

Feb. 2012 FTC rev'd burden estimates for Reg. B having a motor vehicle dealer component

[Refer back to October 2011 burden allocation written analyses for Parts I and II re: existing PRA burden inventory totals to date,¹ and see the Feb. 7, 2012 FTC 60-day FRN for proposed update as a whole to this and other regs]

III. FTC Carve-Out for Motor Vehicle Dealers

A. Disclosures

1. Credit history reporting

a. Set-up/Monitoring

Auto 13,854 - 1/4 of total independent auto (9,429) + 1/4 of franchise auto (4,425)²

10% increase for other motor vehicle dealers - 1,385
= 15,239 motor vehicle dealers

x .25 hours setup/monitoring hours (re-applied from 2009 estimates) = **<3,810 hours> for carve-out**

at 10% managerial (\$49) and 90% skilled technical (\$30) time
[(3,810 x .1 x \$49) + (3,810 x .9 x \$30)] = **\$121,539 in labor costs**

of respondents allocated to FTC: (i) 250,000 total respondents (re-applied from 2009 estimates) - 15,239 carve-out to FTC = 234,761 to split; (ii) 234,761 ÷ 2 = 117,381; (iii) 117,381 + 15,239 carve-out to FTC = 132,620; (iv) staff rounded to 133,000

b. Transaction-related

Pro-rata apportionment: 250,000 existing respondents incurring 125,000,000 credit reporting transactions (re-applied from 2009 estimates) = 500 credit reporting transactions per respondent

¹ The October 2011 analysis, however, inadvertently excluded from Part I. A the following additional observation from the 2009 PRA clearance submission with regard to recordkeeping: “*Staff also estimates that the requirement that mortgage creditors monitor information about race/national origin, sex, age, and marital status imposes a maximum burden of one minute each for approximately 9 million credit applications (based on industry data regarding the approximate number of mortgage purchase and refinance originations), for a total of 150,000 hours.*” The estimates for the number of applications and total hours, respectively, have been revised downward since to 2.25 million applications and 37,500 hours in the Feb. 7, 2012 notice. See 77 Fed. Reg. 6114 at 6116.

² FTC staff estimates of the relevant portion of motor vehicle dealers potentially to engage in this activity.

15,239 motor vehicle dealers x 500 transactions per dealer =
<7,619,500 transactions> for carve-out

x .25 minutes per transaction (re-applied from 2009 estimates) =
<31,747 hours> for carve-out

at 10% managerial (\$49) and 90% skilled technical (\$30) time
[(31,747 x .1 x \$49) + (31,747 x .9 x \$30)] = **\$1,012,735 in
labor costs for carve-out**

of transactions allocated to FTC: (i) 125,000,000 total
transactions - 7,619,500 carve-out to FTC = 117,380,500 to
split; (ii) 117,380,500 ÷ 2 = 58,690,250; (iii) 58,690,250 +
7,619,500 carve-out to FTC = 66,309,750

2. Adverse action notices

a. Set-up/Monitoring

Auto - 55,417 - all of total
10% increase for other motor vehicle dealers - 5,542
= **60,959 motor vehicle dealers**

x .75 hours setup/monitoring hours (increased from 2009
estimates) = **<45,719 hours> for carve-out**

at 10% managerial (\$49) and 90% skilled technical (\$30) time
[(45,719 x .1 x \$49) + (45,719 x .9 x \$30)] = **<\$1,458,438
in labor costs> for carve-out**

of respondents allocated to FTC: (i) 1,000,000 total
respondents - 60,959 carve-out to FTC = 939,041 to split; (ii)
939,041 ÷ 2 = 469,521; (iii) 469,521 + 60,959 carve-out to FTC
= 530,480; (iv) staff rounded to 530,000

b. Transaction-related

Pro-rata apportionment: 1,000,000 existing respondents preparing
200,000,000 adverse action notices (re-applied from 2009
estimates) = 200 adverse action notices prepared per respondent

60,959 motor vehicle dealers x 200 adverse action notices per
dealer = 12,191,800 transactions

x .25 minutes per transaction (re-applied from 2009 estimates) =

<50,799 hours> for carve-out

at 10% managerial (\$49) and 90% skilled technical (\$30) time
[(50,799 x .1 x \$49) + (50,799 x .9 x \$30)] = **<\$1,620,490
in labor costs> for carve-out**

of transactions allocated to FTC: (i) 200,000,000 total transactions - 12,191,800 carve-out to FTC = 187,808,200 to split; (ii) 187,808,200 ÷ 2 = 93,904,100; (iii) 93,904,100 + 12,191,800 carve-out to FTC = 106,095,900; (iv) staff rounded to 106,096,000

3. Self-test disclosures

a. Set-up/Monitoring

Assumption: 10% of the existing estimate of respondents performing self-test disclosures (2,500) are motor vehicle dealers; i.e., **250 motor vehicle dealers for carve-out**

x .5 hours setup/monitoring hours (re-applied from 2009 estimates)
= **<125> hours for carve-out**

at 10% managerial (\$49) and 90% skilled technical (\$30) time
[(125 x .1 x \$49) + (125 x .9 x \$30)] = **<\$3,997> in labor costs for carve-out**

of respondents allocated to FTC: (i) 2500 total respondents - 250 carve-out to FTC = 2,250 to split; (ii) 2,250 ÷ 2 = 1,125; (iii) 1,125 + 250 carve-out to FTC = 1,375

b. Transaction-related

Pro-rata apportionment:

2,500 existing respondents incurring 125,000 transactions (re-applied from 2009 estimates) = 50 transactions per respondent

250 motor vehicle dealers x 50 transactions per dealer = **<12,500 transactions> for carve-out**

x .25 minutes per transaction (re-applied from 2009 estimates) = **<52 hours> for carve-out**

at 10% managerial (\$49) and 90% skilled technical (\$30) time

$$[(52 \times .1 \times \$49) + (52 \times .9 \times \$30)] = \text{<}\mathbf{\$1,655}\text{> in labor costs for carve-out}$$

of transactions allocated to FTC: (i) 125,000 total transactions - 12,500 carve-out to FTC = 112,500 to split; (ii) $112,500 \div 2 = 56,250 + 12,500$ carve-out to FTC = 68,750

B. Recordkeeping³

The credit history entities are basically covered by adverse action entities per III.A.2 above

1. General

60,959 motor vehicle dealers x 1.25 hours each (increased from 2009 estimates) = **<76,199 hours> for carve-out**

at 10% skilled/technical wage (\$30) and 90% clerical (\$16) wage
 $[(76,199 \times .1 \times \$30) + (76,199 \times .9 \times \$16)] = \text{<}\mathbf{\$1,325,864}$
in labor costs> for carve-out

2. Recordkeeping of self-test

Assumption: 10% of existing totals (2,500 respondents, 1 hour each) cover motor vehicle dealers

Thus, **<250 hours> for carve-out** (10% x 2,500 hours, or 250 respondents x 1 hour each) (re-applied from 2009 estimates)

at 100% skilled/technical wage (\$30)
 $250 \times \$30 = \text{<}\mathbf{\$7,500}$ **in labor costs> for carve-out**

3. Recordkeeping of corrective action (from self-test)

Assumption: 10% of existing totals (250 respondents, 4 hours each) cover motor vehicle dealers

Thus, **<100 hours> for carve-out** (10% x 1,000 hours, or 25

³ The Feb. 7, 2012 notice estimates 530,479 credit firms subject to the FTC's jurisdiction. This is determined by applying the 2009 cleared estimate of 1,000,000 firms, subtracting an FTC carve-out of 60,959 firms (motor vehicle dealers), dividing that sub-total by half (= 469,520), and then adding back the carve-out for the FTC. The notice also allocates to the FTC an estimated 1,375 firms that conduct self-testing for recordkeeping; that population estimate is detailed in III.A.3.a. above (re: self-test disclosures: set-up/monitoring).

respondents x 4 hours each) (re-applied from 2009 estimates)

at 100% skilled/technical wage (\$30)

$100 \times \$30 = \text{<}\$3,000 \text{ in labor costs> for carve-out}$

IV. Burden Allocations After Carve-Out

A. Disclosures

1. Total Hours (2,196,664) - Carve-Out (3,810 + 31,747 + 45,719 + 50,799 + 125 + 52) = 2,064,412 hours to split
 $2,064,412 \text{ hours} \div 2 = 1,032,206$
 - a. CFPB: **1,032,206 hours**
 - b. FTC: **1,164,458 hours** (1,032,206 + 132,252 carve-out)
2. Labor Costs (\$70,073,514) - Carve-Out (\$121,539 + \$1,012,735 + \$1,458,438 + \$1,620,490 + \$3,997 + \$1,655) = \$65,854,660 to split
 $\$65,854,660 \div 2 = \$32,927,330$
 - a. CFPB: **\$32,927,330**
 - b. FTC: **\$37,146,184** (\$32,927,330 + \$4,218,854 carve-out)

B. Recordkeeping

1. Total Hours (1,328,503) - Carve-Out (76,199 + 250 + 100) = 1,251,954 hours to split
 $1,251,954 \div 2 = 625,977$
 - a. CFPB: **625,977 hours**
 - b. FTC: **702,526 hours** (625,977 + 76,549 carve-out)
2. Labor Costs (\$24,105,104) - Carve-Out (\$1,325,864 + \$7,500 + \$3,000) = \$22,768,740 to split
 $\$22,768,740 \div 2 = \$11,384,370$
 - a. CFPB: **\$11,384,370**
 - b. FTC: **\$12,720,734** (\$11,384,370 + \$1,336,364 carve-out)

