CONSUMER FINANCIAL PROTECTION BUREAU
INFORMATION COLLECTION REQUEST –
SUPPORTING STATEMENT
QUANTITATIVE TESTING OF INTEGRATED
MORTGAGE LOAN DISCLOSURE FORMS
(OMB CONTROL NUMBER: 3170-XXXX)

TERMS OF CLEARANCE: None.

A. JUSTIFICATION

1. Circumstances Necessitating the Data Collection

This is a request by the CFPB for clearance from OMB to collect information as part of quantitative research to be used for the evaluation of integrated mortgage loan disclosure forms proposed by the Consumer Financial Protection Bureau (Bureau or CFPB).

The statutory authorization under which the Bureau will conduct its proposed information collection is provided under TILA, RESPA, and the Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law No. 111-203 (Dodd-Frank Act). The Dodd-Frank Act required the Bureau to publish disclosures that integrate certain disclosures required under the Truth in Lending Act (TILA) and sections 4 and 5 of the Real Estate Settlement Procedures Act (RESPA) for certain mortgage loan transactions. Dodd-Frank Act §§ 1032, 1098, and 1100A. Section 1032(f) of the Dodd-Frank Act required the Bureau to propose the integrated disclosures for public comment no later than July 21, 2012. The Bureau issued the proposal on July 9, 2012 (2012 Proposal).[1] With respect to applicable transactions, section 105 of TILA and sections 4 and 5 of RESPA have long authorized model and standard disclosure forms, respectively.

As a general matter, section 1022(b)(1) of the Dodd-Frank Act authorizes the Bureau to prescribe rules as may be necessary or appropriate to carry out the purposes and objectives of Federal consumer financial laws and prevent evasions thereof. In addition, section 1032(c) further requires that, in prescribing rules under that section, the Bureau shall consider available evidence about consumer awareness, understanding of, and responses to the disclosures. Finally, section 1032(b) generally requires that model forms prescribed by the Bureau pursuant to that subsection be validated through consumer testing.

[1] *See* the Bureau's press release *Consumer Financial Protection Bureau proposes "Know Before You Owe" mortgage forms* (July 9, 2012), available at http://www.consumerfinance.gov/pressreleases/consumer-financial-protection-bureau-proposes-know-before-you-owe-mortgage-forms/; the Bureau's blog post *Know Before You Owe: Introducing our proposed mortgage disclosure forms* (July 9, 2012), available at http://www.consumerfinance.gov/blog/know-before-you-owe-introducing-our-proposed-mortgage-disclosure-forms/. The 2012 Proposal was published in the *Federal Register* on August 23, 2012. *See* 77 FR 51116 (Aug. 23, 2012).

This quantitative information collected will be used by the CFPB and its contractor, Kleimann Communication Group, Inc. (Contractor or Kleimann), to evaluate the results of the qualitative testing conducted by the CFPB during the development of the integrated disclosures prior to its issuance of the 2012 Proposal and to assess the performance of the proposed integrated disclosures relative to the mortgage loan disclosures currently provided under TILA and sections 4 and 5 of RESPA (*i.e.*, baseline testing). Specifically, the goal is to determine whether the CFPB's proposed integrated disclosures (Loan Estimate and Closing Disclosures) aid consumers in understanding mortgage loan transactions, including enabling consumers to choose between loans. In addition, the goal of the baseline test is to determine whether the proposed disclosures better inform consumers about mortgage loan information and better enable them to choose between loans than the current disclosures. The quantitative information collected will be used to evaluate the integrated disclosures prior to issuance of a final rule for the disclosures.

The Bureau began qualitative testing of the integrated disclosures in May 2011 under an Emergency Clearance obtained by the U.S. Department of the Treasury on behalf of the Bureau (OMB No. 1505-0233) (Emergency Clearance). This Emergency Clearance allowed the Bureau to begin development of the integrated disclosures with sufficient time to issue the proposed rule before the deadline mandated by the Dodd-Frank Act. The CFPB later obtained a generic clearance (OMB No. 3170-0003) (Generic Clearance) to continue its qualitative testing upon the expiration of the Emergency Clearance. Before the CFPB issued the 2012 Proposal, the CFPB conducted ten rounds of qualitative testing in nine cities across the U.S.[2] After the 2012 Proposal, in October, November, and December 2012, the CFPB conducted under the Generic Clearance three rounds of qualitative testing focused on Spanish translations of the integrated disclosures.

The CFPB has contracted with Kleimann to conduct the currently-proposed quantitative research.[3] As outlined in more detail below in section 12 and Supporting Statement Part B, the quantitative research will consist of a survey of 850 respondents, who will be recruited from an existing database of potential respondents maintained by Knowledge Networks, now owned by GfK Research, which is a subcontractor of Kleimann. As outlined in more detail below and in Part B of this Supporting Statement, members of GfK's KnowledgePanel will be invited to participate in screening questionnaires to ensure they qualify for the study according to specified criteria. Each selected respondent will individually answer a structured questionnaire regarding several disclosures provided to them in 60-minute sessions. Respondents will work with either the forms required under current Federal law or the integrated disclosures, enabling an analysis comparing

[2] For a detailed discussion of this testing, see the report prepared for the Bureau by Kleimann Communication Group, Inc., which conducted the qualitative testing. *See* Kleimann Communication Group, Inc., *Know Before You Owe: Evolution of the Integrated TILA– RESPA Disclosures* (July 2012), available at http:// files.consumerfinance.gov/f/ 201207_cfpb_report_tila-respa-testing.pdf.

[3] Any subsequent reference to "contractors" is a reference to Kleimann Communication Group, Inc. and any of its subcontractors.

the performance of both sets of disclosures. Quantitative testing has been demonstrated to be feasible and valuable by other Federal agencies in evaluating disclosures and other forms prior to issuance of final rules.[4]

2. Use of the Information

The data collected from the recruiting materials will be used to select a mixed population of respondents to participate in the quantitative study. The data collected from the quantitative study will help CFPB evaluate the results of the qualitative testing conducted under the Emergency Clearance and Generic Clearance prior to the 2012 Proposal. The quantitative data will inform the CFPB's evaluation of the proposed disclosures.

Potential respondents will be members of GfK's KnowledgePanel database, which is maintained irrespective of this project. As part of its normal course of business, KnowledgePanel collects demographic information about members of its database. KnowledgePanel will provide the Contractor with this demographic information. This demographic data will be used to ensure that respondents represent a mixed population. This process and use is described in more detail below and in part B to this Supporting Statement.

Potential respondents from KnowledgePanel's database then will be contacted by the Contractor via telephone using a Recruiting Script. The Recruiting Script is attached to this Supporting Statement as Appendix A. Verification of certain demographic data that is subject to change (*e.g.*, marital status, income, address.) and supplemental data regarding the experience of potential respondents in the residential mortgage market will be verbally obtained over the telephone using this Recruiting Script. Obtaining this supplemental information is necessary to assess whether the potential respondent satisfies the requisite criteria and the potential respondent's consumer type (*e.g.*, the experience level or interest in engaging in the residential mortgage market), as described in Part B of this Supporting Statement. In addition, the Contractor will update and/or verify this demographic data that is subject to change and supplemental information at the testing sites using a written Respondent Questionnaire. This Respondent Questionnaire is attached to this Supporting Statement as Appendix B. After the respondent has agreed to participate in the study, the Recruiting Script will also contain four questions regarding the respondent's risk tolerance. These questions are identical to several questions from the Survey of Consumer Finances and can be used in the analysis of respondents' selection of loans.[5] These questions will not be asked on the Respondent Questionnaire when the respondent arrives at the testing site, to prevent potential priming effects.

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[4] For example, the Federal financial regulatory agencies and the Federal Trade Commission issued an interagency final rule adopting a model privacy disclosure for which they conducted quantitative testing to evaluate the model form that they had proposed. *See* 74 FR 62890, 62894 (Dec. 1, 2009).

[5] The Survey of Consumer Finances is a study sponsored by the Board of Governors of the Federal Reserve System, which consists of cross-sectional surveys conducted every three years to provide detailed information on the finances of U.S. families. More detailed information is available at: http://www.federalreserve.gov/econresdata/scf/scfindex.htm.

The data collected in this proposed study using the Recruiting Script and the Respondent Questionnaire will be coded and analyzed by the Contractor to track demographics to ensure that a mix of demographics is obtained. In addition, such data will be used to determine each respondent's consumer type variable (see Part B of this Supporting Statement for a description of the consumer type variable).

Data regarding the mortgage loan disclosures will be collected from the use of a written Structured Questionnaire consisting of multiple choice and open-ended questions. The subject of the questions on the Structured Questionnaire will be the mortgage loan information set forth on several disclosures provided to each respondent. The Structured Questionnaire is attached as Appendix C. The Structured Questionnaire has been split to have a specific questionnaire for the integrated and current disclosures, to avoid confusion by respondents with the minor differences in defined terms on the disclosures and the differences in the number of forms being used for a task. For example, the proposed integrated disclosures use the term "closing costs" to described charges in connection with the closing of the loan, while the current Good Faith Estimate and HUD-1 settlement statement use the term "settlement charges." In addition, in the task during which the respondent is asked to compare the disclosures provided at application and closing, respondents who receive the proposed integrated disclosures will use two disclosures, but those receiving the current disclosures will use four disclosures. The Structured Questionnaires for the integrated disclosures and the current disclosures are attached as Appendices C-1 and C-2, respectively. As described above and in more detail below, the respondents from whom this data will be collected will be consumer respondents who will voluntarily participate in the study.

The data from the Structured Questionnaire will be used to assess performance of the proposed integrated disclosures and the current disclosures across the variables in the study. The data will be shared with the CFPB staff working on the disclosure rulemaking to inform the finalization of the proposed regulation.

The results of this research will be shared with others, including the general public, by way of reports and/or publications and presentations to professional societies. As noted in section 16 below, the CFPB anticipates publishing a final testing report explaining the methodology and discussing the results of the quantitative testing. This report will provide aggregated data and the Contractor's analysis of the data. Unaggregated data that does not contain any personally identifiable information may be appended to such a report in the interest of transparency with respect to the CFPB's important work.

3. <u>Use of Information Technology</u>

The data collection involves structured questionnaires completed by respondents, which will be completed without computer assistance.

4. Efforts to Identify Duplication

This research does not duplicate any outside-of-government research effort; its purpose is not to replicate survey research studies. In addition, this research is different from the previous rounds of testing that the Bureau conducted under the Emergency and Generic Clearances, because it is quantitative rather than qualitative research. The Bureau is cognizant of current research being done in the field of disclosure design and development. In both creating the disclosure materials, considering the qualitative evaluation, and planning the quantitative testing, CFPB staff and the Contractor have reviewed carefully the prior research done on the TILA and RESPA disclosures by staff and contractors of the Board of Governors of the Federal Reserve System, Department of Housing and Urban Development, and Federal Trade Commission. The Bureau and the contractors will continue to monitor research on disclosures and related work of researchers and other Federal regulatory agencies to ensure that the Bureau's research techniques reflect current knowledge and best practices.

5. Efforts to Minimize Burdens on Small Entities

The data collection is not anticipated to burden small entities. The quantitative research will not include industry members as respondents. Pre-testing of any survey instruments will be performed to ensure proper procedures in an effort to minimize burden.

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

If this information is not collected, it will not be possible to evaluate the results of the Bureau's pre-2012 proposal qualitative testing of the integrated disclosures prior to finalizing the proposed rule.

Each individual will participate only once, so frequency of data collection is not applicable.

7. Circumstances Requiring Special Information Collection

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

8(a). Consultation Outside the Agency

The Bureau has contracted with the Contractor which has expertise in disclosure design, communication, and qualitative and quantitative research. The Bureau contracted with the Contractor to conduct the qualitative research prior to the 2012 Proposal. The Bureau will use this expertise in its administration and analysis of the quantitative testing.

8(b). <u>Solicitation of Comments on Information Collection</u>

Comments on this request for clearance to conduct quantitative research were first solicited for 60 days in the Federal Register through May 29, 2012, to obtain comments prior to the Bureau's planning the quantitative testing. 77 Fed. Reg. 18793 (Mar. 28, 2012). No comments were received in response to that notice.

The CFPB also published a subsequent request for comment, which was open for 30 days, through March 7, 2013. 78 Fed. Reg. 8113 (Feb. 5, 2013). The CFPB received six comments in response to that notice.

Joint Trade Association Letter

A joint comment letter from the American Escrow Association, the American Financial Services Association, the Consumer Mortgage Coalition, and the Mortgage Bankers Association, was received on March 7, 2013 (Joint Trade Association Letter). This letter offered the following four suggestions for the research that the Bureau proposes to conduct under this clearance:

(1) The letter suggests that the proposed testing addresses loan products and features that are restricted under the Dodd-Frank Act, but not a multitude of other features that are permitted and other loan transaction scenarios. The letter provides examples of restricted features, including negative amortization or interest only features. Examples of permitted features and transaction scenarios suggested by the letter include loans with a simultaneous home equity line of credit or down payment assistance loan, refinances, loans where there are non-borrowers signing the security instrument but not the promissory note, loans with guarantors or non-occupant co-borrowers, and loans on property on which a special assessment will be paid at closing or as part of the loan payment for a number of months.

The CFPB has reviewed this suggestion and has determined that the loans it will test are appropriate for the study. The risks to consumers of negative amortization and interest only features are an important aspect of the form design, because these risks are significant to consumers. As the commenters note, these loans are not prohibited by the Dodd-Frank Act, but merely require proper underwriting under the provisions that require creditors to determine the consumer's ability to repay the debt.[6] In addition, because these risks were a focus when designing the forms, the CFPB tested specifically for these risks during the qualitative study conducted prior to its issuance of the 2012 Proposal. The purpose of the study is to evaluate the results of this qualitative testing, and thus, the Bureau believes that using similar types of loan products as the qualitative testing is appropriate.

In addition, the transaction scenarios suggested in the letter do not raise any unique issues with respect to the design of the disclosures being tested, but rather, regulatory

[6] *See* 78 Fed. Reg. 6408 (Jan. 30, 2013).

compliance issues surrounding the proper completion of the disclosure. For example, a special assessment to be paid by the consumer at closing would be disclosed similar to other changes on the disclosure, and does not involve a unique risk such as a loan amount or monthly payment that may significantly increase over the loan term. Further, to achieve an appropriate level of power to determine statistically significant differences in performance, the number of loan features and scenarios that are used in the study is necessarily limited to allow for analysis across similar loan products.

(2) The letter suggests that the study should address the technical aspects of the regulatory text that determine how the creditor or settlement agent completes the disclosure. The letter suggests the CFPB should use actual loans that have closed to populate the forms at testing.

This issue, which relates to industry compliance rather than consumer understanding, has been the subject of the rulemaking process and is not the subject of this study. The Bureau has created hypothetical loans based on loans it used during the qualitative study, because one of the purposes of this study is to evaluate the results of the qualitative study. The Bureau believes these loans, although hypothetical, are realistic. Some of the loans were also designed to present the risks to consumers that were prevalent in loans made during the years leading up to the financial crisis, such as interest only and negative amortization features, though they may not currently be as common in the mortgage market.

(3) The letter suggests that the study should address the redisclosed Loan Estimates that the creditor may provide during the underwriting and processing phase upon the occurrence of a change in the cost estimates. The letter states that the associations are concerned that consumers will not understand the redisclosed Loan Estimates.

The CFPB believes that the performance of consumers with the Loan Estimates in the purchase scenario of the study will also be applicable to a redisclosed Loan Estimates, because the format of such disclosure will be exactly the same. A redisclosed Loan Estimate would only contain costs that have changed due to a changed circumstance or a borrower-requested change. Thus, the evaluation of the Loan Estimate in this study would be applicable to a redisclosed Loan Estimate.

(4) The letter suggests that the study should test an alternate design of the proposed forms that allow for a calculation of the "points and fees" of the loan, for compliance purposes with respect to the regulatory thresholds under Regulation Z that depend on this regulatory defined term.

The purpose of the study is to evaluate the integrated disclosures, the Loan Estimate and Closing Disclosure, based on the 2012 Proposal. It is not the purpose of the study to evaluate entirely new designs for the integrated disclosures required by the Dodd-Frank Act.

The Financial Services Roundtable

A comment letter was received from the Financial Services Roundtable and its Housing Policy Council on March 7, 2013. This letter offered the following six suggestions for the research that the Bureau proposes to conduct under this clearance:

(1) The letter suggests that the Bureau should not conduct baseline testing to compare performance of the current and proposed disclosures. Instead, the letter suggests that the Bureau should focus on consumer understanding solely with the proposed disclosures, including whether certain new items required by the Dodd-Frank Act are useful to consumers. The letter reiterated that, as is described herein, there is not a perfect baseline, because there are not currently disclosure forms that integrate the requirements of TILA, RESPA, the new information added by the Dodd-Frank Act, and the information required by other provisions that the Bureau has proposed to include in the disclosures.

The Bureau has determined that baseline testing will be useful in quantitatively evaluating the performance of the proposed disclosures. It has been suggested in literature and in at least one comment letter received by the Bureau to the 2012 Proposal (the letter was submitted by the staff of the Federal Trade Commission[7]) that baseline testing would allow the study to isolate and measure the performance of the proposed disclosures. The Federal Trade Commission staff's comment letter also addressed the lack of an exact baseline, stating that, "although there may be some information elements in the new forms proposed by the CFPB that do not appear in the current forms, thus making controls for those elements unavailable, there are numerous other elements that appear in both forms and which could be directly compared through the use of a control."[8] The Bureau also believes this methodology will yield data that will enable the Bureau to conduct a thorough evaluation of the performance of proposed disclosures.

(2) The letter suggests that the Bureau should not include an open-ended question in which the respondent chooses a particular loan and explains his or her reasoning. The letter suggests that the Structured Questionnaire should only include objective questions "to make informed decisions about the proposed mortgage disclosures."

One of the purposes of the study is to evaluate the results from the qualitative testing the Bureau conducted prior to the 2012 Proposal. The qualitative testing of the prototype Loan Estimate (the disclosure received after loan application) included a task in which the respondent was asked to select a loan from two Loan Estimates. Accordingly, this question is included in the Structured Questionnaire to be able to analyze the performance of the proposed disclosures in enabling consumers to shop for mortgage loans. This is an inherently different task than identifying or comparing one item on the disclosure, because it involves synthesizing and understanding many pieces of

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[7] Comments of the Staff of the Federal Trade Commission Bureau of Consumer Protection, Bureau of Economics, and Office of Policy Planning, Sept. 25, 2012, available at: http://www.regulations.gov/#!documentDetail;D=CFPB-2012-0028-0588

[8] *Id.*

information presented on the disclosure as a whole picture of each loan. For these reasons, the Bureau has determined that the study should include this task.

It is also worth noting that this methodology has been used in other quantitative studies of financial disclosures. For example, in a study conducted for the Federal Trade Commission and Federal banking agencies regarding a model privacy notice, an open-ended question was used and a coding system was developed collaboratively by the contractor and the interagency group sponsoring the study.[9]

The questions may be coded on several measures, such as identifying correct and incorrect reasons (an incorrect reason would be one that contradicts information on the disclosure), and the number of factors utilized in the decision making process. This task will be in addition to approximately 40 other objective questions, and thus, strictly objective measures will still be a significant part of the evaluation of the disclosures.

(3) The letter suggests that the methodology should be revised to provide additional time for the testing session to accommodate different levels of consumer experience and complexity of the loan products.

The Bureau believes the study should provide all respondents with the same amount of time to complete the Structured Questionnaire to maintain internal validity and ensure that the data is comparable across all variables.

(4) The letter suggests that the Structured Questionnaire should be revised to more fully address the risk factors in the loan products proposed to be used in the study.

The Bureau has revised the Structured Questionnaire to include more questions regarding these risks, such as interest rate and payment changes, negative amortization, and changes between estimated and final costs. The Bureau believes that the revised Structured Questionnaires address the risk factors appropriately taking into account the limitations of the 60-minute testing session and the other aspects of the transactions that merit attention.

(5) The letter suggests two methods to reduce potential bias in the study. The first suggested method is to revise the "filter" questions in Part 4 of the Structured Questionnaire. These questions ask the respondent to identify whether there is a change between the application and final disclosures, and then provide a skip for subsequent questions about such change if the respondent provided a "no" answer. The second method is to expand the "Experience" category of respondents from five years to seven to 10 years.

[9] Mall Intercept Study of Consumer Understanding of Financial Privacy Notices: Methodological Report, Macro International Inc. (Sept. 18, 2008), available at: http://ftc.gov/privacy/privacyinitiatives/Macro-Report-on-Privacy-Notice-Study.pdf.

The Bureau believes the methodology of the filter questions is sound. In fact, they are common in these types of studies. In addition, some of the loans may contain the change that is contemplated by such question while others do not. In response to the number of years of experience required for the Experience category, the Bureau considered the impact of the financial crisis on the potential experience and determined that five years of experience was appropriate. The Bureau's qualitative testing used five years for the Experience category as well, and the Bureau believes that maintaining this level for the quantitative study will provide further support for the use of this study to evaluate its qualitative findings.

(6) The letter suggests that the Proctor Instructions should be amended to state that each set of materials received by the respondents will be different, instead of the conditional phrasing used in the document.

The Bureau believes that this phrasing is appropriate and not problematic. If the Proctor Instructions used such definite wording and a respondent who viewed others in the room believed he or she received the same materials as another respondent, it may cause the respondent to distrust and become suspicious of the study, introducing bias into the data.

American Land Title Association

One comment letter was received on March 7, 2013 from the American Land Title Association (ALTA). This letter offered the following three suggestions for the research that the Bureau proposes to conduct under this clearance:

(1) The letter suggests that the Bureau should change the study methodology from a "between subjects" design to a "within subjects" design. The letter stated that this design is necessary to yield a "true comparison" of the current and proposed forms.

The CFPB believes that to compare the performance of the current and proposed forms, and isolate the effect of the proposed forms on performance, the study should include a control group. Accordingly, the CFPB has determined that the "between subjects" design is the most appropriate design for this study.

(2) The letter suggests that the quantitative testing should be conducted in real or simulated closings, because it is necessary to determine whether the disclosures achieve the goals of improving consumer comprehension.

The CFPB believes that the design of this study is a widely accepted and appropriate methodology to evaluate the Bureau's qualitative testing and evaluate the proposed disclosures. The Structured Questionnaire is designed to identify performance of respondents in identifying, comparing, and understanding loan terms and costs, which are the same tasks a consumer would perform in a real or simulated closing. Conducting testing at "real" closings is not the subject of this request for clearance.

(3) The letter suggests that the study should test the proposed rule changes for completing the disclosures. The letter specifically notes four areas of the proposed rules relating to the disclosures that ALTA believes should be tested in the study: alphabetical ordering of settlement services, consistency of labels and terminology, the requirement that the Closing Disclosure be received by the consumer three days before closing, and the requirement of the label "(optional)" for services that are not required by the lender. The letter suggests specific questions to address ALTA's concerns, including questions that ask the respondent's conjecture or preference about how certain rule changes would affect his or her performance.

The ability of consumers to identify fees using the alphabetical ordering system required by the 2012 Proposal will be evaluated as part of the study, because it controls how settlement services are disclosed on the disclosure, and the Structured Questionnaire asks questions about changes in the costs of the settlement services. With respect to the labels and terminology of certain fees, the loans in this study will be based upon the loans tested during the Bureau's qualitative study and will contain fees with different names. Accordingly, the Bureau does not believe any changes are necessary to the study to address this concern. With respect to ALTA's suggestion that a question should be added to the Structured Questionnaire to ask the respondent about his or her preference for or against the three-day requirement, the Bureau believes this issue is outside the scope of this study, which is to evaluate the integrated disclosures and not to obtain additional comments on a substantive rulemaking issue. Finally, with respect to the use of the "(optional)" label, the Bureau also believes this issue is outside the scope of this study. It is not the purpose of the study to evaluate whether a consumer would be more or less likely to purchase a particular product or service.

Texas Land Title Association

The Texas Land Title Association submitted a comment letter on March 6, 2013. The letter offered the following nine suggestions for the research that the Bureau proposes to conduct under this clearance:

(1) The letter suggests that the testing should take place at a "live" closing so that the Bureau can engage real consumers making a real estate purchase.

The Bureau believes that its proposed study, which will be conducted in a laboratory setting, is a widely accepted methodology and will provide useful data to evaluate the Bureau's qualitative testing results and evaluate the proposed disclosures. The supposed value of conducting testing at "live" closings is not in dispute, nor is it the subject of this request for clearance to conduct the proposed study.

(2) The letter suggests that the study should use the current forms, in particular, the "2009 revised 'HUD 1'."

The proposed study does include baseline testing with the current disclosure forms, including the current HUD-1 settlement statement.

(3) The letter suggests that the study should ask consumers which forms they prefer.

The proposed study uses a “between subjects” design, under which consumers will only use either the current or the proposed forms, but not both. Consequently, this question cannot be asked during the study. In addition, the Bureau is concerned with the performance of the disclosures, rather than the preference of the respondents.

(4) The letter suggests that respondents be informed that “the cost of settlement will likely increase with the advent of new integrated forms and whether they believe the new forms versus the current forms are worth increased cost.”

The purpose of the proposed study is to evaluate the performance of the integrated disclosures, not to solicit comments on the merits of the proposed rulemaking.

(5) The letter suggests that testing should be geographically diverse and include rural areas.

As noted in Part B of the Supporting Statement originally submitted to the Office of Management and Budget upon publication of the February 5, 2013 notice in the *Federal Register*, the proposed study will be conducted at testing facilities located in cities that cover the four census regions and the census sub-regions. In addition, the facilities will be located to ensure respondents are recruited from urban, suburban, and rural populations.

(6) The letter suggests that consumers should be asked if it would be easier to have two forms presented to them, one containing loan terms, and the other containing terms of the real estate settlement.

The purpose of the proposed study is to evaluate the performance of the integrated disclosures, not to solicit comments on the merits of the proposed rulemaking.

(7) The letter suggests that the study should test whether respondents can easily identify loan terms when they appear in two separate locations on two separate pages with the settlement information in between.

The purpose of the proposed study is to evaluate the performance of the integrated disclosures. The identification of loan terms and costs is the main focus of the study.

(8) The letter suggests that respondents should be asked a question regarding their preference for whether the lender or a settlement agent should conduct mortgage loan closings. The letter also suggests a follow up question about whether the lender and settlement agent should provide loan and real estate information separately.

This comment is in response to a policy issue in the 2012 Proposal regarding the party that provides the proposed Closing Disclosure. It does not relate to the design of the integrated disclosures, and thus, is outside the scope of the proposed study. The purpose of the proposed study is to evaluate the performance of the integrated disclosures, not to solicit comments on the merits of the proposed rulemaking.

(9) The letter suggests that the study should ask respondents a question regarding their preference for the requirement that the Closing Disclosure be received by the consumer three days before closing, and an additional three-day period be triggered if there are certain changes in the information.

The purpose of the proposed study is to evaluate the performance of the integrated disclosures, not to solicit comments on the merits of the proposed rulemaking.

National Association of Federal Credit Unions

The National Association of Federal Credit Unions submitted a comment letter on March 6, 2013. The letter offered no specific suggestions for the research that the Bureau proposes to conduct under this clearance, but instead provides comments on certain policy issues of the Proposal, such as the scope of the integrated disclosure requirements, the proposed changes to the definition of "finance charge" under Regulation Z, and the timing of any final rule.

Credit Union National Association

The Credit Union National Association submitted a comment letter on March 7, 2013. In addition to raising a concern regarding the timing of any final rule, the letter offered the following two suggestions for the research that the Bureau proposes to conduct under this clearance:

(1) The letter suggests that the scope of the proposed study should be expanded to include more loan scenarios. The letter offers examples, such as simultaneous second-lien loans, loans with lender credits, and loans where there are non-borrowers signing the security instrument but not the promissory note.

This comment is similar to the first suggestion listed under the above discussion of the Joint Trade Association Letter. The Bureau believes the types of loan products proposed to be used in this study is appropriate and will enable the Bureau to evaluate the integrated disclosures.

(2) The letter suggests that the study should test whether respondents are able to calculate the amount of "points and fees" of the loans and understand this calculation, because of the 3% points and fees threshold used to determine whether a loan is a qualified mortgage under the Bureau's recent Ability to Repay final rulemaking.[10]

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[10] *See* 78 Fed. Reg. 6408 (Jan. 30, 2013).

This comment raises an issue about the purpose of the proposed integrated disclosures and the information they contain, rather than the methodology of the proposed study. As set forth in the Dodd-Frank Act, the purpose of the integrated disclosures is to facilitate compliance with the disclosure requirements of TILA and RESPA, and to help the borrower understand the transaction by utilizing readily understandable language to simplify the technical nature of the disclosures. Dodd-Frank Act sections 1098, 1100A. The Bureau believes that it is not the purpose of the integrated disclosures to enable consumers to conduct or understand technical regulatory calculations or to determine compliance with Regulation Z. Accordingly, the integrated disclosures in the 2012 Proposal were not designed to achieve that objective and it is not a subject of the proposed study.

9. <u>Payments or Gifts to Respondents</u>

Respondents are asked to leave their homes and travel to the testing site, and consequently, they will be reimbursed in the form of an incentive of a designated amount of money. The Contractor has proposed providing an incentive to respondent of $75. Based upon the Contractor's knowledge and research, the Contractor has determined that this is the market rate for quantitative studies that use a similar 60-minute session time, a structured questionnaire with a similar level of complexity, and a similar time for transportation to a testing facility.

As described in Part B of the Supporting Statement, the study aims to achieve a mix of demographics, with a focus on specifically including respondents from rural areas. The reason for this is that real estate markets often have local characteristics, such as different terminology or types of transactions, and the study aims to evaluate the proposed integrated disclosures in a variety of markets. To include rural areas in the study, respondents will need to be recruited from locations that are up to 60 minutes travel time from the testing facility. The incentive to recruit such rural respondents to travel this distance to the testing facility needs to be appropriate to the distance such respondents would need to travel. Many respondents who travel from the furthest distance from a testing facility permitted under the testing (60-minute drive) are asked to commit 180 minutes (*i.e.,* the 60-minute session and 120 minutes of travel time). In addition, according to the Contractor, if the incentive were less than this amount, the study would not achieve a reasonable recruitment success rate. This would increase the number of potential respondents that would need to be called, thereby increasing the public burden of the information collection. Further, the incentive needs to be appropriate to the length and difficulty of the task involved in the study. The testing sessions involve a significant time commitment for each respondent: 60 minutes for the session. During that time, respondents are being asked to undertake difficult tasks, such as using several documents to compare potentially complicated loan products and to compare the financial impacts of these different products. These time commitments combined with the cognitive burden of tasks related to financial decisions require that sufficient incentive be provided to respondents. Similar and greater incentive amounts have been approved by OMB under the Bureau's Emergency Clearance and Generic Clearance. The incentive amounts have been included in the award to the Contractor.

Further, previous consumer testing for mortgage disclosures by Board of Governors of the Federal Reserve System (Board) and the U.S. Department of Housing and Urban Development (HUD) have utilized equal or greater incentive amounts. The Board provided incentives of $75 to its respondents for 90-minute one-on-one cognitive interviews when it developed revised mortgage disclosures under TILA in 2009. The Board conducted additional testing on mortgage disclosures in 2010 in which it provided incentives of $100 to respondents. HUD provided incentives to respondents of $75 in Atlanta and Denver and $100 in Boston for 90-minute cognitive interviews when it conducted consumer testing for revised mortgage disclosures under RESPA.

In addition, as requested by OMB in connection with its approvals of previous information collections under the Bureau's Emergency and Generic Clearances, this quantitative research will utilize over-scheduling, necessitating the recruitment of a greater number of respondents than is required for each testing session, to ensure the total number of respondents planned for the quantitative research is achieved.

10. Assurances of Confidentiality

For the assurances of privacy provided to respondents by KnowledgePanel, please see: http://www.knowledgenetworks.com/company/privacy.html. KnowledgePanel will provide information from the respondents to Kleimann consistent with this privacy policy. Kleimann will keep all personally identifiable information provided by respondents private to the extent permitted by law.

The CFPB will not obtain or access any personally identifiable information from Kleimann about survey participants. The CFPB will only obtain and access anonymous results and aggregated analyses of those results. The CFPB will treat the information received consistent with the System of Records Notice, CFPB.022 – CFPB Market and Consumer Research Records, 77 FR 67802, and its confidentiality regulations at 12 C.F.R. Part 1070.

11. Justification for Sensitive Questions

KnowledgePanel will provide the Contractor with the following information that KnowledePanel collects irrespective of this project: education, ethnicity, housing type, income, gender, employment status, size of household, and metro or non-metro MSA. This demographic data will be used to ensure that respondents represent a mixed population. The Contractor will collect certain supplemental demographic information from potential respondents using the Recruiting Script attached as Appendix A and the Respondent Questionnaire attached as Appendix B. This information may be considered sensitive information, because it may be considered private by some potential respondents. This information includes: income, field of employment, marital status, and household status. This information will be used to obtain the most recent demographic information about respondents with respect to information that may be subject to change more frequently than the information is updated in the KnowledgePanel database. This will be collected voluntarily and is necessary to ensure the CFPB has a sufficient demographic mix for its purposive sample.

In addition, information regarding the respondent's experience and interest in the residential mortgage market will be obtained and used to place the respondent in the proper variable group, as described in Part B of the Supporting Statement. In addition, information will be collected from respondents about recent delinquencies, defaults, and foreclosures on mortgage loans through the Recruiting Script and Respondent Questionnaire. This information may be used as appropriate to analyze performance results.

Because of the sensitive nature of some of the data collected in these efforts, the Contractor will obtain informed consent regarding the voluntary nature of the study and the privacy of such information by using a Privacy Statement and Consent Form, which will be requested to be read and signed at the testing site by each respondent that consents to participate in the study. The form is attached as Appendix D. This form will inform the respondents of the purpose of the study, the time the study will take, and stress that participation is voluntary and that their identity will be kept private to the extent permitted by law and the applicable privacy policies. Respondents will also be provided a separate Privacy Act Statement in a form that they can keep, which is attached as Appendix E.

12. <u>Estimated Burden of Information Collection</u>

Process	Number of respondents	Average burden per response (minutes)	Total burden hours
Study Respondents	850	60	850
Screening	3,000	10	500
Travel Time and Administration at Site	900	80	1,200
Total	----	-----	2,550 hours

This estimate includes a total number of potential participants to be screened of 3,000 individuals. The estimated time to complete the screening is 10 minutes. The estimated total number of participants traveling to the testing sites is 900 individuals, accounting for overscheduling. The estimated average travel time to and from the testing sites is 80 minutes. The estimated number of respondents participating in the study is 850 individuals. The time of each testing session will be 60 minutes. Accordingly, the estimated participant travel burden is 1,200 hours (900 × 80/60). The estimated study respondent burden is 850 hours (850 × 60/60). The estimated maximum burden is 2,550 hours (500 + 1,200 + 850).

The estimates are based on the pre-determined length of time it should take to complete this type of research based on CFPB's and the Contractor's prior research and similar research conducted by other regulators in testing disclosures.

13. Estimated Total Annual Cost Burden to Respondents or Recordkeepers

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

14. Estimated Cost to the Federal Government

There are no additional costs to the Federal Government, aside from the contract.

15. Program Changes or Adjustments

New data collection.

16. Plans for Tabulation, Statistical Analysis, and Publication

The CFPB anticipates publishing a final testing report explaining the methodology and discussing the results of the quantitative testing. This report will provide only aggregated data and the Contractor's analysis of the data. Unaggregated data that does not contain any personally identifiable information may be appended to such a report in the interest of transparency with respect to the CFPB's important work.

17. Display of Expiration Date

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

18. Exceptions to the Certification Requirement

There are no exceptions to the Certification Requirement.