure 3. Substitution of Credit-Card Debt for Other Forms of Consumer Debt, 1983-2001

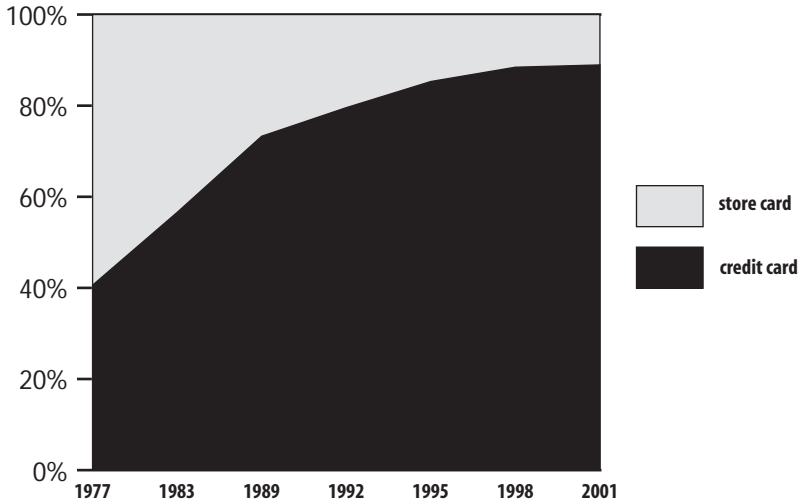


Note: Consumer debt excludes housing and motor-vehicle related loans.

Source: Surveys of Consumer Finances, 1983-2001

In the above figure it is not clear that store cards have lost share to credit cards. It appears as if store cards have maintained their small share of consumer debt. While store card debt has increased in absolute terms, growing from \$18 trillion in 1983 to \$21 trillion in 2001 (in 2002 dollars), its share of total consumer debt has, in fact declined. As Figure 4 shows, credit card debt rose much faster than store card debt and has therefore captured a larger portion of overall consumer debt.

Figure 4. Substitution of Credit-Card Debt for Store-Card Debt, 1977-2001



Source: Surveys of Consumer Finances, 1977-2001

In 1970, credit card debt comprised, on average, about 6 percent of households' total non-mortgage debt. This figure, a more inclusive measure of debt than the percentage of consumer loans shown in Figure 3,¹⁵ gradually increased to 24 percent in 1989. And by 1995, households' credit card debt, on average, had risen to 32 percent of total non-mortgage debt, a level it has remained near through 2001. This growth indicates consumers' direct preference for credit card debt over other sorts of consumer loans.

IV. THE DIFFUSION OF CARDS ACROSS SOCIETY

One of the greatest drawbacks of credit is that it is not universally obtainable. From a lender's perspective, the only lucrative loans are those that will be paid back. And the households who are most likely to pay back loans are those households who are under the least financial stress. In other words, the households who are most likely to obtain a loan are those households who are least likely to be in need of one. Conversely, households who are most likely to need a loan often have the most trouble securing one. For Americans, a number of demographic groups have historically had a difficult time obtaining credit. These groups include racial minorities, households headed by women, and households with low levels of income.

¹⁵ Non-mortgage debt is calculated as total consumer debt from all sources minus mortgage debt. Consumer loans include only credit card debt, store card debt and installment debt excluding car loans.

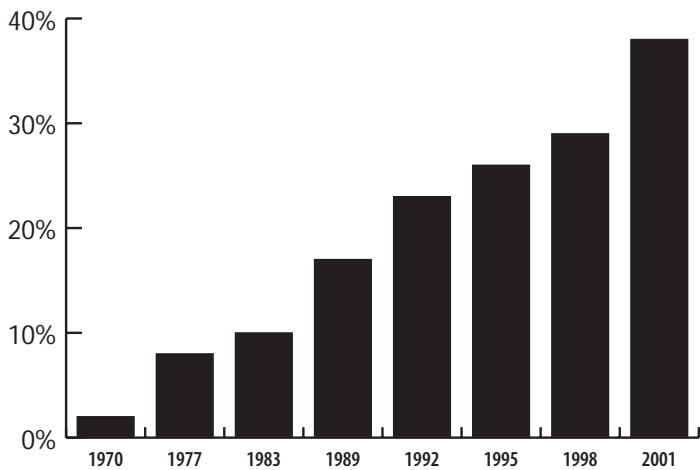
Credit cards have helped disadvantaged groups to obtain convenient, flexible credit from credit cards. Credit card ownership has undergone a diffusion that has spread card ownership among a wider demographic than just the “economic elite.” In fact, card ownership among disadvantaged groups is catching up to the levels of the economic elite. Credit cards are helping to level a playing field that has long been tipped in the favor of the economic elite.

A. GROWTH ACROSS DEMOGRAPHIC GROUPS

1. Low-Income Households

In 1970, only about 2 percent of all low-income households had credit cards. By 1983, more than 10 percent had them. And by 2001, about 38 percent of all low-income households had at least one card.

Figure 5. Percent of Low-Income Households Owning Credit Cards, 1970-2001

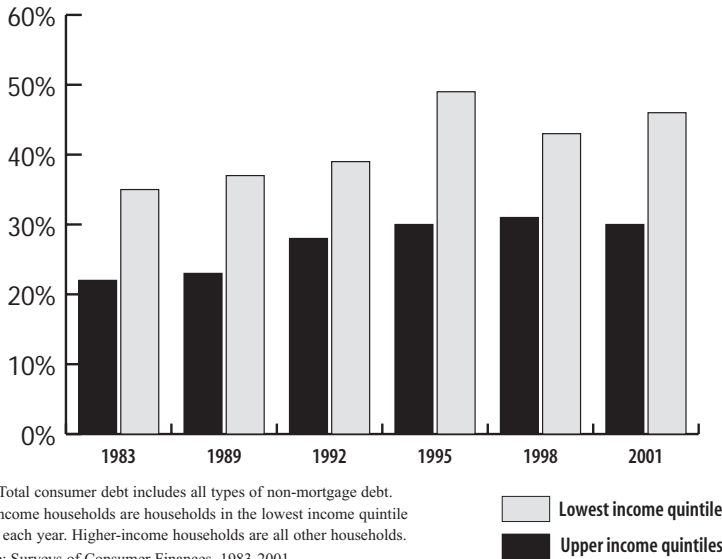


Note: Low-income households refer to households in the lowest income quintile within each year. In 2001, the lowest income quintile consisted of households with annual incomes of approximately \$16,160 or less.

Source: Surveys of Consumer Finances, 1970-2001

Figure 6 shows how the composition of consumer debt has changed since 1983 for low-income households compared to the rest of the population. In 1983, credit cards accounted for 35 percent of low-income households’ non-mortgage debt, compared to 22 percent for the rest of the population. By 2001, on average, credit card debt accounted for about 46 percent of low-income households’ total consumer debt holdings, compared to 30 percent for all other households. This implies that credit cards play a particularly important role for low-income households looking to obtain credit.

Figure 6. Credit-Card Debt as a Percent of Total Consumer Debt, by Income Quintile, 1983-2001



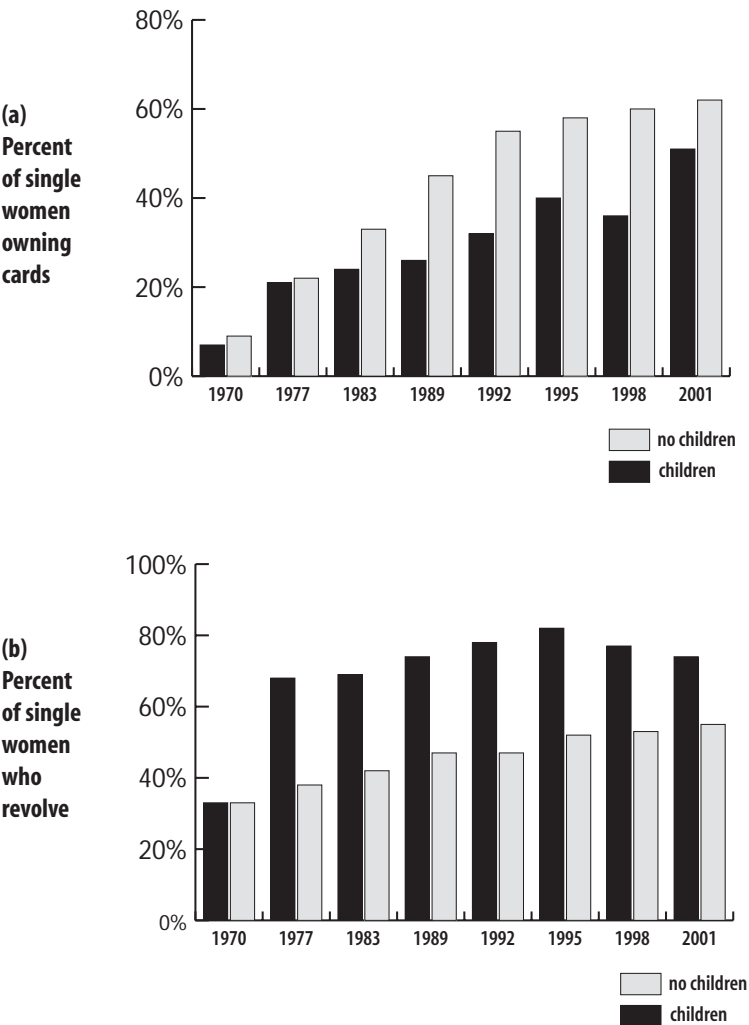
That credit card debt accounts for such a comparatively large portion of low-income households' debt holdings suggests low-income households favor credit card loans over other forms of loans. It is likely that low-income households have a difficult time obtaining unsecured loans, and they are unlikely to have the assets necessary for secured loans. Households that have been rejected in the past may also be reluctant to apply for loans and risk rejection again. The SCF sheds some light on this possibility. Respondents were asked, "Was there any time in the past five years that you thought of applying for credit at a particular place, but changed your mind because you thought you might be turned down?" Low-income households across time were 7 percent more likely to have been dissuaded from applying for a loan for this reason than all other households. Credit cards eliminate much of the fear and frustration associated with applying for loans—the application is relatively simple and does not require meeting with a lending officer. It is therefore no surprise that low-income households have embraced credit cards as a key means for obtaining loans.

2. Households Headed by Females

Credit cards are also democratizing credit for single women with children, another demographic group that sometimes has difficulty making ends meet. Single women without children are more likely to have cards. In 2001, 62 percent of single women without children had cards, compared to 51 percent of single women with children. Yet even though women without children are more likely to have cards, it is actually the single women with children that are more likely to make use of the credit available from their cards.

Figure 7. Credit-Card Ownership and Usage by Single Women, 1970-2001

Ever since 1977, single mothers have been far likelier to be credit revolvers than are single women without children. Single mothers are often under pressure to both work and raise their children. Many require loans that would be quite difficult to obtain without credit cards. Figure 7 is quite interesting for two reasons. First, it shows that single women without children are frequently transactors. Second, the figure shows that single mothers make frequent use of the credit available to them on their credit cards. Credit cards, in this sense, help bring a “dislocated” group of society back into the mainstream.



3. Entrepreneurs

Credit cards have played an important role in funding startup businesses. Recent evidence from the 1998 Survey of Small Business Finances suggests that 46 percent of small business owners used their personal credit cards to help finance business operations, and 34 percent of small business owners used business credit cards. The SCF suggests that households headed by the self-employed have become very loyal credit card customers. In 1970, more than one-fourth of all self-employed households owned credit cards, over 10 percentage points higher than the national average at the time. That percentage has grown steadily over time: by 2001, 86 percent of all self-employed households owned credit cards (again, over 10 percentage points higher than average).

The importance of small businesses to the economy cannot be understated. In 2002, there were approximately 23 million small businesses in the United States, and small businesses accounted for about 75 percent of net new jobs created. The small business segment accounts for approximately 50 percent of the private gross domestic product. Small businesses provide most workers with their first jobs and initial on-the-job training in basic skills, employ more than half of the private non-farm work force, and contribute to approximately 45 percent of all sales in the country.¹⁶ Perhaps most importantly, the dynamic small companies of today help to provide the large employers of tomorrow. To achieve growth, small businesses often need a source of capital, but from a lending institution's perspective, extending credit to new ventures is risky. As a result, obtaining capital from banks, credit unions, and savings institutions can be challenging, if not impossible.¹⁷ Credit cards have proven to be a good alternative for entrepreneurs and the self-employed.

Self-employed households, more so than the rest of the population, have relied on credit cards. Moreover, the introduction of business credit cards in the late 1980s has provided an additional source of credit for small businesses owners. By 2002, for example, there were 11.7 million Visa business cards in the hands of small business owners.¹⁸

4. Unemployed Households

One of the most important functions of credit is that it helps to smooth consumers' consumption patterns over the course of their lives. Most of us, for example, anticipate far greater earnings in our maturity than when we first enter

16 Small Business Administration Office of Advocacy, *Small Business Economic Indicators for 2002*, June 2003 (visited November 20, 2003) <<http://www.sba.gov/advo/stats/sbei01.pdf>>.

17 Venture capitalists provide another source of funds. However, venture capital firms generally take a substantial equity stake in companies they provide funds to. Moreover, they typically only pursue a small fraction of the business plans that are presented to them.

18 Visa U.S.A.

the workforce. Unlike secured loans that require consumers to borrow against items in their possession, credit cards allow consumers to borrow against anticipated future earnings. Credit cards allow us to enjoy consumption goods earlier and pay for them later.

In addition to providing credit to workers making their way up the career ladder, credit cards are quite useful to workers temporarily out of work. According to the Current Population Surveys, between 1996 and 2000, displaced workers, on average, spent eighteen weeks in transition between jobs.¹⁹ During times when income is temporarily suspended, the need for credit can be quite urgent. Because one can rarely anticipate unemployment, households may find it difficult to save and plan for a break in their income. Credit cards, therefore, can be quite useful in helping unemployed households make the transition between jobs or careers. Evidence from SCF confirms this claim. In 2001, for example, households headed by unemployed workers carried credit card balances on average that were more than one and a half times the size of those held by households headed by employed workers.

B. THE IMPACT OF CREDIT SCORING

Credit scoring revolutionized the credit card industry. For the first time ever, it allowed human scrutiny to be eliminated from loan selection procedures. In doing so, credit scoring models ushered in a new era of lending—one with an unmistakable trend favoring the democratization of credit in society. Credit scoring models allowed banks to profitably send their credit card solicitations across wider segments of the population and the country.

Credit scoring is a scientific method of assessing the credit risk associated with new credit applications. Scores are calculated using statistical models that assign points to factors indicative of satisfactory repayment. Factors can include income regularity, job stability, credit history, and payment history, to name a few. Once a borrower is approved for a loan, credit scoring also helps card issuers determine how much credit to extend and at what price.

Because credit scoring is fundamentally impersonal, it does not discriminate against people on the basis of personal characteristics such as race or religion. Because of its ability to predict and control credit card losses, credit scoring allows card issuers to offer cards to consumer segments previously deemed unprofitable. The new technology allows banks to dig deeper into the pool of potential customers and extend credit to higher-risk borrowers than ever before. Credit scoring has contributed greatly to the growth and diffusion of credit cards across the entire population.

19 U.S. Bureau of Labor Statistics, *Current Population Surveys: Displaced Worker Supplements*.

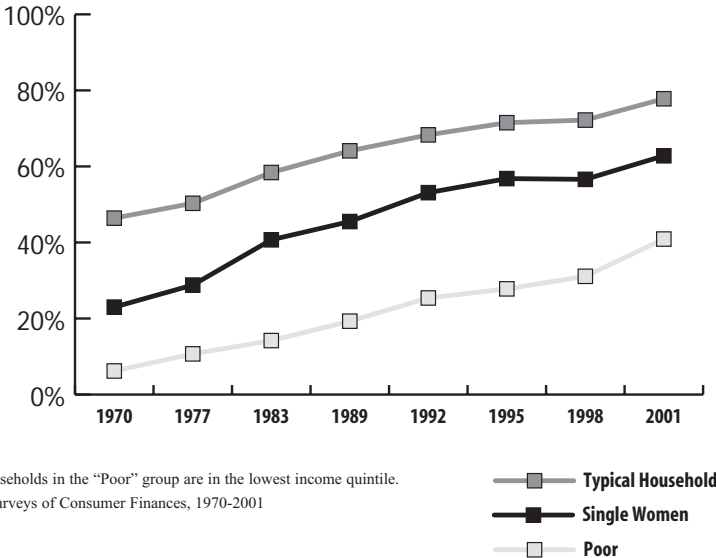
C. DIFFUSION OF CARDS FROM THE ELITE DOWN THROUGH THE MASSES

The person most likely to own a credit card is still a wealthy, white, well-educated man, though his demographic domination of card ownership has eroded sharply over the last thirty years. Although female households and those with low-income started with far fewer credit cards than the “elite” group just defined, the growth in card ownership across these two groups has outpaced the growth in card ownership of the elite group. That is due in part to card ownership saturation among the elite group, and in part to credit scoring, which is enabling diffusion of credit cards to more diverse and riskier households.

The method for demonstrating diffusion is as follows. A control group, “the social elite,” is identified. Next, a ratio is created in each year for each demographic group in question, which compares card ownership of the disadvantaged group to card ownership of the elite group. When these ratios are compared over time, if they rise, then card ownership for the disadvantaged groups are approaching the levels of ownership of the elite group, and hence, that diffusion exists.

Figure 8. Comparison of Card Ownership Between Disadvantaged Groups, the “Typical Household” and the “Economic Elite”, 1970-2001

Figure 8 shows the trend in card ownership for the typical American household and two disadvantaged demographic groups compared to the “economic elite.” In each case, the ratio of card ownership of the disadvantaged group to card ownership of the elite-group increases over time. The steady increases indicate that the availability of credit via credit cards to all segments of the population is converging.



V. CONCLUSION

Over the last thirty years, credit card ownership has grown not only in total numbers, but across virtually all demographic groups. Credit cards have helped households to obtain credit that, certainly for the less wealthy, would not have been available otherwise. Credit card loans enable households to smooth consumption over their lifecycles—a benefit that is important for households and for the economy at large.

APPENDIX A: TECHNICAL DETAILS OF THE SURVEY OF CONSUMER FINANCE

The Federal Reserve sponsored the initial Survey of Consumer Finances (SCF) just after World War II. The first such survey was conducted in 1946 for the Federal Reserve by the Bureau of Agricultural Economics of the United States Department of Agriculture. The SCF was conducted by the Survey Research Center of the University of Michigan annually from 1947 through 1970, but was then discontinued. In 1977, balance-sheet data were collected as part of a survey of consumer credit sponsored by the federal banking agencies. In addition, the Federal Reserve Board sponsored the one-time Survey of Financial Characteristics of Consumers in 1962, which obtained consumer balance-sheet data that were more detailed than those available from the surveys of consumer finances. The 1983 SCF updated balance-sheet information from the 1977 survey. The latest surveys provide much new information that can be used to identify important trends in income and wealth distribution, asset ownership, and household borrowing patterns, and they afford a comprehensive understanding of the financial state of households. The recent survey provides a unique opportunity to link data on consumer assets and liabilities, income, and financial behavior.

The SCF is a triennial survey of the balance sheet, pension, income, and other demographic characteristics of U.S. families. The survey also gathers information on use of financial institutions. The SCF is conducted to provide detailed information on the finances of U.S. families. Data from the SCF are widely used, from analysis at the Federal Reserve and other branches of government to scholarly work at the major economic research centers. The study is sponsored by the Federal Reserve Board in cooperation with the Department of the Treasury. Since 1992, data have been collected by the National Opinion Research Center (NORC) at the University of Chicago.

To ensure the study is representative, respondents are selected randomly using procedures described in the technical working papers on the Federal Reserve Board website <<http://www.federalreserve.gov/pubs/oss/oss2/2001/scf2001-home.html>>. A strong attempt is made to select families from all economic strata. Participation in the study is strictly voluntary. However, because only about 4,450 families are interviewed in the main study, every family selected is very

important to the results. To retain the scientific validity of the study, interviewers are not allowed to substitute respondents for families that do not participate. Thus, if a family declines to participate, it means that families like theirs may not be represented clearly in national discussions.

The survey begins by collecting basic demographic information on all household members, including their age, gender, and marital status. The respondent is then asked to list the financial institutions at which household members have accounts or loans, including the type of institution, the way of doing business with the institution, and the distance between the institution and the home or workplace of the person who uses it most. As respondents describe particular accounts or loans during the course of the survey, this “institution roster” is used to identify the institution at which each item is held.

The survey then goes on to collect detailed information on the household’s financial assets, nonfinancial assets and liabilities. The section on financial assets includes checking, saving, money market, and call accounts; certificates of deposit; IRA and Keogh accounts; stocks; bonds; mutual funds; savings bonds; cash value life insurance; and trusts, annuities, and other managed assets. For each item the respondent mentions, he or she is asked about its value and the institution at which it is held. Nonfinancial assets include the household’s principal residence, investment real estate, vehicles, business interests, and other valuable assets like art and precious metals. Liabilities specifically mentioned in the survey include mortgages, home equity loans and lines of credit, loans for investment real estate, vehicle loans, student loans, consumer installment loans, and debt on credit cards. For each loan, the respondent is asked about the balance outstanding and other aspects of the loan’s terms, including its duration, the interest rate, the typical payment, and the institution.

In addition to the core questions on assets and liabilities, the survey also collects information on other topics relevant to understanding households’ financial situations, including the employment and pension coverage of the respondent and spouse; household income and tax filing status; coverage by health, life, and disability insurance; the educational attainment of the respondent and spouse; the health status of the respondent and spouse; experience in applying for loans in the past five years; recent problems making payments on loans; and attitudinal data on risk, borrowing and saving.