

REQUEST FOR APPROVAL UNDER THE “GENERIC CLEARANCE FOR DEVELOPMENT AND OR TESTING OF MODEL FORMS, DISCLOSURES, TOOLS, AND OTHER SIMILAR RELATED MATERIALS” (OMB CONTROL NUMBER: 3170-0022)

1. **TITLE OF INFORMATION COLLECTION:** Pilot Study of Mortgage eClosings and CFPB Educational Materials
2. **PURPOSE:** The mortgage closing process is complex and often onerous for all involved. For most consumers, closing on a mortgage signifies the most substantial financial transaction they will complete in their lifetimes. However, the process can be time-consuming and confusing. Consumers face a daunting package of closing documents that is too large to absorb and too difficult to understand. This makes many consumers feel overwhelmed and with little control over this important process.

The CFPB has spent the past year researching the pain points associated with the mortgage closing process. Through this research, the CFPB discovered that electronic closing (eClosing) has the potential to address consumer and industry challenges by shifting the closing experience toward a more paperless and integrated process. The CFPB also found the advanced electronic receipt of closing documents and educational materials may help consumers become more empowered and educated about the closing process.

As part of this research, the CFPB previously sought and received approval from the Office of Management and Budget 3170-0022 - KBYO Field Trial (TI# 10184) (OMB) to conduct surveys with mortgage closing customers. Through this effort, the CFPB learned more about how consumers deal with the mortgage process and whether they feel they have the information necessary to make informed decisions about closing on a home. These surveys also provided an opportunity to solicit participant reactions on several features that are currently used in eClosing technology and to help guide our development of educational materials that could be used in electronic closing platforms. Furthermore, the CFPB conducted additional research through a [Request for Information \(CFPB-2013-0036 https://www.federalregister.gov/articles/2014/01/03/2013-31436/request-for-information-regarding-the-mortgage-closing-process\)](https://www.federalregister.gov/articles/2014/01/03/2013-31436/request-for-information-regarding-the-mortgage-closing-process) into the Federal Register and through various informational interviews with industry regulators and market players. In April of 2014, the CFPB published a [report](http://files.consumerfinance.gov/f/201404_cfpb_report_mortgage-closings-today.pdf) titled “Mortgage Closings Today. A preliminary look at the role of technology in improving the closing process for consumers” summarizing that research http://files.consumerfinance.gov/f/201404_cfpb_report_mortgage-closings-today.pdf).

The CFPB is now conducting a pilot study in early 2015 with eClosing vendors and mortgage lenders to assess the potential effects that eClosings, coupled with CFPB-provided educational materials, can have on three key areas:

- (a) *Consumer understanding*, including consumers’ knowledge of important information about their loans, such as terms, fees, and affordability, the justification for differences between estimates and actual closing costs, and borrowers’ rights, responsibilities, and consequences.
- (b) *Consumer empowerment*, including the extent to which consumers feel confident and in control of their closing processes, have sufficient opportunity to review closing

documents, and are prepared to play an active role in their mortgage closing.

- (c) *Process efficiency*, including the number of errors during the closing process, time it takes to close and fund a mortgage, and the cost of closing.

For this initiative, the CFPB is partnering with five vendors who offer eClosing tools, and who are in turn working with seven different mortgage lenders. In order to measure outcomes of interest, the CFPB now seeks approval from OMB to conduct three types of data collection:

- (1) Electronic collection of loan process information from participating eClosing vendors and lenders;
- (2) An online survey of an estimated 3,000 borrowers who close loans through participating vendors during the three-month pilot period (January to March 2015); and
- (3) Follow-up telephone interviews with 50 survey respondents.

This research study seeks to understand how these tools affect consumer behavior. The data from this study will not influence or be included in any policy or rulemaking effort. This study will be used to inform the Bureau on the effectiveness of technology innovations in the market coupled with educational tools currently on the CFPB website.

3. **DESCRIPTION OF RESPONDENTS:** Data will be collected from two different audiences for this pilot: (1) five eClosing vendors; and (2) borrowers who close mortgages with these vendors during the three-month pilot period. Borrowers will reflect the natural profile of the lenders' customer populations; no attempt will be made to influence the makeup of the borrower pool for the pilot.

All borrowers will be informed about the study after they have completed their closing, through a letter provided to them in person at that point. Proposed text for that letter is provided as Attachment A. This letter informs borrowers that participation in the survey is completely voluntary.

4. TYPE OF COLLECTION (ADMINISTRATION OF THE INSTRUMENT):

- a. How will you collect the information?** (Check all that apply)

<input checked="" type="checkbox"/> Web-based or other forms of Social Media	<input checked="" type="checkbox"/> Telephone
<input type="checkbox"/> In-person	<input checked="" type="checkbox"/> Mail
<input type="checkbox"/> Small Discussion Group	<input type="checkbox"/> Focus Group
<input checked="" type="checkbox"/> Other, Explain <u>Electronic submission of data from participating vendors</u>	

- b. Will interviewers or facilitators be used?**

Yes No Not Applicable

- c. What type of disclosure or model form is being tested?**

Mortgage (*CFPB Educational Materials*)

- | | | |
|---------------------------------------|---|--|
| <input type="checkbox"/> Credit Card | <input type="checkbox"/> Student Loan | <input type="checkbox"/> Electronic Disclosure |
| <input type="checkbox"/> Remittances | <input type="checkbox"/> Pre-paid Cards | <input type="checkbox"/> Check Cashing |
| <input type="checkbox"/> Payday Loans | <input type="checkbox"/> Debt Collection | <input type="checkbox"/> Checking Accounts |
| | <input checked="" type="checkbox"/> Other (Explain): <u>eClosing Software Tools</u> | |

5. FOCUS GROUP OR SURVEY:

If you plan to conduct a focus group or survey, please provide answers to the following questions:

a. Do you have a customer list or something similar that defines the universe of potential respondents and do you have a sampling plan for selecting from this universe?

Yes No Not Applicable

b. If the answer is yes, please provide a description below. If the answer is no, please provide a description of how you plan to identify your potential group of respondents and how you will select them?

As noted in Section #2 above, the CFPB proposes to conduct three different data collections:

- (1) For each loan closed during the three-month pilot period, vendors will provide a specified set of information about the closing process. Attachment B provides a list of all new data that will be collected from participating vendors. Vendors will submit this information electronically on a monthly basis. This means that vendors will submit the information a total of 4 times: after Weeks 2, 6, and 10 of the pilot, as well as once more after the pilot period is over. The vendors will submit this information to ICF, the contractor who is conducting data collection for the CFPB for this effort.
- (2) Online surveys will be conducted with the primary borrowers for all loans with participating vendors during the three-month pilot period. All primary borrowers will be offered the opportunity to participate in the survey; no sampling will take place. Contact information for borrowers will be provided on a weekly basis by the participating vendors to ICF. ICF will use this borrower list to administer the surveys. A copy of the proposed survey instrument is provided as Attachment C, and proposed text for the e-mail through which the survey link will be provided to borrowers is provided as Attachment D. Like the introduction letter provided to borrowers at closing, this email informs borrowers that participation in the survey is completely voluntary. The survey will be conducted online except for borrowers for whom no e-mail addresses are available, in which case borrowers will be provided a paper copy of the survey by mail.
- (3) Borrowers who complete the survey will subsequently be contacted by ICF by telephone to ask if they would participate in a follow-up interview. These interviews will be 25 to 30 minutes long, and will be conducted by ICF research staff. The proposed guide for these follow-up interviews is provided with this statement as Attachment E.

6. PERSONALLY IDENTIFIABLE INFORMATION:

- a. **Is personally identifiable information (PII) collected?** Yes No
- b. **If Yes, is the information that will be collected included in records that are subject to the Privacy Act of 1974?** Yes No Not Applicable

If applicable, provide link to the Privacy Impact Assessment (PIA):

The information collected about the closing will be covered under the forthcoming Privacy Impact Assessment Market Research in the Field. This PIA will be published prior to the CFPB collecting the information.

The survey information is covered under the [Consumer Experience Research PIA](#).

- c. **If Applicable, has a System or Records Notice been published?**

Yes No Not Applicable

If yes, cite the SORN. Title: _____
_____ FR _____.

Personal contact information for borrowers, including borrowers' names, mailing addresses, telephone numbers, and e-mail addresses, will be sent from vendors to ICF on a weekly basis so that ICF can use that information to administer online surveys and follow-up telephone interviews. **No PII will ever be provided to the CFPB at any time.**

The CFPB has specified in its contract with ICF that ICF, its employees, its subcontractors, and its subcontractors' employees will not disclose to any third party, or otherwise use, any information it obtains or prepares in the course of performance under the contract, including direct identifying personally identifiable information, without first receiving written permission from the CFPB.

7. INCENTIVES:

- a. **Is an incentive provided to participants?** Yes No
- b. **If Yes, provide the amount or value of the incentive?** \$ See Below.
- c. **If Yes, provide a statement justifying the use and amount of the incentive.**

Each participant who completes the online survey will receive a \$10 electronic gift code. The CFPB's target response rate for this survey is 60%, and the research team has determined that this level of incentive will be necessary to secure this response rate.

Although the survey literature demonstrates that unconditional (pre-survey) incentives improve response rates more effectively than incentives conditional on completion (e.g., Church, 1993; Singer & Ye, 2013), the logistics of the KBYO eClosing survey make this strategy impractical. Offering pre-survey incentives would require distributing incentives (e.g., cash) to all lenders so that they could deliver the incentive with the pre-notification letter at the end of the closing meeting. The distribution of the fixed amount of money available for incentives among the

lenders would be difficult given the number of lenders involved, the variable number of surveys each will be responsible for, and the rolling timeline of data collection. Also, dividing the fixed amount of money available for incentives among everyone selected for the survey would result in a relatively small pre-survey incentive (less than \$5). For these reasons, a post-survey incentive will be offered to increase response rates. The incentive will be offered in the form of a \$10 electronic gift code, which will be sent to respondents after completing the survey. If response rates are unsatisfactory, we plan to increase the incentive to a \$25 electronic gift code. Since the pilot is on a fixed timeline of 12 weeks, we have limited a limited timeframe of when we can analyze and adjust if response rates are low. We want to maximize our ability to increase rates at once if need be.

Each participant who completes a telephone follow-up interview will receive a \$40 gift certificate to a chain of national home improvement stores. ICF and CFPB research staff estimate that this level of incentive will be necessary to recruit and interview 50 borrowers. Based on best practices in the field, a \$40 incentive will help successfully recruit participants for follow-up interviews. While this is the stipend level that ICF has typically offered for similar data collection efforts for the federal government in the past, there are additional reasons why the stipend needs to be at this level. First, the pool of potential participants in follow-up interviews is fixed, and limited to respondents to the survey. Therefore, this effort will require a higher stipend than if the pool of potential recruits was more open-ended. Second, it will be important that recruitment takes place as quickly as possible, because a primary goal will be to interview participants as soon after their loan closing as possible. If delays in recruitment mean that interviews happen later than expected the quality of the data may be compromised, due to problems with participant recall. For this reason, it will not be possible to expand the data collection period in exchange for a lower stipend level; it is vital that participants are recruited quickly and efficiently.

8. BURDEN ESTIMATES:

Information Collection	Number of Respondents	Frequency	Number of Annual Responses	Average Response Time (hours)	Burden Hours
Data Collection from Participating Vendors	5	4x	20	4	80
Online Survey of Borrowers (assuming 60% response rate)	1,900	1x	1,800	0.25	450
Follow-Up Telephone Survey of Borrowers	50	1x	50	0.5	25
Totals	1905*	////////////////////	1,870	////////////////////	555

*The total number of respondents is 1,905. (1,900 borrowers from 5 lenders). The 50 borrowers for the telephone survey are a subset of the 1,800 borrowers for the online survey.

9. FEDERAL COST: The estimated annual cost to the Federal government is \$236,799.

10. CERTIFICATIONS

PURSUANT TO 5 CFR 1320.9, AND THE RELATED PROVISIONS OF 5 CFR 1320.8(b)(3) :

By submitting this document, the Bureau certifies the following to be true:

- (a) It is necessary for the proper performance of agency functions;
- (b) It avoids unnecessary duplication;
- (c) It uses plain, coherent, and unambiguous terminology that is understandable to respondents;
- (d) Its implementation will be consistent and compatible with current reporting and recordkeeping practices;
- (e) It indicates the retention period for recordkeeping requirements;
- (f) It informs respondents of the information called for under 5 CFR 1320.8(b)(3):
 - (i) Why the information is being collected;
 - (ii) Use of information;
 - (iii) Burden estimate;
 - (iv) Nature of response (voluntary);
 - (v) Nature and extent of confidentiality; and
 - (vi) Need to display currently valid OMB control number;
- (g) It was developed by an office that has planned and allocated resources for the efficient and effective management and use of the information to be collected (see note in Item 19 of the instructions)
 - (i) It uses effective and efficient statistical survey methodology; and
 - (ii) It makes appropriate use of information technology.

CERTIFICATION FOR INFORMATION COLLECTIONS SUBMITTED UNDER A GENERIC INFORMATION COLLECTION PLAN

- (a) The collection is voluntary.
- (b) The collection is low-burden for respondents and low-cost for the Federal Government.
- (c) The collection is non-controversial and does not raise issues of concern to other federal agencies.
- (d) The results are not intended to be disseminated to the public.
- (e) Information gathered will not be used for the purpose of substantially informing influential policy decisions.
- (f) The collection is targeted to the solicitation of opinions from respondents who have experience with the topics or issues being studied.
- (g) The results will not be used to measure regulatory compliance or for program evaluation.
- (h) The results are not intended to be generalizable or otherwise draw inferences beyond the surveyed population.

