

**CONSUMER FINANCIAL PROTECTION BUREAU
INFORMATION COLLECTION REQUEST – SUPPORTING STATEMENT
HOMEOWNERSHIP COUNSELING AMENDMENTS TO THE REAL ESTATE
SETTLEMENT PROCEDURES ACT (Regulation X) 12 CFR 1024
(OMB CONTROL NUMBER: 3170-0025)**

The Consumer Financial Protection Bureau (Bureau or CFPB) 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.

TERMS OF CLEARANCE: Pursuant to 5 CFR 1320.11(c), OMB files this comment on this information collection request (ICR). In accordance with 5 CFR 1320, OMB is withholding approval at this time. The agency shall examine public comment in response to the NPRM and will include in the supporting statement of the next ICR--to be submitted to OMB at the final rule stage—a description of how the agency has responded to any public comments on the ICR, including comments on maximizing the practical utility of the collection and minimizing the burden.

A. JUSTIFICATION

1. Circumstances Necessitating the Data Collection

Certain disclosures are required by the Real Estate Settlement Procedures Act (RESPA) of 1974, 12 U.S.C. 2601 *et seq.*, as amended by Section 461 of the Housing and Urban-Rural Recovery Act of 1983 (HURRA), and other various amendments. RESPA’s implementing regulations were historically published by the Department of Housing and Urban Development (HUD) at 24 CFR 3500. In light of the transfer of HUD’s rulemaking authority for RESPA to the CFPB, the CFPB adopted an interim final rule (Interim Final Rule) recodifying HUD’s Regulation X at 12 CFR 1024 to reflect the transfer of authority and to help facilitate compliance with RESPA and its implementing regulations to help prevent confusion regarding regulatory and supervisory authority.

Required disclosures include: the Good Faith Estimate (GFE), the HUD-1/HUD-1A Settlement Statements, the Servicing Disclosure Statement, and, as applicable, the Servicing Transfer Disclosure. Other disclosures may be required under certain circumstances and include: the Initial Escrow Account Statement, the Annual Escrow Account Statement, and the Affiliated Business Arrangement Disclosure.¹ This collection helps to protect consumers in several respects. The GFE and HUD-1/HUD-1A Settlement Statements enable consumers to compare estimated settlement costs with actual settlement costs. The Affiliated Business Arrangement Disclosure helps to protect borrowers from unnecessarily high

¹ The CFPB does not consider the Special Information Booklet that Regulation X currently requires lenders to distribute to applicants for first-lien purchase money mortgages to be an information collection under 5 CFR 1320.3(c). HUD had previously classified the Special Information Booklet as an information collection with minimal burden.

settlement service charges due to the settlement service provider's use of an affiliated provider. Disclosures related to the servicing of the mortgage loan help to protect consumers if the servicing of the loan could be or is transferred. Disclosures related to consumers' escrow accounts help to protect them from unnecessarily high escrow charges.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), Pub. L. 111-203, amended RESPA to mandate that lenders provide to applicants for federally related mortgage loans a "reasonably complete or updated list of homeownership counselors who are certified pursuant to section 106(e) of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701x(e)) and located in the area of the lender."² Accordingly, through its final rule issued on January 10, 2013 (2013 HOEPA Final Rule or Final Rule), the CFPB is revising Regulation X to require lenders to provide a list of homeownership counseling organizations to applicants for federally related mortgage loans.

2. Use of the Information

The third-party disclosures in this collection are required by statute and regulations, as explained above. Lenders make these disclosures to applicants of federally related mortgage loans. Disclosures are not submitted to the CFPB.

Under the 2013 HOEPA Final Rule, lenders will be required to give each applicant for a federally related mortgage loan a clear and conspicuous written list of homeownership counseling organizations that provide relevant counseling services in the loan applicant's location. Under the 2013 HOEPA Final Rule, the homeownership counselor list must be provided to all applicants for purchase money mortgages, refinancings, home-equity mortgage loans, and home-equity lines of credit, except applicants for reverse mortgage transactions subject to 12 CFR 1026.33(a) or for transactions secured by a consumer's interest in a timeshare plan. The lender would have to provide the list no later than three business days after the lender, mortgage broker, or dealer receives a loan application (or information sufficient to complete a loan application).

3. Use of Information Technology

This third-party disclosure described above may be submitted to consumers electronically. Additionally, most disclosures are computer generated. To facilitate compliance and minimize burden, the CFPB will require that lenders obtain the counseling list from either a website maintained by the Bureau where they can input certain information (*e.g.*, the loan applicant's zip code and the type of loan) to generate the requisite list, or from data made available by the Bureau or HUD for lenders to use in complying with this requirement.

4. Efforts to Identify Duplication

This information collection does not duplicate any other Federal effort. In order to prevent duplication, the proposed rule exempts reverse mortgage lenders that provide applicants with a HUD-required list of HECM counseling resources.

² Dodd-Frank Act § 1450.

5. Efforts to Minimize Burdens on Small Entities

Out of the estimated total 14,742 respondents, the Bureau estimates that about 67 percent of respondents are small entities. As noted in the 2013 HOEPA Final Rule, the CFPB will require that lenders obtain the required counseling list from either a website maintained by the Bureau where they can input certain information (*e.g.*, the loan applicant's zip code and the type of loan) to generate the requisite list, or from data made available by the Bureau or HUD for lenders to use in complying with this requirement. The counseling list could then be transmitted to the loan applicant electronically or in hard copy. By creating and maintaining the website and by providing data that lenders can alternatively use to generate the list, the CFPB is seeking to reduce the burden of this information collection and, more specifically, the time and resources necessary to compile and distribute the housing counselor list.

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

These third-party disclosures are required by statute, 12 U.S.C. 2601 *et seq.*, and regulations. The burdens on respondents are the minimum necessary to comply with the statute and to assist borrowers in obtaining information about available homeownership counseling resources.

7. Circumstances Requiring Special Information Collection

Information is not reported to the CFPB. The collection of information in Regulation X is consistent with the applicable guidelines contained in 5 CFR 1320.5(d)(2).

8. Consultation Outside the Agency

Prior to issuing the August 2012 proposed rule, the CFPB consulted with HUD and other Federal agencies consistent with section 1022 of the Dodd-Frank Act. On August 15, 2012, the CFPB published a notice of proposed rulemaking in the Federal Register, which included a request for public comment on the Paperwork Reduction Act analysis.

As discussed in the Preamble to the Final Rule, the Bureau received a few comments in response to this request that addressed the paperwork burden of providing a homeownership counseling list in connection with each mortgage loan application, as required by the Bureau's amendments to Regulation X. For example, one large bank stated that the new counselor list requirement would require manually generating a separate list for each applicant, which the commenter argued would add to its paperwork burden. Other commenters generally asserted that the Bureau underestimated the paperwork burden that will accompany generating and providing a counselor list in connection with every mortgage application.

In response to these public comments, and as described in the Preamble to the Final Rule, the Bureau modified proposed § 1024.20 in the 2013 HOEPA Final Rule to reduce the burden and to maximize the practical utility of the collection. For example, the Bureau is exempting some types of loans from the list requirement, reducing uncertainty regarding compliance with the requirement for lenders through the use of the website portal that the Bureau will provide, and giving lenders the option to comply through the use of data they can import into their systems to create the list.

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

There is no information of a sensitive nature being requested.

12. Estimated Burden of Information Collection

Under the Final Rule, the CFPB generally accounts for the paperwork burden for all respondents that will be required to comply with the amendments to Regulation X in the Final Rule. Specifically, for the purposes of this PRA analysis, the CFPB’s respondents under Regulation X are an estimated 11,955 depository institutions and 2,787 non-depository institutions that are estimated to originate open- or closed-end mortgages (*i.e.*, 14,742 institutions in total).

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 66.6%.³ The fully-loaded hourly labor cost by occupation (rounded to the nearest dollar) is given below.

<u>Occupation</u>	<u>Depository Institutions</u>	<u>Non-depository Institutions</u>
Attorneys	\$116	\$114
Compliance officers	\$46	\$52
Loan officers	\$48	\$48
Loan processors	\$26	\$26
Training and development specialists	\$39	\$41
Computer and IT staff	\$55	\$60

A. Provision of List of Homeownership Counselors or Counseling Organizations to Applicants for Federally Related Mortgage Loans

i. One-time burden

Reviewing the regulation

³ Bureau of Labor Statistics data indicate that in Q4 2011 wages accounted for 66.6% of the total cost of compensation for credit intermediation and related activities.

The CFPB estimates that, for each covered person, one attorney and one compliance officer will each take 7.5 minutes (0.125 hours) to read and review the sections of the proposed rule that describe the homeownership counselor list requirement, based on the length of the sections. The burden allocated to the CFPB for respondents subject to the proposed changes to Regulation X is roughly 3,700 hours.⁴ Based on the respective labor cost of attorneys and compliance officers, the associated labor cost is roughly 300,000 dollars.⁵

Training

Covered persons will incur one-time costs associated with training employees regarding the list of homeownership counselors or counseling organizations. The CFPB estimates that each loan officer or other loan originator will need to receive 7.5 minutes (0.125 hours) of training and that an equal number of loan processors will need to receive 7.5 minutes (0.125 hours) of training. In addition, the CFPB estimates that one trainer could train ten loan officers or loan processors at a time, for an additional one hour of trainer time per ten hours of trainee time. The CFPB estimates that there are approximately 64,000 loan officers at the depository institutions and about 24,000 at non-depository institutions that will need training and that the same number of loan processors will need to be trained. Given the estimates, the estimated training-hours burden is approximately 24,300 hours, and the associated labor costs are estimated to be roughly 900,000 dollars.⁶

ii. Ongoing burden

The CFPB estimates that, on average, covered persons will require 1 minute to produce and to provide the list of homeownership counselors or counseling organizations to each applicant. Given the estimated nearly 14.8 million applications for the universe of relevant respondents, the CFPB estimates the burden will be about 246,000 hours (nearly 14.8 million applications * (1/60

⁴ The hours burden is calculated as $(2 * 0.125 \text{ hours}) * [(11,955 \text{ depository institutions}) + (2,787 \text{ non-depository institutions})]$.

⁵ To illustrate, using hourly wages rounded to the nearest dollar, this estimate is calculated as $(0.125 \text{ hours}) * \{[(11,955 \text{ depository institutions}) * [(\$116/\text{hr. average wage for attorney at depository institution}) + (\$46/\text{hr. average wage for compliance officer at depository institution})] + (2,787 \text{ non-depository institutions}) * [(\$114/\text{hr. average wage for attorney at non-depository institution}) + (\$52/\text{hr. average wage for compliance officer at non-depository institution})]\}$.

⁶ To illustrate, rounding the number of loan officers and loan processors to the nearest thousand and hourly wages to the nearest dollar, the hours burden is estimated as $(0.125 \text{ training hours}) * [(64,000 \text{ loan officers at depository institutions}) + (24,000 \text{ loan officers at non-depository institutions}) + (64,000 \text{ loan processors at depository institutions to be trained}) + (24,000 \text{ loan processors at non-depository institutions to be trained})] * (1.1 \text{ to account for trainer hours})$. The associated costs burden is calculated as $(0.125 \text{ training hours}) * \{[(64,000 \text{ loan officers at depository institutions}) * (\$48/\text{hr. average wage for loan officer at depository institution}) + (64,000 \text{ loan processors at depository institutions to be trained}) * (\$26/\text{hr. average wage for loan processor at depository institution}) + (1/10) * (64,000 \text{ loan officers at depository institutions} + 64,000 \text{ loan processors at depository institutions to be trained}) * (\$39/\text{hr. average wage for trainer at depository institutions})] + [(24,000 \text{ loan officers at non-depository institutions}) * (\$48/\text{hr. average wage for loan officer at non-depository institution}) + (24,000 \text{ loan processors at non-depository institutions to be trained}) * (\$26/\text{hr. average wage for loan processor at non-depository institution}) + (1/10) * (24,000 \text{ loan officers at non-depository institutions} + 24,000 \text{ loan processors at non-depository institutions to be trained}) * (\$41/\text{hr. average wage for trainer at non-depository institutions})]\}$. Estimates cited in the main text may differ from these illustrative calculations since they are based on unrounded estimates of wages, loan officers, and loan processors.

hour)) and associated labor cost of 6.3 million dollars.⁷

13. Estimated Total Annual Cost Burden to Respondents or Recordkeepers

The CFPB estimates that respondents will incur a burden of \$0.10 dollars per application to produce the list of homeownership counselors or counseling organizations. The CFPB estimates that the 11,955 depository institutions and 2,787 non-depository institutions subject to the CFPB's administrative enforcement authority receive nearly 14.8 million applications for open-end or closed-end mortgages. Given this, the CFPB estimates the total burden across all relevant respondents will be about 1.48 million dollars ($(\$0.10) * 14.8$ million applications).

14. Estimated Cost to the Federal Government

There are no additional costs to the Federal Government.

15. Program Changes or Adjustments

The 2013 HOEPA Final Rule implements in Regulation X the information collection requirements described above. The 2013 HOEPA Final Rule makes no changes to the other information collections in Regulation X 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 to 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:

⁷ Using application counts rounded to the nearest 100,000 and hourly wages rounded to the nearest dollar, for illustration, the labor costs are estimated as $(1/60) * [(10.6 \text{ million applications at respondent depository institutions}) * (\$26/\text{hr. average wage for loan processor at depository institution}) + (4.1 \text{ million applications at respondent non-depository institutions}) * (\$26/\text{hr. average wage for loan officer at non-depository institution})]$. Estimates cited in the main text may differ from this illustrative calculation since they are based on unrounded estimates of wages and applications.

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