

**CONSUMER FINANCIAL PROTECTION BUREAU
GENERIC INFORMATION COLLECTION REQUEST – SUPPORTING STATEMENT**

**DEVELOPMENT AND/OR TESTING OF MODEL FORMS, DISCLOSURES, TOOLS
AND OTHER SIMILAR RELATED MATERIALS
(OMB CONTROL NUMBER: 3170-XXXX)**

Abstract

This is a request for a generic clearance for the Consumer Financial Protection Bureau (CFPB or Bureau) to allow for qualitative testing of disclosures and related materials relating to the features of consumer financial products and services. The research will result in recommendations for the development of and revisions to such disclosures and related materials. The research activities may be conducted by the Bureau or external parties such as, for example, contractors retained by the Bureau, and will employ cognitive psychological testing methods. This approach has been demonstrated to be feasible and valuable by the CFPB and other agencies in developing disclosures and related materials. The planned research activities will be conducted during FY 2012 through FY 2014 with the goal of creating effective disclosures and related materials that will help consumers understand the features of consumer financial products and services.

A. JUSTIFICATION

1. Circumstances Necessitating the Data Collection

This is a request for a three-year generic clearance to collect information to allow the Consumer Financial Protection Bureau (CFPB or Bureau) to conduct qualitative testing of disclosures and related materials relating to the features of consumer financial products and services the CFPB is authorized to regulate. These include, for example, mortgage origination and servicing, credit cards, checking accounts, private education loans, payday loans, debt collection, money services (such as remittances), and check cashing. Such testing could relate to consumer disclosures, including model forms and sample forms that may be used to inform how information should be disclosed. Related materials may also include electronic disclosure methods (such as web based forms), educational materials (such as pamphlets prepared to improve financial literacy), applications by financial services companies to test disclosures, or compliance guides used to inform consumers and industry about consumer financial protection obligations (Such disclosures and related materials referred to collectively as “Consumer Tools”).¹

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) and other federal consumer financial laws, the CFPB is required and/or authorized to develop disclosures and related materials relating to the features of consumer financial products and services. As a general matter, section 1021(b)(1) of the Dodd-Frank Act authorizes the Bureau

¹ The term “Consumer Tools” is used in this supporting statement for ease of reference throughout the document.

to exercise its authorities under Federal consumer financial law for the purposes of ensuring that, with respect to consumer financial products and services, consumers are provided with timely and understandable information to make responsible decisions about financial transactions. The CFPB is also required from time to time to issue reports on various consumer protection issues, and is authorized under the Dodd-Frank Act to engage in general monitoring and research activities to support its rulemaking and consumer education functions.

Consumer research and testing is often useful to enhance the value of consumer financial disclosure materials to consumers and industry compliance with CFPB regulations by, for example, improving the quality of the disclosure materials' design and content. Consumer financial disclosure materials may help, among other things, to (1) facilitate comparison shopping by consumers with respect to consumer financial products and services, (2) ensure that the features of particular consumer financial products and services are fully, accurately, and effectively disclosed to consumers in a manner that permits consumers to understand the costs, benefits, and risks associated with the product or service both initially and over the term of the product or service, and (3) assist covered entities in complying with applicable regulations.

The CFPB has engaged and anticipates continuing to engage the public to obtain feedback about the disclosures and related materials it tests before any such disclosures or materials are included in formal notice and comment of proposed rules. The collection of data from the public before notice and comment, such as through the Know Before You Owe site on the CFPB website, allows the Bureau to obtain a wide variety of perspectives to supplement the qualitative testing. This methodology supports the Administration's core goals of transparency, which "promotes accountability by providing the public with information about what the Government is doing," and participation, which "allows members of the public to contribute ideas and expertise so that their government can make policies with the benefit of information that is widely dispersed in society."²

This generic clearance request will be used to conduct qualitative testing of disclosures and related materials relating to the features of consumer financial products and services. The CFPB will not use this generic clearance for quantitative testing. The CFPB anticipates using the results of the qualitative testing approved under this generic clearance for formative, cognitive research. To illustrate, the CFPB conducted three rounds of qualitative testing of mortgage servicing disclosure forms between February and April 2012 under an Emergency Clearance, to allow for qualitative testing of certain mortgage servicing disclosures required by Title XIV of the Dodd-Frank Act. The testing instrument is provided to OMB with this supporting statement as Exhibit A. The results have helped to inform the CFPB in developing its notice of proposed rulemaking with respect to the mortgage servicing disclosure regulations required by Title XIV of the Dodd-Frank Act. Other projects anticipated by the Bureau include testing of compliance guides and programs that may be provided to industry participants to determine if such guides assist in compliance with CFPB regulations, as well as, collecting information in support of trial

²Open Government Directive. December 8, 2009.

<http://www.whitehouse.gov/sites/default/files/omb/assets/memoranda_2010/m10-06.pdf>.

disclosure programs and testing of such disclosures pursuant to section 1032(e) of the Dodd-Frank Act.

The CFPB will review existing literature on consumer behavior in designing, developing, and testing disclosures to evaluate and improve their effectiveness in satisfying statutory requirements; conveying the costs, risks, and benefits of particular consumer financial products and services; and helping consumers understand and make decisions concerning the proposed consumer finance transaction. Further, research with industry participants is useful to improve industry compliance with CFPB regulations. For example, the CFPB may use research conducted under this generic clearance to design and test electronic tools that engage with consumers and industry participants about compliance with CFPB regulations and may use research conducted under this generic clearance in support of understanding the improvements of disclosures that are included in a trial disclosure program as authorized by the Dodd-Frank Act.

The use of a generic clearance will allow the CFPB to obtain useful data in a timely manner. In CFPB's experience, the design and testing of disclosures and related materials require numerous iterations of disclosure forms and rounds of qualitative testing of those iterations. This process is time and resource intensive, requiring a thorough analysis of the data collected from each round, revision of the disclosures and related materials based on those data, and a revision of the specific questions that will be asked at qualitative testing to match the disclosure or related material. A generic clearance for the qualitative testing process will allow the Bureau to focus its efforts on design and evaluation, so that the Bureau may conduct these tasks in an as efficient and timely manner as possible.

An internal review of all proposed data collections will be performed to ensure the following:

- Consistency with CFPB mission and strategic objectives;
- Technical adequacy in issues, such as frame, participant and sample selection, recording and analysis;
- Minimized burden on the participants;
- Privacy of participants and internet respondents information to the extent permitted by law, including section 1022(c)(8) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and other applicable laws;
- Consistency with this generic clearance;
- Consistency with applicable law and regulation; and
- All data collections are truly voluntary.

Lastly, with respect to any disclosure regulation, the Bureau notes that in addition to consumer research and testing, the Bureau will go through the formal notice-and-comment process to give all stakeholders the opportunity to provide input. For example, the CFPB made available the proposed mortgage servicing disclosure regulations on www.regulations.gov as part of formal notice-and-comment on August 9, 2012, and has given the public 60 days to comment on the

proposal. The proposed disclosure regulations are set forth in separate notices for proposed rulemaking because they are proposed under separate statutory authority: some are proposed under the Truth in Lending Act, while the others are proposed under the Real Estate Settlement Procedures Act. Comments on the Paperwork Reduction Act analysis part in both proposals are due by November 16, 2012.

2. Use of the Information

The information collected will be used to inform the CFPB regarding the design, development, or evaluation of disclosures and related materials relating to the features of consumer financial products and services. Data collection tools will include, among other things, consent forms, participant questionnaires, cognitive one-on-one think-aloud interviews, and electronic feedback tools, as appropriate.

The information collected during qualitative testing will inform, among other things, the design and content of disclosures and related materials relating to the features of consumer financial products and services, using an iterative process to improve the draft versions of such disclosures. The data will be coded and analyzed to determine what elements of the disclosures are effective and what elements need revision and will be used to inform CFPB staff decisions regarding alterations or revisions to the disclosures. The CFPB anticipates conducting iterative testing to improve the disclosures and related materials.

Information collected under qualitative testing approved under this generic clearance is not meant to be, and will not be treated as, a sample that is statistically generalizable to the overall American population. The testing results are formative in nature and will be clearly portrayed as such in any presentation of the results. The results of qualitative testing conducted under this generic clearance is expected to result in improved disclosures and related materials

3. Use of Information Technology

The CFPB anticipates collecting data through individual interviews, which may be conducted with or without computer assistance, as well as through the use of non-electronic tools (such as hand-written notes or responses) and electronic tools (such as audio- and video-recordings). There is no planned use of electronic data capture software systems for qualitative testing. Should that change and such systems be planned for future use, details regarding such software would be provided in future mini-supporting statements. The CFPB notes that participation will be entirely voluntary and individuals may elect to discontinue providing feedback at any time.

4. Efforts to Identify Duplication

This research contemplated under this clearance will not duplicate any outside-of-government research effort, as its purpose is not to replicate survey research studies. The research is necessary to design, develop, and implement disclosures and related materials, including model forms and disclosures contemplated by the Dodd-Frank Act and other federal consumer financial

laws, as well as to implement trial disclosure programs authorized by the Dodd-Frank Act. CFPB staff working on the development of disclosures and related materials are cognizant of current research being done in the field of disclosure design and development. The CFPB will continue to monitor research on disclosures and related work of researchers and other Federal regulatory agencies to ensure that the CFPB's research techniques reflect current knowledge and best practices.

5. Efforts to Minimize Burdens on Small Entities

Data collections under this clearance are not anticipated to burden small entities significantly. The CFPB anticipates that the majority of information collection projects will collect information from individuals, not small entities.

In certain circumstances, the CFPB may collect information from small entities. Such research may include, for example, industry members as participants to access their perspective and knowledge in using the disclosures or other similar related materials (such as, for example, tools relating to compliance with CFPB regulations), and communicating information to consumers regarding consumer financial products or services. The CFPB may conduct small entity usability testing to learn how disclosures and related materials work when integrated into small entities' existing protocols and practices. Further, the CFPB may utilize online tools to obtain feedback and small entities may choose to participate through the use of those tools. Participation through such online methods should involve an extremely low burden.

All efforts will be made to minimize the burden on small entities in the event that data will be needed pertaining to these entities. The CFPB anticipates that details regarding such efforts will be provided in each collection request.

6. Consequences of Less Frequent Collection and Obstacles to Burden Reduction

The CFPB anticipates that individuals that participate in information collection projects will only participate once, so frequency of data collection is not an applicable concern. For each data collection project submitted hereunder, if the information is not collected, it will not be possible to evaluate the effectiveness of the Consumer Tools under evaluation.

7. Circumstances Requiring Special Information Collection

No special circumstances require the collection to be conducted in a manner inconsistent with the guidelines in 5 CFR 1320.6.

8. Consultation Outside the Agency

Comments on this request for a clearance to conduct research were solicited in the Federal Register on November 2, 2011. 76 Fed. Reg. 67668 (Nov. 2, 2011).

The CFPB has received two comments, one from a payment products provider and one from an industry association, in response to the solicitation.

A payment products provider commented that the CFPB should be required to consider input from entities that may be covered entities in connection with any future rulemaking that may include the Consumer Tool subject to the design and testing project. The CFPB believes that, in certain circumstances, participation by certain industry representatives may be appropriate in information collection projects with respect to the design and testing of Consumer Tools. For example, the CFPB anticipates conducting testing with respect to certain compliance tools with appropriate industry participants in order to design those tools to assist covered entities in complying with applicable regulations. Circumstances where industry participation is appropriate will be evaluated by the CFPB in connection with evaluating any research projects. The CFPB believes that this clearance provides appropriate flexibility to request that industry entities voluntarily provide information in connection with information collection projects where such information may be appropriate. The CFPB does not believe, however, that the CFPB should be *required* to include industry representatives in information collection projects. Industry representatives will have a full opportunity to comment on certain Consumer Tools for which industry participation in the information collection was not solicited when such tool is incorporated in a proposed rule that is published for public comment.

A payment products provider commented that the CFPB should develop model forms based on clear principles, including a principle of simplicity, and that the CFPB should avoid designing Consumer Tools that require disclosures of information that the commenter believes are incidental or immaterial. The CFPB believes that clear principles and goals for information collection projects improve the quality of research obtained through such projects and that this clearance provides appropriate flexibility to conduct research projects that are based on clear principles and goals that have been appropriately developed for different types of research projects. Although the CFPB appreciates receiving this comment, this comment ultimately relates to anticipated content of Consumer Tools that may be developed rather than the research methods used to obtain information that will inform the design of those Consumer Tools.

A payment products provider and an industry association commented that model forms and disclosures should be tested using both quantitative and qualitative testing protocols with a broad range of consumers. The CFPB observes that although quantitative testing is a valuable tool, in certain circumstances, a project's objectives can be accomplished at lower costs and with greatly reduced respondent burden by the use of small, purposive samples. Further, the CFPB believes that, even when testing with a small sample, the sample should reflect a broad range of consumer backgrounds consistent with the goals for any specific project. For example, one of the design and testing projects described herein has already received emergency approval from OMB and is the collection related to OMB control number 3170-0018. In connection with that collection, the CFPB conducted one-on-one interviews with consumers that were screened to include a diverse pool of candidates, as indicated by the interview screening protocol, in three different

geographic locations: Towson, MD; Memphis, TN; and Los Angeles, CA. The CFPB does not believe that quantitative testing is required for all projects to design, develop, and test Consumer Tools.

For the aforementioned reasons, no revisions to the research under the generic clearance are planned at this time. Notably, as referenced above, the CFPB received comments on an emergency request for clearance to conduct research relating to the development of mortgage servicing related model forms and disclosures, which were solicited in the Federal Register on December 14, 2011. 76 Fed. Reg. 77766 (Dec. 14, 2011). That project was one of the design and testing projects contemplated to be submitted pursuant to this clearance. The CFPB received comments from two mortgage industry trade associations, two credit union trade associations, two specialty insurance providers and one insurance industry trade association. Those comment letters, and the Bureau's response, were set forth in the supporting statement for that clearance request (OMB Control No. 3170-0018). The OMB granted the CFPB's request for an emergency clearance to conduct the testing contemplated by that submission on January 25, 2012.

9. Payments or Gifts to Respondents

Respondents for activities conducted in a setting that are not the respondents' home or over the phone (that is, cognitive interviews and focus groups) under this clearance will receive a small stipend. This practice has proven necessary and effective in recruiting subjects to participate in this small-scale research, and is also employed by the other Federal agencies. The incentive for participation in a cognitive interview is currently \$40, and for participation in a focus group is \$50-\$75. CFPB may provide smaller incentives than these amounts at its discretion; however, any requests for larger amounts must be justified in writing to OMB. The amount of any reimbursement requested will be provided in each collection request.

10. Assurances of Confidentiality

The CFPB anticipates imposing appropriate privacy requirements in connection with any information collection projects to ensure that personally identifying information (PII) will not be disclosed, to the extent permitted by applicable law. For example, it is the CFPB's practice to require that contractors that assist the CFPB with design and testing projects to comply with contractual requirements regarding information release, non-disclosure of personal information, privacy, and security. In conducting consumer testing for mortgage servicing disclosures, for example, the contractor the CFPB used for testing aggregated the data and reported the results without referencing or disclosing any identifying PII about the participants.

The CFPB anticipates designing appropriate protocols for each information collection project to limit the collection of PII. The CFPB will use specific consent forms to identify information that may be collected to contact respondents and obtain the respondents' consent or for payment purposes. For a sample consent form, please see enclosed Exhibit B. The CFPB will ensure that

PII shall be kept separately and without identifying participant numbers for other information collected so that PII cannot, in any way, be linked to the data collected. To the extent collection, PII will not be used for purposes other than contacting a participant or for payment purposes. Further, the CFPB will ensure that information will only be accessible to those individuals who are approved to work on a research project. Specific confidentiality protocols will be provided in each collection request.

11. Justification for Sensitive Questions

The most sensitive information expected to be collected in connection with the qualitative research activities is demographic data about the respondent, such as age range, race, income, education level and past or present experiences with consumer financial products. This will be collected voluntarily and is necessary to ensure the CFPB has a sufficient demographic mix for its purposive sample. The CFPB will follow OMB guidance with respect to how the information about demographic data is gathered. The CFPB shall set forth protocols to ensure that each participant is not identifiable through PII and that none of the demographic or consumer financial experience data will be tied in reporting to any specific individual.

12. Estimated Burden of Information Collection

<u>Process</u>	<u>Number of respondents</u>	<u>Number of responses per respondent</u>	<u>Average burden per response (minutes)</u>	<u>Total burden (hours)</u>
Informational outreach	600	1	60	600
Screening	8000	1	15	2000
One-on-one interviews	1500	1	60	1500
Focus Groups	450	1	60	450
Travel time to sites	1500	45	1125
Website feedback ³	13000	1	15	3250
Total	8925

The estimates are based on the average length of time it would take to complete 12 of this type of research project based on similar research conducted by the CFPB and other regulators in developing model forms, disclosures, tools, and other similar related materials. In addition, the CFPB adjusted the calculations to reflect additional burden anticipated in connection with testing

³ For example, the Bureau established the Know Before You Owe site on the CFPB website to obtain a wide variety of perspectives to support the qualitative testing of mortgage loan disclosure forms. The Bureau believes the use of such sites, including sites similar to the Know Before You Owe site, create an efficient means of obtaining information for an information collection while minimizing participant burden.

of compliance tools with industry participants. Further, the CFPB adjusted the calculations to reflect testing protocols agreed to with OMB, including limiting burden time for individual respondent participation in interviews to 60 minutes.

13. Estimated Total Annual Cost Burden to Respondents or Recordkeepers

There will be no annualized capital or start-up costs for the respondents to collect and submit this information.

14. Estimated Cost to the Federal Government

There will be no annualized capital/start-up costs for the government to receive this information. This testing is funded with non-appropriated funds. Individual project costs will be provided in each collection request.

15. Program Changes or Adjustments

Not applicable.

16. Plans for Tabulation, Statistical Analysis, and Publication

Projects conducted under this generic clearance may include survey methodological and questionnaire quality assurance, which encompass the exploratory activities leading to the evaluation of data quality. Both quantitative and qualitative analyses are planned for the evaluation of these activities depending on the circumstances.

The results of these investigations will be used primarily to improve the quality of data collection and assure total collection quality as it relates to data management. Because the CFPB is using the latest techniques and cognitive psychological testing methodology, methodological papers may be written that include some tallies of response problems, recall strategies, or results from other testing procedures used, etc. However, the CFPB will not publish any reports of the substantive results collected under this clearance. The methodological results may be included as a methodological appendix or footnote in a report containing data from a larger data collection effort. The methodological results of this research may be prepared for presentation at professional meetings or publication in professional journals.

17. Display of Expiration Date

The OMB control number and expiration date will be displayed on any information collection instruments.

18. Exceptions to the Certification Requirement

There are no exceptions to the Certification Statement in item 19 of Form 83-I.