CONSUMER FINANCIAL PROTECTION BUREAU
INFORMATION COLLECTION REQUEST – SUPPORTING STATEMENT
TRUTH IN LENDING ACT (REGULATION Z)
12 CFR 1026
(OMB CONTROL NUMBER: 3170-0015)

The Consumer Financial Protection Bureau (Bureau) is dividing certain proposals to amend the Bureau's Regulations X and Z into separate Information Collection Requests (ICRs) in the Office of Management and Budget (OMB) system (accessible at www.reginfo.gov) to ease the public's ability to view and understand the individual proposals. Subsequent to the finalization of the rules, CFPB anticipates that it will recombine the portions of Regulations Z and X that are broken out in the reginfo.gov system into the existing control numbers for Regulations X and Z. CFPB respondents should continue to use the 3170-0015 control number for Regulation Z and 3170-0016 control number for Regulation X throughout this time.

A. JUSTIFICATION

1. Circumstances Necessitating the Data Collection

The Truth in Lending Act (TILA), 15 U.S.C. 1601 *et seq*., was enacted to foster comparison credit shopping and informed credit decision making by requiring accurate disclosure of the costs and terms of credit to consumers and to protect consumers against inaccurate and unfair credit billing practices. Creditors are subject to disclosure and other requirements that apply to open-end credit (*e.g*., revolving credit or credit lines) and closed-end credit (*e.g.*, installment financing). TILA imposes disclosure requirements on all types of creditors in connection with consumer credit, including mortgage companies, finance companies, retailers, and credit card issuers, to ensure that consumers are fully apprised of the terms of financing prior to consummation of the transaction and, as in the case of the regulations covered by this rulemaking, during the loan term. Regulation Z was previously implemented by the Board of Governors of the Federal Reserve System (Board) at 12 CFR 226. In light of the transfer of the Board's rulemaking authority for TILA to the CFPB, the CFPB adopted an interim final rule (Interim Final Rule) recodifying the Board's Regulation Z at 12 CFR 1026. The CFPB enforces TILA as to certain creditors and advertisers. TILA also contains a private right of action for consumers.

The Dodd-Frank Act amended TILA and the Real Estate Settlement Procedures Act (RESPA) by mandating new mortgage servicing disclosures and procedures to improve protections for consumers with certain residential mortgages. 12 U.S.C. 2601 *et seq.*; 15 U.S.C. 1638a, 1638(f), 1639f, and 1639g. Through its proposed rule published on September 17, 2012, the CFPB proposes to amend Regulation Z to implement the new TILA mortgage servicing provisions required by the Dodd-Frank Act.

The proposed amendments to Regulation Z implement DFA sections 1418 (initial rate-adjustment notice for adjustable-rate mortgages ("ARMs")), 1420 (periodic statements), and 1464 (prompt crediting of mortgage payments and response to requests for payoff amounts). Revised Regulation Z § 1026.20(d) proposes to implement DFA section 1418 by requiring creditors, assignees, and servicers to provide consumers who have closed-end adjustable-rate mortgages secured by their principal residence with disclosures six to seven months prior to their initial interest rate adjustment. The Bureau proposes to implement DFA section 1420 by adding § 1026.41 to Regulation Z, which would require creditors, assignees, and servicers to provide periodic statements for closed-end residential mortgage loans. The Bureau proposes to implement DFA section 1464 by revising§ 1026.36(c) to require servicers to promptly credit mortgage payments in connection with consumer credit transactions secured by the consumer's principal dwelling and to respond to requests for payoff statements in connection with consumer credit transactions secured by a consumer's dwelling. The proposed revisions also amend current § 1026.20(c) and (d) and other Regulation Z rules governing the scope, timing, content, and format of current disclosures to consumers occasioned by the interest rate adjustments of their variable-rate transactions. Several of these requirements would involve information collections.

The CFPB is proposing to implement in Regulation Z certain additional disclosures derived from the following statutory provisions under TILA, as amended by the Dodd-Frank Act, in 12 CFR 1026.20(d), 1026.36(c), and 1026.41: 15 U.S.C. 1638(f), 1638a, 1639f and 1639g.

ARM Disclosures: The proposed rule would require disclosures to be provided to consumers with closed-end adjustable-rate mortgages secured by their principal dwelling, six to seven months before the ARM's first interest rate adjustment in order to alert consumers to the upcoming initial adjustment of their interest rate. The requirements proposed by the rules regarding the ARM interest rate adjustment disclosures would apply to creditors, assignees, and servicers.

Periodic Statement: The proposed rule also would require that a periodic statement containing billing information, creating a record of the transaction to aid in error detection and resolution, and providing information to distressed or delinquent borrowers be provided each billing cycle to consumers with closed-end residential mortgage loans. The requirements proposed by the rules regarding the periodic statements would apply to creditors, assignees, and servicers.

Payoff Statement: The rule would require that a payoff statement be provided to consumers with mortgages secured by a dwelling no later than seven days after receipt of a written request from the consumer for such a statement. The requirements proposed by the rules regarding the ARM interest rate adjustment disclosures and the periodic statements would apply to creditors, assignees, and servicers. The requirements proposed by the rules regarding the payoff statement requirements would apply to creditors and servicers.

The CFPB also is proposing to revise current rules 1026.20(c) and (d). The proposal would expand the scope and content of the disclosures currently required by 1026.20(c) for interest rate adjustments that result in a corresponding payment change in order to closely track the requirements of proposed 1026.20(d). The CFPB also proposes eliminating the notice currently required by 1026.20(c) at least once each year during which an interest rate adjustment is implemented without resulting in a corresponding payment change. The proposal would also delete 1026.20(d), which permits the substitution of disclosures provided by other Federal agencies in place of the disclosures required by current 1026.20(d).

The CFPB is proposing that the disclosures described above for ARM interest rate adjustments and periodic statements serve as model forms and clauses for transactions subject to TILA. See Appendices H-4 and H-28.

2. Use of the Information

The third party disclosures in this collection are required by statute and regulations. Consumers use the disclosures required by TILA and Regulation Z to shop among options and to facilitate their informed use of credit terms as well as to protect themselves against inaccurate and unfair credit billing practices. Disclosures are not submitted to the federal government.

3. Use of Information Technology

The Hybrid ARM disclosures and payoff statements may be provided in electronic form, subject to compliance with the consumer consent and other applicable provisions of the E-Sign Act. The Periodic Statement disclosures may be provided in electronic form subject to affirmative consent by the consumer and would not require compliance with E-Sign verification procedures.

4. Efforts to Identify Duplication

The disclosures required by TILA and Regulation Z are not otherwise required by Federal law. State laws do not duplicate these requirements, although some States may have other rules applicable to consumer credit transactions.

5. Efforts to Minimize Burdens on Small Entities

The Bureau estimates that 65% of respondents are small entities.

The Bureau has developed model forms to assist servicers with complying with the proposed ARM and periodic statement disclosures. Correct use of these forms and clauses would insulate a creditor from liability as to proper format. The CFPB is further proposing that servicers may integrate the periodic statement disclosures with other statements provided to consumers.

The Bureau is proposing an exemption to the periodic statement requirement for certain small servicers. Other exemptions the Bureau is proposing for the periodic statement requirement -- for fixed-rate loans where servicers provide borrowers with coupon books, reverse mortgages, and timeshares – may minimize burden for small entities that service such loans.

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

This information is not submitted to the federal government. These third-party disclosures are required by statute, 15 U.S.C. 1601 *et seq*., and regulations. The burdens on respondents are the minimum necessary to ensure consumers receive the information required regarding interest rate adjustment for ARMs, the disclosures required for periodic statements, and the payoff statements.

7. Circumstances Requiring Special Information Collection

There are no circumstances requiring special information collection.

8. Consultation Outside the Agency

On September 17, 2012, the CFPB published a notice of proposed rulemaking in the *Federal Register* for public comment. The comment period for the PRA section of the preamble will end on November 16, 2012. Prior to issuing the proposed rule, the CFPB consulted with HUD and other Federal agencies consistent with section 1022 of the Dodd-Frank Act and consulted with affected small entities through a Small Business Review Panel convened under Small Business Regulatory Enforcement Fairness Act. Consistent with the PRA, the Bureau also consulted with other stakeholders, including roundtables with industry representatives and consumer advocacy groups.

9. Payments or Gifts to Respondents

Not applicable.

10. Assurances of Confidentiality

There are no assurances of confidentiality provided to respondents.

11. Justification for Sensitive Questions

This information collection does not include questions of a sensitive nature.

12. Estimated Burden of Information Collection

Under the proposed rule, the CFPB would account for the paperwork burden associated with Regulation Z for the following respondents pursuant to its administrative enforcement authority: insured depository institutions with more than $10 billion in total assets; their depository institution affiliates; and specific nondepository institutions. The CFPB estimates there are 1,518 total respondents (130 depository institutions and affiliates and 1,388 nondepository institutions).[1] The CFPB and the FTC generally have joint enforcement authority over nondepository institutions. To prevent double-counting the same population, the CFPB has

[1] The CFPB has administrative enforcement authority over 154 depository institutions and depository affiliates. The CFPB estimates that 34 of these entities did not service any mortgages in 2010 and excludes these entities for the purposes of this PRA analysis.

allocated to itself half of the estimated burden to nondepository institutions. This equals the burden on 824 respondents[2] under the assumption that the burden on each respondent equals the average burden across all respondents.

The CFPB calculates labor costs by applying appropriate hourly cost figures to the burden hours described below. The hourly rates for lawyers and software developers are based upon the Bureau of Labor Statistics' national mean hourly wage estimates by occupational employment. The estimate for customer service agents reflects reports to the Bureau by market participants. To obtain fully-loaded hourly rates, the CFPB divides hourly wages by 67.5%.[3] The fully-loaded hourly labor cost by occupation is given below.

Occupation	Hourly Costs to Institutions
Customer Service Agents	$19
Lawyers	$92
Software developer	$72

During market outreach and the Small Business Regulatory Enforcement Fairness Act (SBREFA) panel process, the Bureau found the servicing business model to be different between small and large servicers. For the purposes of this analysis, small servicers are defined as nondepositories with revenues less than $7 million (400 CFPB respondents in this analysis). Any institution that does not meet these requirements shall be considered a large servicer (428 CFPB respondents).[4] Most servicers rely upon vendor servicing systems because the use of vendors substantially mitigates the cost of revising software and compliance systems as the efforts of a single vendor can address the needs of a large number of servicers. Based on discussions with a leading servicer technology provider, the CFPB believes that updates necessitated by new regulations would likely be included in regular annual updates for larger and medium sized institutions. These costs would not be passed on to the client servicers. Based on information provided by small entity representatives that participated in the Small Business Review Panel process, the CFPB estimates that vendors who work with smaller servicers will pass along the costs of any system upgrades. Throughout the following analysis, the Bureau estimates that new required disclosures will result in one-time charges of $288 per small servicer, and modified pre-existing disclosures will result in charges of $144.

Although most servicers rely on software and compliance systems provided by outside vendors, a small number of large entities maintain their own servicing platforms and will require software and information technology updates. The Bureau estimates that one large entity and 5% of large nondepository respondents (0% of small non-depository respondents) operate in-house servicing platforms. As such, the Bureau estimates that 15 large nondepositories have internal servicing systems (5% multiplied by 294 large nondepository institutions). Therefore,

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[2] 130 + (1,388/2) = 824.

[3] Bureau of Labor Statistics data indicate that, in Q4 2010, wages accounted for 67.5% of the total cost of compensation for credit intermediation and related activities.

[4] Pursuant to the Bureau's administrative enforcement authority, depository respondents under the proposed rule are only those with more than $10 billion in total assets.

the total number of internally-operated and designed servicing platforms in this analysis is 16.

All respondents will have ongoing production and distribution costs from providing new or modifying pre-existing disclosures. Production costs include deriving and assembling the information needed for disclosure, while distribution costs consist of printing and mailing. The CFPB believes that most large servicers (both depository and nondepository) handle production costs internally and employ vendors for distribution. The Bureau estimates each disclosure requires 0.003 hours of internal labor to produce. Based upon talks with large servicers, the Bureau estimates the per response distribution cost for large servicers is approximately 30 cents. On the other hand, smaller servicers are more likely to rely on vendors for their production costs while employing in-house labor for printing. As smaller nondepositories comprise the majority of the CFPB's respondent nondepository entities, and for simplicity purposes, the Bureau allocates all ongoing nondepository production expenses as vendor costs and the distribution expenses as labor burden. This will not impact the aggregate costs as the production costs remain $0.20 and distribution costs remain $0.030 per disclosure, regardless of whether they are apportioned as labor or vendors expenses. Through industry outreach, the Bureau estimates per-disclosure production costs of $0.20, while per disclosure distribution costs are 0.004 hours per response.

A. New Initial Rate Adjustment Notice for Adjustable-Rate Mortgages

The New Initial Rate Adjustment Notice for Adjustable-Rate Mortgages (ARM) would result in certain one-time and ongoing costs to respondents. Under the proposed rule, servicers would be required to send a new initial rate-adjustment disclosure at least 210, but not more than 240, days before the due date of the first payment after the initial rate adjustment. The new disclosure includes, among other things, information regarding the calculation of the new interest rate and information to assist borrowers in the event the borrower requires alternative financing.

i. One-time burden

Reviewing the regulation

The CFPB estimates that, for each respondent, one lawyer would take approximately half-an-hour to read and review the sections of the proposed rule that describe the contents of the New Initial Rate Adjustment Notice for Adjustable-Rate Mortgage requirements, based on the length of the sections. The burden allocated to the CFPB institutions is therefore 0.45*824=370 hours.

Software and information technology

Respondents who maintain their own software and compliance systems would incur one-time costs to adapt their software and compliance systems to produce the new forms. The sixteen larger servicers with proprietary systems would need to revise their compliance software and systems. Based on information from servicers and the software vendors, the CFPB estimates each firm will require 80 hours of software and IT to create compliant systems for the New Initial Rate Adjustment Notice for Adjustable-Rate Mortgages. Multiplying the estimated hours by the sixteen respondents with in-house servicing platforms gives aggregate one-time labor costs of 1,280 hours. As mentioned previously, small servicers (all of which are nondepositories in this analysis) will incur one-time costs from software updates. As the Initial Rate Adjustment Notice for Adjustable-Rate Mortgages is a new disclosure, the 400 smaller covered entities are each expected to incur one-time charges of $288. As a result, the Bureau estimates the one-time vendor costs for all nondepositories as $115,000.

ii. Ongoing burden

Using the FHFA's Historical Loan Performance (HLP) database, which covers over half of the outstanding U.S. mortgage market, the Bureau derived an annual estimate of 212,000 initial ARM rate resets at covered depository entities.[5] Therefore, vendor costs to distribute the new disclosure at large depositories are $0.30*212,000=$63,000. These large depositories will also incur internal production costs of approximately 0.003 hours per disclosure, for an additional annual burden of 600 hours.

Considering most nondepositories are smaller servicers that will incur additional vendor costs with new disclosures, the Bureau anticipates the annual vendor productions costs will be $3,400 (17,000 * $0.20). Smaller servicers are more likely internally to print and mail their own disclosures, and the Bureau estimates it take 0.004 hours of labor to distribute each disclosure. Therefore, the annual labor from distribution incurred by nondepositories is 17,000*0.004=70 hours.

New Initial ARM Rate Adjustment Notice

	CFPB Depository Institutions	**CFPB Share of Non-Depository Institutions**
CFPB share of respondents	130	694
CFPB share of responses	212,976	17,235
Average frequency per response	1,638	25
Annual Burden (hrs):		
Time per response (hours)	0.003	0.004
Total (hours)	600	70
<u>Annual Burden ($):</u>		
Vendor Costs	$63,000	$3,400

B. Changes in the Regulation Z Disclosure for Adjustable Rate Mortgages

The proposed rule would change the minimum time for providing advance notice to consumers from 25 days to 60 days before payment of a new mortgage rate is due. Servicers would be required to provide certain information that they may not currently disclose, but would no longer be required to notify consumers of a rate adjustment if the payment is unchanged.

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[5] To calculate, the Bureau extrapolated the initial ARM reset rates from a representative sample of FHFA loan-level data.

i. One-time burden

Reviewing the regulation

The CFPB estimates that, for each respondent, one attorney would take approximately 0.65 hours to read and review the sections of the proposed regulation that describe the changes to regulation Z § 1026.20(c), based on the length of the section. The burden allocated to the CFPB for depository and nondepository institutions is therefore 0.65*824= 540 hours. Based on the respective labor cost of attorneys and compliance officers, the associated labor cost is roughly $49,000.

Software and information technology

Respondents who maintain their own software and compliance systems would incur one-time costs to adapt their software and compliance systems to produce the new forms. The Bureau estimates that the 15 large nondepositories and one large depository institution with their own servicing platforms will each require 14 hours to update their systems. Therefore, the aggregate one-time hourly burden from software and information technology updates is 16*14= 230 hours.

Many of the Bureau's respondents operate vendor servicing platforms. Within this group, the Bureau estimates the smaller nondepository services will incur one-time vendor costs of $144 per institution associated with the regulatory changes. The aggregate one-time cost to these institutions is $144*400=$58,000.

ii. Ongoing burden

Servicers emphasized in discussions the incentive they face to collect the proper amount from consumers. Thus, the Bureau believes it would be usual and customary for servicers to inform consumers about a new payment amount whenever the payment amount changes. The Bureau therefore believes there is no burden from distribution costs for the purposes of PRA from the proposed § 1026(c) disclosure.

Thus, the Bureau believes there is no burden from distribution costs for purposes of PRA from the proposed § 1026.20(c) disclosure. The Bureau recognizes that there is content in the proposed disclosure beyond what may be usual and customary to provide. Bureau respondents that do not use vendors and certain small respondents that use vendors will incur production costs associated with this extra content, and this is burden for purposes of PRA.

The Bureau estimates that large depositories will incur internal production costs of approximately 0.003 hours per disclosure, 496,000*0.003=1,400 hours. The Bureau estimates nondepositories will incur vendor production costs on the order of $0.20 per disclosure. Thus, the $0.20 is multiplied by the estimated annual number of ARM resets, or 40,000, for total vendor production costs of $8,000. Additionally, nondepositories will spend 0.004 hours to distribute each disclosure for an aggregate annual burden of 110 hours.

Changes in Regulation Z Disclosure for Adjustable Rate Mortgages

	CFPB Depository Institutions	CFPB Share of Non-Depository Institutions
CFPB share of respondents	130	694
CFPB share of responses	496,564	40,183
Average frequency per response	3,820	58
Annual Burden (hrs):		
Time per response (hours)	0.003	0.004
Total (hours)	1,400	110
Annual Burden ($):		
Vendor Costs	$0	$8,000

C. New Periodic Statement

The new periodic statement would result in certain one-time and ongoing costs to respondents. The required periodic statement content would include: billing information, such as the amount due, payment due date, and information on any late fees; information on recent transaction activity and how payments were applied; general loan information, such as the interest rate and when it may be subject to the next adjustment, outstanding principal balance, etc.; and other information that may be helpful to troubled borrowers. Certain small servicers (those servicing less than 1,000 mortgages and that own or originated all the loans they are servicing) would be exempt from this requirement. Fixed-rate mortgages would be exempt if the servicer provides the consumer with a coupon book that contained certain information, and makes other information available to the consumer.

i. One-time burden

Reviewing the regulation

The CFPB estimates that, for each respondent, one attorney would take approximately 0.7 hours to read and review the sections of the proposed regulation that describe the changes to regulation Z § 1026.41(c), based on the length the section. The Bureau estimates that 520 small nondepositories are exempt from the proposed rule, which reduces the number of covered entities from 824 to 564. The burden allocated to the CFPB for depository and nondepository institutions is therefore 0.7*564= 395 hours.

Software and information technology

Covered persons who maintain their own software and compliance systems would incur one-time costs to adapt their software and compliance systems to produce the new forms. The Bureau estimates that the 15 large nondepositories and one large depository institution with their own servicing platform will each require 24 hours to update their systems. Therefore, the aggregate one-time hourly burden from software and information technology updates is 16*24= 384 hours.

The Bureau estimates that 280 small nondepositories are non-exempt from this provision, 140 of which the CFPB accounts for in this analysis. The Bureau believes most covered entities currently provide some type of monthly billing statement. Therefore, the Bureau estimates the vendor costs to small nondepositories are $144 per entity for one-time disclosure updates. The aggregate one-time vendor cost is 280*$144=$20,000.

ii. Ongoing burden

Covered persons will have ongoing production and distribution costs from providing the new disclosure. Regarding ongoing burden, consumers who currently receive a periodic statement or billing statement are receiving these disclosures in the normal course of business. The Bureau believes that most other consumers with mortgages receive a coupon book or other type of payment medium, such as a passbook. The statute provides that servicers do not have to provide the periodic statement disclosure to consumers who have both a fixed-rate mortgage and a coupon book. Thus, the only consumers who are not already receiving a billing statement or periodic disclosure to whom servicers will have to begin providing the periodic statement disclosure under the proposed rule are those with both an adjustable-rate mortgage and a coupon book. The burden of distributing the proposed periodic statement disclosure to these consumers is, for purposes of PRA, the ongoing burden from distribution costs from the proposed periodic statement disclosure. The Bureau estimates there are approximately 1.5 million mortgages at large depositories and 120,000 mortgages at nondepositories that fit these characteristics, and will now be required to provide monthly periodic statements.

The Bureau estimates that large depositories will incur internal production costs of approximately 0.003 hours per disclosure. Multiplying by 18.7 million disclosures (1.5 million mortgages*12 monthly statements) gives 52,000 hours. Large depositories will also incur distribution costs of $0.30 per response from their print vendors for the distribution of the periodic statements, for an annual aggregate cost of $5,600,000.

The Bureau estimates nondepositories will incur vendor production costs on the order of $0.20 per disclosure. Thus, the $0.20 is multiplied by the estimated annual number of responses, 1.5 million, for total vendor production costs of $302,000. Additionally, nondepositories will spend 0.004 hours to distribute each disclosure for an aggregate annual burden of 6,300 hours.

New Periodic Statement		
	CFPB Depository Institutions	**CFPB Share of Non-Depository Institutions**
CFPB share of respondents	130	434
CFPB share of responses	18,704,396	1,513,613
Average frequency per response	143,880	3,488
Annual Burden (hrs):		
Time per response (hours)	0.003	0.004
Total (hours)	52,000	6,300
Annual Burden ($):		
Vendor Costs	$5,600,000	$300,000

D. Prompt crediting of payments and response to requests for payoff amounts

The prompt crediting of payments and response to requests for payoff amounts would result in certain one-time and ongoing costs to covered persons. The proposed rule would make changes to the existing requirements on servicers to promptly credit borrower payments that satisfy payment rules specified by a servicer. The provision also changes the existing requirements on creditors and servicers to provide an accurate payoff balance upon request. An information collection is created by the proposed requirement to provide accurate payoff statements.

i. One-time burden

Reviewing the regulation

The CFPB estimates that, for each respondent, one attorney would take approximately 0.25 hours to read and review the sections of the proposed regulation based solely on the length the section. The burden allocated to the CFPB for depository and nondepository institutions is therefore 0.25*824= 174 hours.

Software and information technology

Respondents who maintain their own software and compliance systems would incur one-time costs to adapt their software and compliance systems to produce the new forms. As discussed previously in section A, the Bureau estimates 16 covered entities maintain their own servicing platforms, which require internal costs to update. The Bureau estimates each institution will require 27 hours to upgrade their software and information technology in response to the provision. Therefore, the aggregate burden is 16*27= 432 hours.

The Bureau estimates the smaller nondepository services will incur one-time vendor costs of $288 per institution associated with the regulatory changes. The aggregate one-time cost to these institutions is (288*400=$115,000.)

ii. Ongoing burden

Bureau respondents will have ongoing production and distribution costs from providing the new disclosure. The Bureau believes that the proposed payoff statement will replace a pre-existing disclosure that respondents are currently providing in the normal course of business. The Bureau does not believe that proposed changes to the content and timing of the existing disclosure will significantly change the ongoing production or distribution costs of the notice currently provided in the normal course of business.

The Bureau estimates that large depositories will incur internal production costs of approximately 0.003 hours per disclosure, multiplied by 596,000 disclosures, resulting in 1,650 hours. Large depositories will also incur distribution costs of $0.30 per response from their print vendors for the distribution of the periodic statements, for an annual aggregate cost of $178,000.

The Bureau estimates nondepositories will incur vendor production costs on the order of $0.20 per disclosure. Thus, the $0.20 is multiplied by the estimated annual number of responses, 48,000, for total vendor production costs of $9,600. Additionally, nondepositories will spend 0.004 hours to distribute each disclosure for an aggregate annual burden of 9,600 hours.

Prompt crediting of payments and response to requests for payoff amounts

	CFPB Depository Institutions	**CFPB Share of Non-Depository Institutions**
CFPB share of respondents	130	694
CFPB share of responses	596,097	48,238
Average frequency per response	4,585	70
Annual Burden (hrs):		
Time per response (hours)	0.003	0.004
Total (hours)	1,650	200
<u>Annual Burden ($):</u>		
Vendor Costs	$178,000	$9,600

E. Summary

The ongoing and one-time hourly costs for each information collection are list below.

	Respondents	**Disclosures per Respondent**	**Hours Burden per Disclosure**	**Total Burden Hours**	**Total Vendor Costs**

Ongoing					
ARM 20(d) Notice	824	279	0.00257	592	$63,893
ARM 20(c) Notice	824	651	0.00278	1,491	$8,037
Periodic Statements	564	35,848	0.00288	58,263	$5,611,319
Prompt Crediting & Payoff Statements	824	782	0.00288	1,857	$178,829
One-Time					
ARM 20(d) Notice	824	1	2.0	1,627	$115,200
ARM 20(c) Notice	824	1	0.9	763	$57,600
Periodic Statements	564	1	1.4	769	$20,160
Prompt Crediting & Payoff Statements	824	1	0.8	633	$115,200

13. Estimated Total Annual Cost Burden to Respondents or Recordkeepers

Covered persons will incur costs associated with producing and mailing the aforementioned disclosures. The CFPB estimates the cost per disclosure, whether directly incurred through vendors or costs associated with in-house labor or some combination, as $0.50 per disclosure (except for Changes in the Regulation Z Disclosure for Adjustable Rate Mortgages which incur only production costs of $0.20). The total annual cost burden to respondents are roughly $115,000[6] for the New Initial Rate Adjustment Notice for Adjustable-Rate Mortgages, $116,720[7] for the Changes in the Regulation Z Disclosure for Adjustable Rate Mortgages, $10 million[8] for periodic statements, and $320,000[9] for prompt crediting of payments and response to requests for payoff amounts.

14. Estimated Cost to the Federal Government

Because the CFPB does not collect any information, the cost to the CFPB is negligible.

15. Program Changes or Adjustments

[6] Deriving the annual costs for the New Initial Rate Adjustment Notice for Adjustable-Rate Mortgages: Vendor production costs for nondepositories is $3,400, vendor distribution costs for large depositories is $63,000, the 70 hours of distribution labor at nondepositories at $72 an hour results in $5,040, the estimated 600 hours of production labor at large depositories at $72 an hour results in $43,200. $3,400 + $63,000 + $5,040 + $43,200=$114,640.

[7] Deriving the annual costs for the Changes in the Regulation Z Disclosure for Adjustable Rate Mortgages: Vendor production costs for nondepositories is $8,000, vendor distribution costs for large depositories are zero, the 110 hours of distribution labor at nondepositories at $72 an hour results in $7,920, the estimated 1,400 hours of production labor at large depositories at $72 an hour results in $100,800. Aggregating these items results in, $8,000 + $7,920 + $100,800=$116,720.

[8] Deriving the annual costs for the Periodic statement: Vendor production costs for nondepositories is $300,000, vendor distribution costs for large depositories is $5,600,000, the 6,300 hours of distribution labor at nondepositories at $72 an hour results in $453,600, the estimated 52,000 hours of production labor at large depositories at $72 an hour results in $3,744,000. $300,000 + $5,600,000 + $453,600 + $3,744,000=$10,097,600.

[9] Deriving the annual costs for the prompt crediting of payments and response to requests for payoff amounts: Vendor production costs for nondepositories is $9,600, vendor distribution costs for large depositories is $178,000, the 200 hours of distribution labor at nondepositories at $72 an hour results in $14,400, the estimated 1,650 hours of production labor at large depositories at $72 an hour results in $118,800. $9,600 + $178,000 + $14,400 + $118,800=$320,800.

The CFPB is proposing to make adjustments to disclosures currently required by 1026.20(c) for interest rate adjustments that result in a corresponding payment change in order to closely track the requirements of proposed 1026.20(d). As described above, this collection is an existing information collection under Regulation Z. For a more detailed description, see the previous response to A.1 (Justification).

The information collections for the Bureau's proposed requirements for ARM disclosures, periodic statements, and payoff statements would be new requirements under the Bureau's proposal. For a more detailed explanation of these adjustments, see the previous response to A.1 (Justification).

16. Plans for Tabulation, Statistical Analysis, and Publication

The information collections are third-party disclosures. There is no publication of the information.

17. Display of Expiration Date

The CFPB believes that displaying the OMB expiration date is inappropriate because it could cause confusion by leading consumers to believe that the regulation sunsets as of the expiration date. Consumers are not likely to be aware that the CFPB intends to request renewal of OMB approval and obtain a new expiration date before the old one expires.

18. Exceptions to the Certification Requirement

None.