

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

**QUALITATIVE TESTING OF MORTGAGE SERVICING RELATED MODEL
FORMS AND DISCLOSURES
(OMB CONTROL NUMBER: 3170-XXXX)**

A. JUSTIFICATION

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

The Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law No. 111-203, Title XIV (Dodd-Frank Act), requires CFPB to publish, in final form, certain mortgage servicing rules by January 21, 2013. These rules implement sections 1418 (Reset of Hybrid Adjustable Rate Mortgages), 1420 (Periodic Mortgage Loan Statements) and 1463 (Force-Placed Insurance Disclosures) of the Dodd-Frank Act. The CFPB has determined that model forms and disclosures are required for these rules. Dodd-Frank Act §§ 1418, 1420, and 1463.

Through proposed rules published on September 17, 2012 (the 2012 RESPA Mortgage Servicing Proposal and the 2012 TILA Mortgage Servicing Proposal), the CFPB is proposing to revise Regulation X to add a number of mortgage servicing requirements provided for in the Dodd-Frank Act's amendments to RESPA and TILA, as well as other requirements the CFPB is proposing to adopt pursuant to authority granted by the Dodd-Frank Act's amendments to RESPA.

The CFPB has previously tested certain of these disclosures. For instance, the periodic statement, the rate adjustment notice, and the force-placed insurance notices were tested with consumers under an Emergency Clearance previously approved by OMB with the OMB Control Number 3170-0018.

In addition to the model disclosure proposed to implement the Dodd-Frank Act, the CFPB is proposing to make adjustments to the Servicing Transfer Statement, which is an existing model form under Regulation X. The Bureau proposes to amend the model form to streamline the contents of the form. The Bureau believes that borrowers are best served by reducing the content of the form so that borrowers receive a form that clearly sets forth the required content regarding the transfer of servicing and the address to which the next payment should be sent. In making changes to Regulation X, the Bureau relies on its authority under sections 6(g), 6(j)(3) and 19(a) of RESPA.

The CFPB is also proposing to revise Regulation X to add a number of mortgage servicing requirements provided for in the Dodd-Frank Act's amendments to RESPA. These revisions would include a requirement that servicers undertake early intervention with delinquent borrowers. The early intervention provision would require servicers to send oral and written notices upon a borrower's reaching certain stages of delinquency.

The Bureau is proposing these requirements because there is significant risk to consumers as a result of a delay in communication between delinquent borrowers and servicers because the longer a borrower remains delinquent, the more difficult it can be to avoid foreclosure. The Bureau is proposing model clauses for servicers to use in the written notices they provide to borrowers.

The CFPB received OMB approval of its generic information collection request on XXXX, 2012. The OMB Control number is 3170-XXXX. As set forth in the Supporting Statement, the CFPB has been engaged in and plans to continue the qualitative testing of disclosures and related material relating to the features of consumer financial products and services.

The CFPB has determined that qualitative testing is necessary to test the effectiveness of the proposed Servicing Transfer Disclosure and the proposed model clauses related to early intervention. The CFPB has further determined that the qualitative evaluation of the forms, as part of the iterative design process, needs to be initiated in October 2012, to allow for one round of testing prior to issuing a final rule in January 2013. The CFPB may also decide to conduct an additional round of qualitative testing on the proposed model forms related to periodic statements, rate adjustment notices for adjustable rate mortgages, and force-placed insurance. Qualitative testing on these forms was previously approved by OMB and given an OMB Control Number 3170-0018. Accordingly, this statement applies to two potential rounds of testing. The first round would involve the proposed mortgage servicing transfer disclosure and the proposed early intervention notice model clauses. The second round of testing, which may or may not be conducted based in part upon the feedback and public comments received by the Bureau regarding the proposed disclosures could include all or some of the periodic statement, rate adjustment notice, force-placed insurance disclosure, mortgage servicing transfer disclosure, and the early intervention model clauses.

As the CFPB previously stated in the Emergency Request it submitted to test mortgage servicing disclosures, without model forms and disclosures printed in final form by January 21, 2013, consumers will not gain the benefit of clear, uniform, and tested forms and disclosures and mortgage servicers will find themselves subject to provisions of the Dodd-Frank Act without the benefit of model forms or disclosures to help them comply with their obligations.

Any testing conducted under this individual clearance will only pertain to creation and evaluation of the mortgage servicing related model forms and disclosures.

2. USE OF DATA

The data collected will be used to inform the CFPB's design and development process and evaluation of the model forms and disclosures. The research will include cognitive one-on-one think-aloud interviews. Data collection tools will include: consent forms, brief participant questionnaires, and brief, focused protocols for individual interviews.

The information collected during qualitative testing of the model forms and disclosures will inform design and content of the forms. The data (consisting of notes and audio- and video-recordings from the interviews) will be coded and analyzed by ICF to determine what elements of the form are effective and what elements need revision. The data will be shared with the CFPB staff working on the disclosure project to inform their decisions on revisions to the disclosure form. The testing process will improve the disclosure forms — in terms of accessibility, content, and/or opportunity to demonstrate understanding.

Information collected is not meant to be, and will not be treated as, a sample that is statistically generalizable to the overall American population.

3. USE OF INFORMATION TECHNOLOGY TO REDUCE BURDEN

The majority of the data collection involves interviews, which will be conducted without computer assistance. There is no planned use of electronic capture software systems for qualitative testing.

4. EFFORTS TO IDENTIFY DUPLICATION

This research does 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 model forms and disclosures. CFPB staff working on the project, as well as staff at CFPB's contractor, ICF, 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. METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES

The data collection is not anticipated to burden small entities because all information collection will occur from individuals.

6. CONSEQUENCES OF LESS FREQUENT COLLECTION AND OBSTACLES TO BURDEN REDUCTION

If this information is not collected, it will not be possible to evaluate the effectiveness of the model forms and disclosures. Each individual will participate only once, so frequency of data collection is not applicable.

7. SPECIAL CIRCUMSTANCES REQUIRING DATA COLLECTION TO BE INCONSISTENT WITH GUIDELINES IN 5 CFR 1320.6

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

8. CONSULTATION WITH INDIVIDUALS OUTSIDE OF THE AGENCY ON AVAILABILITY OF DATA, FREQUENCY OF COLLECTION, CLARITY OF INSTRUCTIONS AND FORMS, AND DATA ELEMENTS

The CFPB has contracted with ICF, a contractor with expertise in disclosure design, communication, and research. The Bureau will use this expertise in its development of the mortgage servicing related model forms and disclosures and the administration and analysis of the qualitative testing.

9. EXPLANATION OF DECISION TO PROVIDE PAYMENT OR GIFT TO RESPONDENTS

The research projects are not related to producing statistical estimates. 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. For some research projects, the research team will travel to, and test in, different regions in the country, to obtain the participation of residents in those locations. Because respondents are asked to leave their homes and travel to the testing site, they will be reimbursed a designated amount of money for their time at the site and for transportation. Individual interviews involve a significant time commitment (60 minutes for the interview, plus travel time). Further, participants are being asked to undertake difficult tasks. For example, respondents may be asked to review multiple documents to determine if the documents provide appropriate information, communicate effectively, and enable consumers to understand and use the information.

The CFPB intends to schedule approximately twelve interviews per round of consumer testing. This method is intended to yield at least 8-10 completed one-on-one interviews per round of testing.

These commitments of time combined with the cognitive burden of tasks related to financial decisions require that sufficient incentive be provided to participants. ICF will pay each participant in the cognitive interview for his or her time.

Consistent with the terms of the generic clearance, ICF recruited consumer participants for prior rounds of qualitative testing on mortgage servicing forms that was previously approved by OMB and given an OMB Control Number 3170-0018 with a \$40 stipend per consumer participant. But the recruitment efforts showed that consumer were not responsive to a stipend level of \$40. Accordingly, the CFPB is respectfully seeking approval that ICF be allowed to recruit consumer participants for the purposes of the consumer testing described in this individual supporting statement with a \$65 stipend per consumer participant. Recruitment efforts in prior rounds of qualitative testing demonstrated that consumers were responsive to a stipend level of \$65.

10. ASSURANCE OF PRIVACY OF RESPONSES

The CFPB imposed appropriate privacy requirements in its contract with ICF, to the extent permitted by applicable laws (as described above). ICF has agreed to comply with all requirements and restrictions in the contract about information release, non-disclosure of personal information, privacy, and security.

ICF's procedures for ensuring participant privacy are documented in its various testing protocols and procedures and are woven into its testing process. For each testing project that involves individual participants, they prepare specific participant consent forms.

ICF collects limited personal identifying information (PII), and only as provided for on consent forms. In subsequent reporting, ICF refers to participants only by number (e.g., Round #2, Participant #6). All PII is kept separately and without identifying participant numbers. ICF keeps consent forms in locked storage and physically separate from other data to ensure that PII cannot, in any way, be linked to the data collected. The PII will not be provided to the CFPB.

ICF aggregates the data and reports the results without referencing or disclosing any identifying PII about the participants. Prior to the submission of deliverables, it reviews and redacts, where necessary, any personal data and results to protect the identities of the participants. At the completion of the project, ICF will transfer or destroy all private data according to the security procedures and requirements specified and approved by the CFPB.

Additionally, ICF requires all internal staff and any consultants employed (e.g., consultants who provide transcription services) to sign privacy forms before their participation in the project. ICF secures all private data in locked file cabinets and document archiving and storage in password-protected folders on secure servers. That information will only be accessible to those individuals employed by ICF who are approved to work on this project. ICF has shredders on site for destroying any private draft documents no longer needed and will archive only those copies required to be kept for record-keeping purposes. Its employees, subcontractors, and subcontract employees will not disclose any information it obtains or prepares in the course of performance of its contract to any third party without receiving written permission from the Contracting Officer. If disclosure of information is required by law or legal process, ICF is required to contact the Contracting Officer's Technical Representative and the Contracting Officer immediately to receive approval prior to release of any information.

11. JUSTIFICATION OF 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 mortgage loans. This will be collected voluntarily and is necessary to ensure the CFPB has a sufficient demographic mix for its purposive sample. Because each participant is identified by a

number rather than a name, none of this demographic or loan 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>Average burden per response</u>	<u>Total burden hours</u>
Cognitive Think-Aloud Interviews	24	60 minutes	24
Screening	240	6 minutes	24
Travel time to sites	24	60 minutes	24
TOTAL			72 hours

The estimates are based on the average length of time it took to complete one-on-one cognitive think-aloud interviews to test mortgage servicing disclosures previously approved by OMB under Control Number 3170-0018.

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

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

14. ESTIMATED ANNUALIZED 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. It is anticipated that costs of \$31,580 will be incurred for facility rental, recruitment, incentives, and transcription services.

The Blanket Purchase Agreement, under which this data collection is being conducted, was awarded through a competitive bidding process.

15. PROGRAM CHANGES OR ADJUSTMENTS

There were no changes being made to this collection that will result in any change to the burden previously reported to OMB.

16. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION

The CFPB anticipates publishing a final testing report explaining the methodology and discussing the results of the qualitative testing. This report will provide only aggregated data.

17. DISPLAY OF EXPIRATION DATE

The OMB control number and expiration date will be displayed on the data collection instruments, such as consent forms, participant questionnaires, and interview protocols.

18. EXCEPTIONS TO THE CERTIFICATION STATEMENT REQUIREMENT

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