

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

The Bureau of Consumer Financial Protection (CFPB) is providing a supplement to its previous supporting statement for Regulation Z. This supplement addresses the information collection requirements in Regulation Z that are affected by the CFPB's proposed changes as described below.

**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. 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, in some instances, during the loan term. It also imposes advertising disclosure requirements on advertisers of consumer credit. TILA also establishes billing error resolution procedures for open-end credit and limits consumer liability for the unauthorized use of credit cards. An amendment to TILA, the Home Ownership and Equity Protection Act (HOEPA), imposes, among other things, various disclosure and other requirements on certain creditors offering high-cost mortgages to consumers. The CFPB promulgated its Regulation Z to implement TILA, as required by the statute. The CFPB enforces TILA as to certain creditors and advertisers. TILA also contains a private right of action for consumers and provides enhanced remedies to consumers in high-cost mortgages for violations of HOEPA.

Through a proposed rule published in the Federal Register in August 2012, the CFPB is proposing to amend Regulation Z to implement certain amendments made to TILA by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), Pub. L. 111-203. As set forth more fully below, the CFPB believes that certain aspects of the proposed rule are information collections under the PRA.

Disclosure

Since the enactment of HOEPA, creditors that extend HOEPA loans have been required to provide a statutorily-mandated disclosure to borrowers in high-cost mortgages three days prior to consummation of the loan. The disclosure includes a warning that the consumer could lose the home if the consumer fails to meet his or her obligations under the transaction. The disclosure also includes certain other items of information about the transaction, including, for example, the annual percentage rate, the regular payment amount, and the single maximum payment amount for variable-rate

transactions. 15 U.S.C. 1639(c).<sup>1</sup> Prior to the Dodd-Frank Act, only refinance transactions and closed-end home-equity loans secured by a consumer's principal dwelling were potentially subject to HOEPA coverage. The Dodd-Frank Act, however, amended TILA to expand the types of transactions potentially subject to HOEPA coverage to include any consumer credit transaction secured by a consumer's principal dwelling, other than reverse mortgages. Thus, purchase money mortgage loans and open-end credit plans (*i.e.*, home-equity lines of credit) secured by a consumer's principal dwelling are now potentially subject to HOEPA coverage. 15 U.S.C. 1602(bb)(1)(A), as amended. One result of the expansion of HOEPA coverage is that creditors extending high-cost purchase money mortgage loans and home-equity lines of credit now will be required to provide the statutorily-mandated HOEPA disclosure to borrowers three days prior to consummation. The CFPB is proposing to implement the Dodd-Frank Act's expansion of HOEPA coverage to purchase money mortgage loans and home equity lines of credit in 12 CFR 1026.32(a)(1) and is proposing to amend 12 CFR 1026.32(c) to provide clarification and further guidance on the application of the HOEPA disclosure requirements in the context of open-end credit plans.

The Dodd-Frank Act also amended TILA to require that, prior to extending credit under a high-cost mortgage, creditors receive certification that a consumer has obtained counseling on the advisability of the mortgage from a HUD-approved counselor, or at the discretion of HUD's Secretary, a State housing finance authority. 15 U.S.C. 1639(u). TILA specifically authorizes the CFPB to prescribe regulations that it determines are appropriate to implement the certification of pre-loan counseling requirement for high-cost mortgage borrowers. 15 U.S.C. 1639(u)(3). The CFPB is proposing to implement the high-cost mortgage homeownership counseling requirement in 12 CFR 1026.34(a)(5). In order to help consumers obtain information about resources for counseling, and pursuant to its authority under 15 U.S.C. 1639(u)(3), the CFPB is proposing to require creditors to provide consumers who will receive a high-cost mortgage with a notice containing the website addresses and telephone numbers of the CFPB and HUD for access to information about housing counseling, and a list of five counselors or counseling organizations certified or approved by HUD to provide high-cost mortgage counseling. The CFPB is proposing that creditors will be deemed to have complied with the Regulation Z high-cost mortgage counselor list requirement by satisfying a separate homeownership counselor list requirement that the CFPB is proposing to implement in Regulation X. Specifically, as discussed in the CFPB's supplement to its Supporting Statement for Regulation X, 12 CFR part 1024 (also filed with OMB today), the CFPB is proposing generally to require lenders to provide applicants for a federally related mortgage loan a list of five homeownership counselors or counseling organizations certified or otherwise approved by HUD.<sup>2</sup>

In addition to amending the high-cost mortgage provisions of TILA, the Dodd-Frank Act amended TILA to require counseling for certain mortgages that may result in negative amortization. 15 U.S.C. 1639c(f). Specifically, prior to extending credit to a first-time borrower in connection with a closed-end mortgage loan secured by a dwelling (other than a reverse mortgage or a transaction secured by a consumer's interest in a timeshare plan described in 11 U.S.C. 101(53D)) that may result in negative amortization, creditors must obtain documentation sufficient to demonstrate that the borrower obtained

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<sup>1</sup> A sample HOEPA disclosure form is located in Appendix H to Regulation Z. 12 CFR 1026, Appendix H-16.

<sup>2</sup> Under RESPA and its implementing regulations, a federally related mortgage loan includes purchase money mortgage loans, subordinate mortgages, refinancings, closed-end home-equity mortgage loans, home-equity lines of credit, and reverse mortgages. 12 U.S.C. 2602(1), 12 CFR 1024.2.

homeownership counseling from a HUD-certified organization or counselor. *Id.* The CFPB is proposing to implement the first-time borrower negative amortization homeownership counseling requirement in 12 CFR 1026.36(k). In order to help consumers obtain information about resources for counseling, and pursuant to its authority under 15 U.S.C. 1604(a), the CFPB is proposing to require creditors to provide first-time borrowers who will receive a negative amortization loan a notice containing the website addresses and phone numbers of the CFPB and HUD for access to information about homeownership counseling, and a list of five counselors or counseling organizations certified or approved by HUD to provide the required counseling. The CFPB is proposing that creditors will be deemed to have complied with the Regulation Z first-time borrower negative amortization counselor list requirement by satisfying the separate homeownership counselor list requirement that the CFPB is proposing to implement in Regulation X (discussed above).

### Recordkeeping

Section 1026.25(a) of Regulation Z requires creditors to retain evidence of compliance with the regulation (other than the advertising requirements) for two years after the date disclosures are required to be made or other action is required to be taken. Regulation Z also provides that the FTC (and other administrative agencies responsible for enforcing the TILA) may require creditors under their jurisdictions to retain records for a longer period if necessary to carry out their enforcement responsibilities under the TILA. The recordkeeping requirement ensures that records that might contain evidence of violations of the TILA remain available to the FTC and other agencies, as well as to private litigants.

The CFPB's proposal does not impose any recordkeeping requirements beyond those imposed by 12 CFR 1026.25(a).

## **2. Use of the Information**

As noted above, consumers generally rely on the disclosures required by TILA and Regulation Z to shop among options and to facilitate informed credit decision making. Without this information, consumers would be severely hindered in their ability to assess the true costs and terms of financing offered. Additionally, enforcement agencies and private litigants need the information in these disclosures to enforce TILA and Regulation Z, including to enforce and receive enhanced remedies under HOEPA. *See* 15 U.S.C. 1607, 1640.

Requiring creditors to receive certification (in the case of high-cost mortgages) or documentation (in the case of negative amortization mortgage loans to first-time borrowers) that consumers received required homeownership counseling prior to extending credit will enhance consumers' ability to make informed credit decisions by ensuring that they received assistance from a federally-approved counselor or counseling organization when evaluating whether to proceed with a high-cost or negative amortization mortgage transaction. Requiring creditors to provide consumers with a list of homeownership counselors will help consumers to locate appropriate counseling resources.

Federal and State enforcement agencies and private litigants use records retained under the requirement of Regulation Z to ascertain whether accurate and complete disclosures of the cost of credit

have been provided to consumers prior to consummation of the credit obligation and, in some instances, during the loan term. The information is also used to determine whether other actions required under TILA have been met. The information retained provides the primary evidence of law violations in TILA enforcement actions brought by federal agencies. Without the Regulation Z recordkeeping requirement, the agencies' ability to enforce TILA would be significantly impaired.

### **3. Use of Information Technology**

Regulation Z contains rules to establish uniform standards for using electronic communication to deliver disclosures required under Regulation Z, within the context of the Electronic Signatures in Global and National Commerce Act (ESIGN), 15 U.S.C. 7001 *et seq.* 12 CFR 1026.5(a)(1)(iii), 1026.17(a)(1). These rules enable businesses to utilize electronic disclosures and compliance, consistent with the requirements of ESIGN. Use of such electronic communications is also consistent with the Government Paperwork Elimination Act (GPEA), Title XVII of Pub. L. 105-277, codified at 44 U.S.C. 3504, note. ESIGN and GPEA serve to reduce businesses' compliance burden related to federal requirements, including Regulation Z, by enabling businesses to use more efficient electronic media for disclosures and compliance.

Regulation Z also permits creditors to retain records on microfilm or microfiche or any other method that reproduces records accurately, including computer programs. Creditors need only retain enough information to reconstruct the required disclosure or other records. Comment 25(a)-2.

The CFPB's proposal would not impose any requirements or limitations on creditors' use of information technology beyond those otherwise provided by Regulation Z.

### **4. Efforts to Identify Duplication**

Some of the information concerning credit cost in the statutorily-mandated HOEPA disclosure is contained in other disclosures required by TILA and Regulation Z or contractual documents. However, TILA mandates that creditors provide additional warnings and information to consumers in high-cost mortgages. The creditor (and/or advertiser) is the only source of this information. No other federal law mandates these disclosures. The CFPB is unaware of specific state laws that duplicate these requirements, although some states have rules applicable to high-cost consumer credit transactions.

As discussed above, the CFPB is proposing to permit creditors to comply with the Regulation Z requirements to provide a list of housing counselors or counseling organizations to prospective borrowers in high-cost mortgages or first-time borrowers in negative amortization mortgage loans by satisfying a separate homeownership counselor list requirement that the CFPB is proposing to implement in Regulation X. The CFPB's proposal eliminates paperwork duplication while retaining the substantive requirements in Regulation Z, which provides consumers a private right of action that is not available under Regulation X and which provides, for high-cost mortgages, the additional remedies available to consumers for violations of HOEPA.

The recordkeeping requirement of Regulation Z preserves the information used by the creditor in making disclosures (and underlying calculations) of the terms of consumer credit and other required

actions. The creditor is the only source of this information. No other federal law mandates these disclosures and other required actions. No state law known to the CFPB imposes these requirements, although some states may have other rules applicable to consumer credit transactions.

## **5. Efforts to Minimize Burdens on Small Entities**

TILA and Regulation Z recordkeeping and disclosure requirements are imposed on all creditors. The recordkeeping requirement is mandated by Regulation Z. The disclosure requirements are mandated jointly by TILA and Regulation Z.

Most creditors today use some degree of computerization in their business, and Regulation Z permits businesses to rely on computer support, among other alternatives, to meet their recordkeeping and disclosure requirements. This flexibility yields reduced recordkeeping and disclosure costs. (See #3 above.) Moreover, as noted previously, Regulation Z provides a model form and clauses that may be used in compliance with the statutorily-required HOEPA disclosure. Correct use of these forms and clauses insulates a creditor from liability as to proper format. The CFPB's proposal also would minimize burden by permitting creditors to comply with the Regulation Z homeownership counselor list disclosure provisions by complying with the separate Regulation X homeownership counselor list disclosure described above. As described in the CFPB's Regulation X Supporting Statement supplement for that disclosure, the CFPB expects that lenders will be able to access a website that will automate the search for appropriate homeownership counselors or counseling organizations, which should minimize the burden associated with compiling and transmitting the list.

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

The current record retention period of two years under Regulation Z supports private actions and regulatory enforcement actions. If the retention period were shortened, consumers who sue under TILA, and the administrative agencies, might find that creditor records needed to prove violations of TILA no longer exist.

As noted, the disclosure requirements are needed to facilitate comparison cost shopping and to spur informed credit decision making. Without these requirements, consumers would not have access to this critical information. Their right to sue under TILA would be undermined, and enforcement agencies could not fulfill their mandate to enforce TILA.

## **7. Circumstances Requiring Special Information Collection**

The collections of information in Regulation Z are consistent with the applicable guidelines contained in 5 CFR 1320.5(d)(2).

## **8. Consultation Outside the Agency**

The CFPB published a notice of proposed rulemaking in the *Federal Register* for public. The comment period for the Paperwork Reduction Act analysis will expire on October 15, 2012. Prior to issuing the proposed rule, the CFPB consulted with industry representatives, as well as with other

Federal agencies consistent with section 1022 of the Dodd-Frank Act.

**9. Payments or Gifts to Respondents**

Not applicable.

**10. & 11. Assurances of Confidentiality/Justification for Sensitive Questions**

The required recordkeeping and disclosures contain private financial information about persons who use consumer credit that is protected by the Right to Financial Privacy Act, 12 U.S.C. 3401 *et seq.* Such records may constitute confidential customer lists.

**12. Estimated Burden of Information Collection**

Under the proposed rule, the CFPB generally 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 certain non-depository creditors.

Specifically, there are 154 depository institutions (and their depository affiliates) and an estimated 2,515 non-depository institutions that are subject to the CFPB's administrative enforcement authority. For purposes of this PRA analysis, the CFPB's respondents under Regulation Z are an estimated 54 depository institutions and 354 non-depository institutions that are estimated to originate open- or closed-end high-cost mortgages under the proposed rule and that are subject to the CFPB's administrative enforcement authority, a total of 408 respondents in total.

The CFPB and the FTC generally both have enforcement authority over non-depository institutions for Regulation Z. Accordingly, the CFPB has allocated to itself half of the estimated burden to non-depository institutions. Thus, unless otherwise specified, all references to burden hours and costs for the CFPB respondents for the collection under Regulation Z are based on a calculation of half of the estimated 354 non-depository respondents. Other Federal agencies are responsible for estimating and reporting to OMB the total paperwork burden for the institutions for which they have administrative enforcement authority. They may, but are not required to, use the CFPB's burden estimation methodology.

The CFPB calculates labor costs by applying appropriate hourly cost figures to the burden hours described below. The hourly rates used are based on occupation-specific average earnings data from the Bureau of Labor Statistics for workers in the depository credit intermediation and non-depository credit intermediation industries. To obtain fully-loaded hourly rates, the CFPB divides hourly wages by 67.5%.<sup>3</sup> The fully-loaded hourly labor cost by occupation (rounded to the nearest dollar) is given below.

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<sup>3</sup> 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.

Occupation	Depository Institutions	Non-depository Institutions
Attorneys	\$114	\$113
Compliance officers	\$44	\$49
Loan officers	\$45	\$47
Training and development specialists	\$38	\$40
Computer and IT staff	\$53	\$58

*A. Provision of List of Federally Certified or Approved Housing Counselors to First-Time Borrowers in Negative Amortization Mortgage Loans and Receipt of Documentation of Counseling for Such Borrowers*

The CFPB does not separately estimate the one-time or ongoing paperwork burden to respondents of complying with the requirement to provide a list of federally approved housing counselors to first-time borrowers in negative amortization loans or to receive documentation that first-time borrowers in negatively amortizing loans have received pre-loan homeownership counseling. The CFPB believes that any such burden will be minimal, in part because the CFPB expects that very few respondents would be affected by this provision. Based on data from the 2007 Survey of Consumer Finances, the CFPB estimates that only 0.3 percent of all outstanding mortgages in 2007 had negative amortization features. This estimate is an upper bound on the share of negatively amortizing loans held by first-time borrowers. Moreover, the CFPB believes that few if any mortgages originated currently could potentially negatively amortize so that the share of the flow of loans that could negatively amortize is likely smaller than this estimated share of the stock of outstanding mortgages in 2007 with such features.

Further, the CFPB expects that the ongoing costs of providing the housing counselor list specifically would be minimal because the CFPB expects that creditors would comply with the provision by satisfying the separate housing counselor list requirement that the CFPB is proposing under Regulation X. The CFPB estimates the ongoing burden of providing the homeownership counselor list disclosure required under Regulation X in its supplement to the Supporting Statement for Regulation X, 12 CFR part 1024 (also filed with OMB today). The CFPB estimates that there is no additional ongoing burden from the Regulation Z counselor-list requirement for first-time borrowers in negative amortization loans.

*B. Provision of List of Federally Certified or Approved Housing Counselors to High-Cost Mortgage Borrowers and Receipt of Certification of Counseling for High-Cost Mortgages*

As noted above, the CFPB estimates that 54 depository institutions and 354 non-depository institutions subject to the CFPB's administrative enforcement authority would originate high-cost mortgages.<sup>4</sup> The CFPB estimates one-time and ongoing costs to respondents of complying with the

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<sup>4</sup> In the case of high-cost mortgages, TILA defines "creditor" as a person that, in any 12 month period, originates two or more high-cost mortgages, or one or more high-cost mortgage through a broker. For purposes of determining the universe of relevant providers for this provision, the CFPB does not attempt to calculate how many of the respondents that have made

requirement to provide a housing counselor list to applicants in high-cost mortgages and of receiving documentation certifying that a high-cost mortgage borrower has received required counseling as follows.

*i. One-time burden*

Reviewing the regulation

The CFPB estimates that, on average for each respondent, one attorney and one compliance officer would each take 12 minutes to read and review the sections of the proposed regulation that describe the housing counseling disclosure requirement for high-cost mortgage applicants and the receipt of certification of homeownership counseling for high-cost mortgage borrowers. This estimate is based on the length of these portions of the proposed rule. Each respondent would therefore incur a one-time burden of 24 minutes (0.4 hours), and the burden allocated to the CFPB for depository and non-depository institutions is less than 100 hours.<sup>5</sup> Based on the average labor cost of attorneys and compliance officers, the associated labor cost is estimated to be roughly 7,500 dollars.<sup>6</sup>

Training

Covered persons would incur one-time costs associated with training employees to receive and review the certification form. The CFPB estimates that this universe of relevant providers would incur a one-time burden of 7.5 minutes (0.125 hours) each to conduct initial training for each loan officer or other loan originator concerning the provision of the homeownership counselor list to high-cost mortgage applicants and the receipt of certification of counseling for high-cost mortgage borrowers. In addition, the CFPB estimates that one trainer could train ten trainees at a time and, accordingly, the estimated on-time training costs include the cost of one hour of trainer time per ten hours of trainee time required.

The CFPB estimates that there are about 19,000 loan officers at the 54 respondent depository institutions and about 21,000 loan officers at respondent non-depository institutions. The CFPB estimates that half of the loan officers at these institutions would receive training concerning the provision of the homeownership counselor list to high-cost mortgage applicants and the receipt of certification of counseling for high-cost mortgage borrowers. Thus, the total training-related burden for this information collection allocated to the CFPB for depository and non-depository institutions is roughly 2,000 hours.<sup>7</sup> Given the average estimated wages of loan officers and of training and

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HOEPA loans in the past made only one HOEPA loan. Thus, the number of relevant providers used to calculate the paperwork burden for this provision may be an overestimate.

<sup>5</sup> (0.4 hours) \* [(54 depository institutions) + 0.5 \* (354 non-depository institutions)]

<sup>6</sup> {(54 depository institutions) \* [(0.2 hours) \* (\$114/hr. average salary for lawyer at depository institution) + (0.2 hours) \* (\$44/hr. average salary for compliance officer at depository institution)]} + {(0.5) \* (354 depository institutions) \* [(0.2 hours) \* (\$113/hr. average salary for lawyer at non-depository institution) + (0.2 hours) \* (\$49/hr. average salary for compliance officer at non-depository institution)]}

<sup>7</sup> Using loan officer counts rounded to the nearest thousand, (0.125 hours) \* (0.5, half of loan officers trained) \* (1.1, assuming 1 trainer per 10 trainees) \* [(19,000 loan officers at depository institutions) + 0.5\*(21,000 loan officers at non-depository institutions)]



development specialists in the relevant industries, the CFPB estimates that the associated labor cost is just over 90,000 dollars.<sup>8</sup>

*ii. Ongoing burden*

The CFPB assumes that creditors would comply with the requirement under Regulation Z that creditors provide applicants for a high-cost mortgage with a list of homeownership counselors by satisfying the separate housing counselor list requirement that the CFPB is proposing under Regulation X. The CFPB estimates the ongoing burden of providing the homeownership counselor list disclosure required under Regulation X in its supplement to the Supporting Statement for Regulation X, 12 CFR part 1024 (also filed with OMB today). The CFPB estimates that there is no additional ongoing burden from the counselor-list requirement for high-cost mortgage borrowers under Regulation Z.

On an ongoing basis, the CFPB estimates that the universe of relevant providers would incur a burden of 2 minutes per origination to receive and review the counseling certification form. This cost would arise for each of the estimated roughly 11,000 high-cost open-end or closed-end mortgage originations at depository institutions subject to the CFPB's administrative enforcement authority and 4,000 high-cost mortgage originations at non-depository institutions. The CFPB estimates that the total ongoing burden across all relevant providers of complying with the high-cost mortgage housing counseling certification requirement therefore would be between 400 and 450 hours.<sup>9</sup> The CFPB estimates that the associated labor costs, given the average wages of loan officers, would total roughly 19,000 for the universe of relevant providers.<sup>10</sup>

*C. HOEPA pre-consummation / pre-account opening disclosure*

The CFPB estimates that respondents that originate either or closed- or open-end high-cost mortgages would incur one-time costs to review the sections of the proposed rule related to the pre-consummation or pre-account opening high-cost mortgage disclosure form and to train staff on providing this disclosure form. In addition, respondents that originate high-cost open-end mortgages (*i.e.*, HELOCs) would incur one-time costs to revise the disclosure form to be suitable for use in connection with HELOCs.

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<sup>8</sup> Using rounded estimates of loan officers and wages,  $\{[(19,000 \text{ loan officers at depository institutions}) * (0.5 \text{ for half of loan officers trained}) * (0.125 \text{ hours of training})] * [(\$45/\text{hr. average salary for loan officer at depository institution}) + (0.1 \text{ for trainer hours}) * (\$38/\text{hr. average salary for trainer at depository institution})]\} + (0.5) * \{[(21,000 \text{ loan officers at non-depository institutions}) * (0.5 \text{ for half of loan officers trained}) * (0.125 \text{ hours of training})] * [(\$47/\text{hr. average salary for loan officer at non-depository institution}) + (0.1 \text{ for trainer hours}) * (\$40/\text{hr. average salary for trainer at non-depository institution})]\}$

<sup>9</sup> Using estimated high-cost mortgage originations rounded to the nearest thousand,  $(2/60 \text{ minutes}) * [(11,000 \text{ high-cost mortgage originations at depository institutions}) + (0.5) * (4,000 \text{ high-cost mortgage originations at non-depository institutions})]$

<sup>10</sup> Using rounded hours and wages, the labor costs are estimated as  $(2/60 \text{ hours}) * [(11,000 \text{ high-cost mortgage originations at depository institutions}) * (\$45/\text{hr. average salary for loan officer at depository institution}) + (0.5) * (4,000 \text{ high-cost mortgage originations at non-depository institutions})] * (\$47/\text{hr. average salary for loan officer at non-depository institution})]$

*i. One-time burden*

*Reviewing the regulation*

Respondents that originate either or closed- or open-end high-cost mortgages would incur costs to read and review the sections of the proposed rule concerning the high-cost mortgage disclosure form. Based on the length of the relevant sections, the CFPB estimates that, on average for each respondent, one attorney and one compliance officer would each take 31.5 minutes to read and review these sections of the proposed regulation, a total burden of 63 minutes per respondent.<sup>11</sup> As noted above, the CFPB estimates that 54 depository institutions and 354 non-depository institutions subject to the CFPB's administrative enforcement authority would originate high-cost mortgages. In total, the burden allocated to the CFPB for depository and non-depository institutions for reading and reviewing this portion of the proposed rule is almost 250 hours, and the associated labor costs are estimated to be nearly 20,000 dollars.<sup>12</sup>

*Training on providing the disclosure*

The CFPB expects that respondents would incur one-time costs associated with training employees regarding provision of the pre-consummation / pre-account opening high-cost mortgage disclosure. The CFPB estimates that this universe of relevant providers would incur a one-time burden of 7.5 minutes (0.125 hours) per trainee to provide initial training to loan officers or other loan originators. The CFPB estimates that there are about 19,000 loan officers at the 54 respondent depository institutions and about 21,000 loan officers at respondent non-depository institutions, and the CFPB estimates that half of these staff would be trained on how to provide the HOEPA disclosure. Based on this assumption, the CFPB estimates that there would be more than 9,000 trainees at depository institutions and more than 10,000 trainees at non-depository institutions. Further, the CFPB assumes that relevant providers would incur costs of employing one trainer for every ten trainees.

The CFPB estimates that the one-time training-related burden allocated to the CFPB for depository and non-depository institutions associated with providing the high-cost mortgage disclosure form is about 2,000 hours and the corresponding cost would be just over 90,000 dollars.<sup>13</sup>

*Training, IT, and software costs to revise the disclosure for high-cost HELOCs*

Respondents that make high-cost HELOCs would incur one-time costs to create a version of the high-cost mortgage disclosure form that it is suitable for high-cost HELOCs and to train staff regarding the revised form. The CFPB estimates that 45 depository institutions subject to the CFPB's

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<sup>11</sup> This estimated time includes the time to read the portions of the proposed rule that consider the disclosure form requirements for high-cost HELOCs, which are discussed further below.

<sup>12</sup> The burden hours are calculated as  $(63/60 \text{ hours}) * [(54 \text{ depository institutions}) + 0.5*(354 \text{ non-depository institutions})]$ . The labor costs are equal to  $(31.5/60 \text{ hours}) * \{ (54 \text{ depository institutions}) * [(\$114/\text{hr. average salary for lawyer at depository institution}) + (\$44/\text{hr. average salary for compliance officer at depository institution})] + 0.5*(354 \text{ non-depository institutions}) * [(\$113/\text{hr. average salary for lawyer at non-depository institution}) + (\$49/\text{hr. average salary for compliance officer at non-depository institution})] \}$

<sup>13</sup> The burden-hour and labor-cost calculations are identical to those for training regarding the homeownership counselor list, which are detailed in footnote 7.

administrative enforcement authority would make high-cost HELOCs under the proposed rule. Non-depository institutions are assumed to make no HELOCs, since these institutions generally are less able to fund such credit lines and generally lack access to the payment system.

The CFPB estimates that half of the estimated 19,000 loan officers at these 45 respondent institutions would receive 7.5 minutes (0.125 hours) of training regarding providing the disclosure for high-cost HELOCs. The associated training burden, including the estimated cost of one trainer for every trainee, is approximately 1,300 hours and about 57,000 dollars.<sup>14</sup>

The CFPB estimates that revising and testing the high-cost HELOC disclosure form and making it available to loan officers and other loan originators would require 4 hours for one attorney and 32 hours for one IT employee at each institution that developed the disclosure in-house. The CFPB estimates that the 20 largest depository institutions and 20 percent of remaining depository institutions subject to the CFPB's administrative enforcement authority use in-house computer and software systems to open home equity lines of credit. The remaining respondent depository institutions are assumed to rely on a third-party vendor. The associated IT-related burden to revise the disclosure form for HELOCs is estimated to be about 1,800 hours, and the estimated total dollar burden is about 112,000 dollars.<sup>15</sup>

## *ii. Ongoing burden*

On an ongoing basis, the CFPB estimates that the universe of relevant providers would incur a burden of 2 minutes per high-cost mortgage origination to provide the HOEPA disclosure. The estimated ongoing hours burden would be over 400 hours, and the estimated total labor cost to all respondents would be roughly 19,000 dollars.<sup>16</sup>

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<sup>14</sup> Rounding the estimated number of loan officers at respondent institutions to the nearest hundred, the hours burden is calculated as (19,000 loan officers at depository institutions that make high-cost HELOCs) \* (0.5 for half of loan officers trained) \* (0.125 hours) \* (1.1 to account for trainer hours). Similarly, the estimated dollar burden is [(9,000 loan officers) \* (0.125 hours) \* (\$45/hr. average salary for loan officer at depository institution)] + [(0.1) \* (9,000 loan officers) \* (0.125 hours) \* (\$38/hr. average salary for trainer at depository institution)].

<sup>15</sup> The CFPB estimates that in total, 51 institutions—the 20 largest depositories and an additional 31 of the 154 depository institutions subject to the Bureau's enforcement authority—would develop in-house computer and software systems. Note that this implies some institutions that are not among the 45 depository institutions estimated to make high-cost HELOCs in 2010 are assumed to invest in in-house systems because they may at some point in the future make high-cost HELOCs. The estimated hours burden is calculated as (51 institutions) \* [(4 attorney hours) + (32 IT-staff hours)]. The total dollar burden includes the burden for these 51 institutions equal to about 109,000 dollars and about 2,000 dollars in costs for third-party software for other institutions. The first of these components of the cost is calculated as (51 institutions) \* [(4 attorney hours) \* [(\$114/hr. average salary for lawyer at depository institutions) + (32 IT-staff hours) \* [(\$53/hr. average salary for computer and IT staff at depository institutions)]]. In calculating the third-party software costs of roughly 2,000 dollars, the Bureau estimates that remaining institutions that make high-cost HELOCs rely on one of an estimated ten third-party vendors, each of which spends 100 hours (compared with 38 hours for institutions that develop the forms in-house) to develop the third-party software and pass the development costs on to institutions that purchase the product. The CFPB believes that respondents making high-cost purchase money mortgage loans would incur minimal or no additional one-time burden related to the HOEPA pre-consummation disclosure, because the CFPB expects that these respondents would provide the same HOEPA disclosures already used for refinancings and closed-end home-equity loans subject to § 1026.32.

<sup>16</sup> Rounding the estimated number of originations to the nearest thousand, the hours burden is calculated as (2 minutes/60 minutes) \* (11,000 high-cost loan originations at depository institutions) + (0.5)\*(4,000 high-cost loan originations at non-depository institutions). Rounding the estimated number of originations to the nearest thousand, the total labor cost to all respondents is calculated as (2/60 hours) \* [(11,000 high-cost loan originations at depository institutions) \* ((\$45/hr. average

### **13. Estimated Total Annual Cost Burden to Respondents or Recordkeepers**

The CFPB estimates that, on average, a creditor would incur a cost of 0.025 dollars to retain the certification of homeownership counseling from a high-cost mortgage borrower at a total estimated cost across the universe of all relevant respondents of more than 300 dollars.<sup>17</sup> In addition, the CFPB estimates that the universe of relevant providers would incur a burden of 10 cents per high-cost mortgage origination to generate the HOEPA disclosure and 0.025 dollars per origination to retain a copy of the disclosure. The CFPB estimates that, taken together, these production and retention costs for the HOEPA disclosure would total roughly 1,600 dollars across all relevant providers.<sup>18</sup>

### **14. Estimated Cost to the Federal Government**

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

### **15. Program Changes or Adjustments**

The CFPB's proposal would implement in Regulation Z the information collection requirements described above. The CFPB's proposal makes no changes to the other information collections in Regulation Z since the last OMB approval.

### **16. Plans for Tabulation, Statistical Analysis, and Publication**

The results of the information collection will not be published.

### **17. Display of Expiration Date**

We believe 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.

**Note:** The following paragraph applies to all of the collections of information in this submission:

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salary for loan officer at depository institution) + (0.5) \* (4,000 high-cost loan originations at non-depository institutions) \* ((\$47/hr. average salary for loan officer at non-depository institution)].

<sup>17</sup> Using estimated high-cost mortgage originations rounded to the nearest thousand, the data retention costs are estimated as (0.025 dollars per origination \* [(11,000 high-cost mortgage originations at depository institutions) + (0.5) \* (4,000 high-cost mortgage originations at non-depository institutions)]) in total for the universe of all relevant providers.

<sup>18</sup> Using estimated high-cost mortgage originations rounded to the nearest thousand [(\$0.1 production costs) + (\$0.025 retention costs)] \* [(11,000 high-cost loan originations at depository institutions) + (0.5)\*(4,000 high-cost loan originations at non-depository institutions)].

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid OMB control number.