

SUPPORTING STATEMENT  
RECORDKEEPING AND DISCLOSURE REQUIREMENTS  
IN CONNECTION WITH REGULATION Z  
(OMB No. 3064-0082)

INTRODUCTION

The Federal Deposit Insurance Corporation (“FDIC”) is requesting OMB approval to extend, with revisions, the information collection previously approved as 3064-0082. The current clearance for the collection expires on August 31, 2011.

A. Justification

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1. Circumstances and Need

The requirements for this collection are contained in Regulation Z – Truth in Lending, 12 C.F.R. Part 226, issued by the Board of Governors of the Federal Reserve System (“FRB”). Regulation Z is issued under authority of 15 U.S.C. § 1604 and implements the Truth in Lending Act (“TILA”), 15 U.S.C. §§ 1601 et seq. Pursuant to an agreement between OMB and the FRB, the Federal Reserve accounts for the paperwork burden associated with Regulation Z for state member banks (SMBs) and other creditors supervised by the Federal Reserve that engage in lending covered by Regulation Z and other federal agencies, including the FDIC, account for the paperwork burden on creditors engaging in lending covered by Regulation Z that they supervise.

Regulation Z requires creditors to disclose certain costs and terms to consumers, using a specified format and terminology, at or before the time consumers enter into a consumer credit transaction and when the availability for consumer credit on particular terms is advertised. For open-ended credit, such as revolving credit accounts, creditors are required to disclose information about the initial costs and terms and to provide periodic statements of account activity, notices of changes in terms, and statements of rights concerning billing error procedures. The regulation also requires specific types of disclosures for credit and charge accounts, and home equity plans. For closed-end loans, such as mortgage and installment loans, cost disclosures are required to be provided prior to consummation. Special disclosures are required of certain products, such as reverse mortgage and installment loans, certain variable rate loans, and certain mortgages with rates and fees above specified thresholds. TILA and Regulation Z also contain rules concerning credit advertising. Creditors are required to retain evidence of compliance for twenty-four months, but the regulation does not specify the types of records that must be retained.

On December 16, 2010, the Federal Reserve published a notice of proposed rulemaking (NPRM) in the *Federal Register* (75 FR 78636) requesting public

comment on the proposed amendments to Regulation Z. The proposed amendments were designed to implement Section 1100E of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), which was signed into law on July 21, 2010. The Dodd-Frank Act raised TILA's \$25,000 exemption threshold to \$50,000, effective July 21, 2011. In addition, the Dodd-Frank Act requires that, on or after December 31, 2011, the threshold shall be adjusted annually for inflation by the annual percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W), as published by the Bureau of Labor Statistics. Beginning on January 1, 2012, the \$50,000 threshold will be adjusted annually based on any annual percentage increase in the CPI-W. On April 4, 2011, a notice of final rulemaking was published in the *Federal Register* (76 FR 18354) adopting the amendments largely as proposed, with mandatory compliance by July 21, 2011.

The Federal Reserve estimated that the final rule would impose a one-time increase per respondent of 40 hours to update their systems to comply with the requirements of Regulation Z for loans that are no longer exempt. In addition, the Federal Reserve estimated that, on a continuing basis, the revision to the rule would increase the annual burden for each respondent by 8 hours.

2. Use of Information Collected

Regulation Z promotes the informed use of consumer credit by ensuring adequate disclosure of the costs and terms of credit to consumers.

3. Use of Technology to Reduce Burden

The Regulation Z information collection consists primarily of third party disclosures. Institutions may provide electronic disclosures consistent with the Electronic Signatures in Global and National Commerce Act, 15 U.S.C. §§ 7001 et seq., and § 226.36 of Regulation Z.

4. Efforts to Identify Duplication

The disclosures and recordkeeping are required when specified events occur and their content does not overlap with other requirements.

5. Minimizing the Burden on Small Businesses

Generally, TILA requires that the disclosures be made notwithstanding the size of the institution. The FRB provides model forms to ease the compliance burden for small institutions.

6. Consequence of Less Frequent Collections

The recordkeeping and disclosure requirements are event based and may not be made less frequently consistent with the underlying statute.

7. Special Circumstances

None.

8. Consultation with Persons Outside the FDIC

A “first” Federal Register notice seeking comment on the FDIC’s proposal to extend this information collection was published on April 28, 2011 (76 FR 23814). No comments were received.

9. Payment or Gift to Respondents

None.

10. Confidentiality

As no information is collected, no issue of confidentiality arises.

11. Questions of a Sensitive Nature

No questions of a sensitive nature are included in this collection

12. Estimates of Annualized Hour Burden and Associated Cost<sup>1</sup>

Burden Estimate	Number of Respondents	Annual Frequency	Response Time	Annual Burden Hours
<u>Subpart B</u>				
Open-End Credit				
Initial Disclosures	4,380	1,150	1.5 minutes	125,925
Change in Terms	4,380	2,500	1.0 minute	182,500
Periodic Statements	4,380	12	8 hours	420,480
<b>Periodic Statements (R-1399)<sup>2</sup></b>	<b>4,380</b>	<b>1</b>	<b>8 hours</b>	<b>35,040</b>
Error Resolution				
Credit Cards	1,047	145	30 minutes	75,908
Other Reg. Z Complaints	4,380	2	30 minutes	4,380
Credit & Charge Card Accounts				
Advance Disclosures	1,047	12	8 hours	100,512
Home Equity Plans				
Advance disclosure	2,867	790	1.5 minutes	56,623
Change in terms	2,867	10	3.0 minutes	1,434
<u>Subpart C</u>				

<sup>1</sup> The FDIC burden estimates are based on FRB estimates adjusted for FDIC circumstances such as the number of FDIC regulated institutions.

<sup>2</sup> Entries in bold reflect program changes as mandated by Dodd-Frank and implemented by the FRB.

Closed-end credit disclosures	4,380	2,472	6.5 minutes	1,172,964
<u>Sections 226.16 and 226.24 Advertising</u>	4,380	5	25 minutes	9,125
<u>Subpart E</u>				
Pre-closing disclosure	97	250	3 minutes	1,213
Sub-total (ongoing)				2,186,104
<b>Sub-total (one-time systems change to reflect increase in exemption threshold)</b>	<b>4,380</b>	<b>1</b>	<b>40 hours</b>	<b>175,200</b>
Total				2,361,304

Estimated annual cost to FDIC supervised institutions (at \$20 hourly cost) is \$51,075,500.

13. Capital/Start-up and Operation/Maintenance Cost

None.

14. Cost to Government

Since the FDIC does not collect any information, the cost to the FDIC is negligible.

15. Reason for Change in Burden

The change in burden from 2,553,775 hours to 2,361,304 hours reflects an adjustment of -402,711 hours arising from a decrease in the number of respondents and program changes of +35,040 hours for ongoing Regulation Z compliance for loans that are no longer exempt and +175,200 hours for one-time systems updates to capture loans that are no longer exempt.

16. Publication

There is no publication of the information reported.

17. Display of Expiration Dates

Not applicable to these disclosures.

18. Exceptions to Certification

None.

B. STATISTICAL METHODS

Not applicable.

