

**CONSUMER FINANCIAL PROTECTION BUREAU  
INFORMATION COLLECTION REQUEST –  
DEBT COLLECTION SURVEY FROM THE CONSUMER CREDIT PANEL  
(OMB CONTROL NUMBER: 3170-XXXX)**

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**ABSTRACT:** The CFPB plans to conduct a mail survey of consumers to learn about their experiences interacting with the debt collection industry. The survey will ask consumers about their experiences with debt collectors, such as whether they have been contacted by debt collectors in the past, whether they recognized the debt that was being collected, and about their interactions with the debt collectors. The survey will also ask consumers about their preferences for how they would like to be contacted by debt collectors, opinions about potential regulatory interventions in debt collection markets, and about their knowledge of their legal rights regarding debt collections. The information collected through this survey will be used to inform a CFPB rule making concerning debt collection and research purposes.

The Dodd-Frank Wall Street Reform and Consumer Protection Act and other federal consumer financial laws authorize the Consumer Financial Protection Bureau (CFPB or Bureau) to engage in consumer protection rule writing. This PRA clearance is to collect survey data in support of CFPB rulewriting around debt collection. The CFPB issued an advance notice of proposed rulemaking concerning debt collection on November 6<sup>th</sup>, 2013. In order for the Bureau to improve its understanding of the debt collection market, the CFPB proposes a research project using the Consumer Credit Panel (CCP), a proprietary sample dataset from one of the national credit reporting agencies, to survey people who may have had debts in collection.

**A. JUSTIFICATION**

**1. Circumstances Necessitating the Data Collection**

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) and other federal consumer financial laws authorize the CFPB to engage in research and general market monitoring activities, to assess trends and emerging risks in consumer

financial markets.<sup>12</sup> The Bureau relies on empirical evidence and rigorous research to improve its understanding of consumer financial markets for regulatory purposes.

On November 6<sup>th</sup>, 2013, the CFPB issued an advance notice of proposed rulemaking concerning debt collection. This PRA clearance is to collect survey data in support of CFPB rulewriting concerning debt collection and for research and market monitoring purposes. The main law that governs debt collection and protects consumers is the 1977 Fair Debt Collection Practices Act (FDCPA). In 2010, the Dodd-Frank Act revised the FDCPA, making the Bureau the first agency with the power to issue substantive rules under the statute. The Bureau may also address concerns related to debt collection using its authority under the Dodd-Frank Act to issue regulations concerning unfair, deceptive, or abusive acts or practices and to establish disclosures to assist consumers in understanding the costs, benefits, and risks associated with consumer financial products and services.<sup>3</sup>

There are many businesses in the multi-billion dollar debt collection market. Banks and other original creditors may collect their own debts or hire third-party debt collectors. Original creditors and other owners of debts also may sell their debts to debt buyers, who may collect on the purchased debts or hire third-party debt collectors to recover them. It is estimated that there are more than 4,500 debt collection firms in the U.S.

Debt collection has long been one of the most complained-about subject areas to government regulators, including the Federal Trade Commission. Since July 2013, when the CFPB began accepting debt collection complaints, it has been one of the highest

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<sup>1</sup> DFA Section 1013(b)(1) mandates that the Bureau have research staff whose responsibilities include “[r]esearching, analyzing, and reporting on (A) developments in markets for consumer financial products or services, including market areas of alternative consumer financial products or services with high growth rates and areas of risk to consumers; (B) access to fair and affordable credit for traditionally underserved communities; (C) consumer awareness, understanding, and use of disclosures and communications regarding consumer financial products or services; (D) consumer awareness and understanding of costs, risks, and benefits of consumer financial products or services; (E) consumer behavior with respect to consumer financial products or services, including performance on mortgage loans; and (F) experiences of traditionally underserved consumers, including un-banked and under-banked consumers.”

<sup>2</sup> DFA Section 1022(c)(4) directs that “in order to support its rulemaking and other functions, the Bureau shall monitor for risks to consumers in the offering or provision of consumer financial products or services, including developments in markets for such products or services.”

<sup>3</sup> DFA Section 1031, 1032.

categories of grievances. Consumers report that some collectors harass them, demand amounts they do not owe, or threaten dire circumstances if they fail to pay, such as jail.

The Bureau is interested in learning about the debt collection system, about consumer experiences with the debt collection system, and about how rules for debt collectors might protect consumers without imposing unnecessary burdens on industry. The CFPB is particularly interested in the accuracy of the information used by debt collectors, ensuring that consumers know their rights, and the communications tactics employed by debt collectors. The survey proposed is designed to elicit this information from consumers, who in many cases are the only source of this type of information.

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

The CFPB requests approval from the Office of Management and Budget (OMB) for a clearance that will allow the Bureau to collect data through a survey to support rulemaking concerning debt collection and for research and market monitoring regarding this industry. Data collected in this survey will be used to inform rulemaking as well as for research purposes.

The clearance includes pretesting the questionnaires to ensure the collection of reliable information while minimizing respondent burden and costs. For example, the Bureau may use cognitive interviewing or pretesting to gauge the effectiveness of the survey questions and whether respondents understand each question.

This survey is a one-time data collection. A sample of consumers in the United States will be randomly drawn from the CCP, a 1-in-48 random sample of de-identified credit records acquired from one of the three national credit reporting agencies. The CFPB will draw the sample, inform the credit reporting agency of which credit records were selected, and the credit reporting agency (which unlike the CFPB has access to the direct identifying information related to these records) will mail a copy of the survey instrument to consumers whose records were selected. Consumers will be able to respond to the survey either by mailing back the paper version of the survey instrument using a prepaid envelope or by completing the survey online. All responses will be collected by the credit reporting agency, or a subcontractor, which will remove any direct

identifying information that respondents may have included, convert the responses into an electronic format, and transmit the responses to the CFPB. While the respondents will remain anonymous to the CFPB, the survey responses will be supplied with a key that allows the responses to be matched with the sampled credit record.

In broad terms, the survey will ask consumers about their experiences with debt collectors. Consumers will be asked whether they have been contacted by debt collectors in the past, whether they recognized the debt that was being collected, and about their interactions with the debt collectors. The survey will also ask consumers about their preferences for how they would like to be contacted by debt collectors and for the content of messages from a debt collector. A copy of the proposed survey instrument is included as part of this notice.

The information collected from this survey will be used to support a potential Bureau rulemaking on debt collection. As evidenced in the recent advance notice of proposed rulemaking, the Bureau is considering rules concerning debt collection under the FDCPA and the Dodd-Frank Act. The Bureau is particularly interested in areas of consumer harm within the debt collection system.

To that end, the CFPB is interested in improving the adequacy of information transferred with debts when debts are placed with a collector or sold to a debt buyer. One aspect of improving the adequacy of information transfer may be determining the information that is most useful to consumers. The survey will ask borrowers with a recent debt collection to consider how helpful various pieces of information would be in identifying their debts. To understand what consumers may receive from creditors or debt collectors currently, the survey will also ask what information was provided in response to a consumer's dispute. The Bureau would also like to improve the validation, dispute, and verification processes to ensure that consumers are receiving accurate and useful information and have the ability to dispute invalid debts.

In addition, the CFPB is considering rules governing communications between collectors, consumers, and third parties, including issues relating to technologies introduced in the 36 years since the FDCPA was enacted. The Bureau may also clarify or expand prohibitions on unfair, deceptive, and abusive acts or practices. Finally, the

CFPB may issue rules relating to the collection of time-barred debt, litigation practices, recordkeeping, or registration of debt collectors.

In addition, survey responses may be used in research projects to better understand how the debt collection process works for consumers and for creditors. This research will take the form of published research studies or articles in academic journals. Additionally, survey responses may be used to estimate the extent to which information about debt collections reported in credit records represents the universe of debt collection activities, results from which may be used in conjunction with future samples of the CCP to monitor activity in debt collection markets.

The CCP credit record data are proprietary and cannot be shared publicly. To allow outside researchers and other interested parties to learn about debt collection activities from these data, the CFPB may make a version of the survey data publicly available to the extent that such release is legally permissible and consistent with protecting consumers' privacy. Any public-release version of the data would be de-identified and would exclude any direct identifying information. In addition, the CFPB may withhold some data elements or take other steps to protect the privacy of respondents in any publicly available version of the data.

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

Surveys will be sent by mail to sampled consumers, who will have the option of filling out the paper survey and mailing it back using a prepaid envelope or completing the survey online. Any paper surveys that are received will be electronically scanned by a subcontractor of the credit reporting agency, stripped of any direct identifying information that the respondent may have included, and converted to an electronic format. The data will then be transmitted to the CFPB using a secure FTP server.

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

There is little information available about the debt collection market. Consumer complaints are useful for identifying areas of consumer harm, but may be subject to selection bias and may therefore not be representative of the average consumer collection experience. The credit records that we use as our sampling frame provide perhaps the most comprehensive source of information available about debt collection accounts. These data include information about the collection account, such as the original dollar amount of the debt, the date the debt was incurred, the current amount owed, and the category of expenditure that generated the debt (e.g., medical care, utility bills, insurance). Because we have the credit records for each survey respondent (and nonrespondent), we will be able to incorporate this information and avoid having to ask respondents detailed information about their collection accounts.

The information that we intend to collect through these surveys, which includes detail about each surveyed consumer's experiences with the debt collection agency and potentially information about debts that are not included in the credit records, is not available through other sources.

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

No small businesses will be impacted by this study, as survey respondents will be individuals only.

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

The proposed clearance will allow the Bureau to collect information on the debt collection market from consumers, allowing us to develop a more complete understanding of this market and consumers' experiences with it. Without this data collection, policy development at the Bureau will not be as well informed, and the CFPB will not be able to achieve its mission as effectively. Since this is a one-time data collection, less frequent collection is not possible.

Where appropriate, the CFPB plans to make the results of any research conducted using these data publicly available. Additionally, where legally permissible and consistent with protecting consumers' privacy, we envision making the collected survey

data available to researchers outside of the CFPB and to the public. Therefore, the data to be collected under this proposed clearance will not only improve the CFPB's understanding of consumer financial markets, but also increase the knowledge of researchers and other policymakers.

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

There are no special circumstances that require the CFPB to conduct the information collection in a manner inconsistent with the guidelines provided in 5 CFR 1320.5(d)(2).

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

On March 7, 2014, the CFPB published a Notice and Request for Comment ("the notice") on the proposed survey (79 F.R. 13043). In accordance with 5 CFR 1320.5(a)(1)(iv), the Bureau has published a notice in the Federal Register allowing the public 30 days to comment on the submission of this information collection request to the Office of Management and Budget.

The Bureau received more than 40 comments in response to the notice. Commenters included about 40 individuals; ACA International; the Consumer Bankers Association; Global Debt Registry; the American Financial Services Association; and the American Bankers Association.

The individual commenters were generally supportive of this type of information collection. Several commenters stated that the survey would have practical utility by providing the CFPB with information about, for example, consumers' experiences with debt collectors. Commenters indicated that this information could lead to better rules and procedures and may, in turn, lead to more positive experiences for consumers.

Several individual commenters indicated that the survey might obtain a higher response rate if it were conducted online or by email in part, some commenters suggested, because consumers may tend to throw out mail surveys. One commenter noted that not everyone has Internet access, however, so that the Bureau should retain the

option to complete the survey on paper. The Bureau agrees that some respondents may find it less burdensome to respond to an online survey, and the Bureau plans to provide an online option. The Bureau recognizes that some respondents may be inclined to generally discard mail surveys. However, the survey will use credit records as the sampling frame, and compliance with the Fair Credit Reporting Act (FCRA) requires that respondents for this survey be contacted through mail sent by the credit reporting agency.

Individual commenters further noted that the quality of survey responses and response rates would be increased by, for instance, keeping the number of questions to a minimum, using clear and succinct language, and making the purpose and importance of the survey clear. The Bureau generally agrees with these comments, and in part in response to these comments, the Bureau, for example, shortened the revised survey from 77 to 65 questions and modified the wording and placement of instructions. The individual commenters offered suggestions about the extent to which the survey should include open-ended questions as opposed to, for example, closed-ended multiple-choice questions. Adding open-ended questions has significant cost implications for a mail survey, so the Bureau has compromised by giving respondents an opportunity at the end of the survey to raise relevant issues in a single comment space. The Bureau has sought to convey the survey's value and purpose and intends to similarly emphasize this information in cover letters or other materials for respondents.

One commenter noted that the survey results could be skewed due to misreporting or to systematic differences between respondents and nonrespondents. The Bureau recognizes that debt and debt collection are sensitive topics for many consumers. Misreporting has been found to be less of a concern for mail surveys than for surveys administered by interviewers. In addition, to mitigate respondents' potential concerns that their responses may place them in an unfavorable light, the Bureau may note in cover letters or other materials that many consumers have debt and experience with debt collection. Consumers may also hesitate to respond to questions about sensitive topics due to concerns that their responses may not be kept confidential. This comment underscores the importance of this issue. The prior version of the survey specifically addressed the anonymity of responses on the cover page, and the revised survey gives



this information greater emphasis by placing it higher on the cover page, where it may be more likely to be read. Further, the Bureau believes that people are more likely to respond and to provide accurate information if the survey's purpose is clear and the survey is perceived as contributing to a public purpose. As noted above, the Bureau continues to consider ways to convey the importance of the survey. With regard to differences between respondents and nonrespondents, given that the sample frame comes from credit records, the Bureau intends to analyze the presence and extent of nonresponse bias and to correct for such bias, if detected.

The ABA, ACA, AFSA and CBA each stated that the survey did not sufficiently distinguish between creditors and third-party debt collectors. For brevity, the questionnaire had defined "debt collector" for the purposes of the survey to comprise both first- and third parties. The Bureau generally agrees that it may be beneficial to maintain this distinction more clearly. To do so, the revised survey refers to "creditor or debt collector" throughout, rather than "debt collector." In addition, question 28 of the revised survey will allow for analysis that may highlight differences, if any, in consumers' experiences with creditors compared with debt collectors.

Industry commenters stated that several survey questions were leading questions that, consequently, would yield misleading and biased survey responses. For example, the ABA and AFSA expressed this concern about, for instance, the introductory portions of question 8 (which has been eliminated) and question 15. This prefatory text in these and similar cases is intended to offset the potential misreporting of responses to sensitive questions, for example, if respondents felt embarrassed that they did not know their legal rights (question 8) or that they had paid a debt they did not think they owed (question 15).

Several industry commenters stated that the survey was too lengthy. The Bureau generally concurs, and, as noted above, the revised survey has been shortened from 77 to 65 questions. The questions that have been eliminated include several that industry commenters maintained were less likely to yield reliable or informative responses. For example, commenters stated that it was more informative to know whether respondents could obtain relevant information if necessary rather than knowing this information at the time of completing the survey (question 8). The revised questionnaire also omits

questions 23 and 24, in part because, as noted by AFSA, the phrasing “At any time... did you think about...” is potentially ambiguous and may result in false positives. The revised survey also excludes question 38 in response, to some extent, to the ABA comment that this question may not provide reliable information because respondents may not have first-hand knowledge of what the creditor or debt collector did or said.

The ABA also stated that the survey’s reliability may be reduced by recall bias for the questions that require respondents to think about their experiences in the past two years. The CFPB agrees with this comment and notes, however, that a shorter recall period would reduce the number of responses for many questions. Nonetheless, in response to this comment and based on an analysis of data in CCP regarding the potential reduction in the share of respondents to whom given questions apply, the survey has been revised to have a one-year recall period.

Comments from industry included suggestions about doing the survey online, including on mobile devices; pretesting the questionnaire; and selecting a stratified sample. These comments generally align with the CFPB’s intentions. As noted in sections 2 and 3 of Part A, for example, the CFPB expects that the survey will include an online option. However, as discussed above, the Bureau believes it cannot conduct the survey exclusively online but instead must contact respondents by mail to ensure confidentiality and compliance with FCRA. As noted in Part A, Section 2, the clearance includes pretesting. Further, the CFPB intends to select a sample that is stratified by the type of collection (e.g., medical or non-medical collection) or past-due loan payment (e.g., credit card balance or student loan).

## **9. Payments or Gifts to Respondents**

Survey recipients will receive a pre-paid five dollar cash incentive as an inducement to complete and return the survey questionnaire. Recipients who fail to respond to the initial survey solicitation will receive a second five dollar cash incentive. This incentive strategy is identical to that used by the National Survey of Mortgage Borrowers.

Meta-analyses of mail surveys find that incentives given initially with the

questionnaire yield significantly higher response rates than do incentives contingent on return of the survey or no incentives; furthermore, monetary incentives produce a stronger effect than non-monetary incentives.<sup>4,5</sup> Many recurring federally-funded surveys use monetary incentives, including the Survey of Consumer Finances, the Survey of Income and Program Participation, and the National Survey of Drug Use and Health, and self-administered surveys such as the Survey of Doctorate Recipients, the National Survey of Recent College Graduates, and the National Survey of Mortgage Borrowers.<sup>6</sup> Incentives have consistently been found to improve response rates across a variety of survey topics and modes.<sup>7,8</sup> Incentives have been found to be cost-effective in different modes, often reducing the effort required to contact and interview sample persons or reduce the number of follow-up mailings.<sup>9,10,11</sup>

## **10. Assurances of Confidentiality**

CFPB shall treat the information in accordance with applicable federal law, including but not limited to the Bureau's confidentiality rules, 12 C.F.R. Part 1070, and the federal laws and regulations that apply to federal agencies for the protection of confidentiality of personally identifiable information (PII) and for data security and integrity. These protections include stipulating in most instances that contractors that collect data on behalf of the Bureau remove or redact all direct identifying information before transmitting data to the Bureau and that any contractor staff assigned to the project sign

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<sup>4</sup> Allan H. Church, "Estimating the Effect of Incentives on Mail Survey Response Rates: A Meta-Analysis," *Public Opinion Quarterly* 57, no. 1 (1993): 62-79.

<sup>5</sup> Phil Edwards, Ian Roberts, Mike Clarke, Carolyn DiGuseppi, Sarah Pratap, Reinhard Wentz, and Irene Kwan, "Increasing Response Rates to Postal Questionnaires: Systematic Review," *British Medical Journal* 324 (2002):1183-1189.

<sup>6</sup> Fan Zhang, "Incentive Experiments: NSF Experiences," NSF Working Paper, 2010.

<sup>7</sup> Eleanor Singer (2002), "The Use of Incentives to Reduce Nonresponse in Household Surveys." In R.M. Groves, D.A. Dillman, J.L. Eltinge, and R.J.A. Little (eds), *Survey Nonresponse*. New York: Wiley, pp. 163-177.

<sup>8</sup> Eleanor Singer, and Cong Ye (2013), "The Use and Effects of Incentives in Surveys." *The Annals of the American Academy of Political and Social Science*, 645 (1):112-141.

<sup>9</sup> Martha Berlin et al. (1992), "An Experiment in Monetary Incentives." *Proceedings of the Survey Research Methods Section, American Statistical Association*, pp. 393-398.

<sup>10</sup> Eleanor Singer, John Van Hoewyk, and M. Patricia Maher (2000), "Experiments with Incentives in Telephone Surveys." *Public Opinion Quarterly*, 64 (2): 171-188.

<sup>11</sup> Gwen L. Alexander et al. (2008), "Effect of Incentives and Mailing Features on Recruitment for an Online Health Program." *American Journal of Preventive Medicine*, 34 (5): 382-388.

confidentiality agreements. When appropriate, research results will be presented in aggregated form to protect the confidentiality of firms or consumers, and any publicly released version of data will use disclosure protection techniques (e.g., rounding, imputation, exclusion of some variables, aggregation of categorical responses) to minimize the risk of releasing direct identifying PII or otherwise sensitive information (12 CFR 1070.40 *et seq.*).

Consistent with the Privacy Act and the E-Government Act, a Systems of Records Notice (SORN) has been published,<sup>12</sup> and a Privacy Impact Assessment (PIA) will be submitted for approval, as appropriate. The SORN and PIA will document the ways in which participants' direct identifying information will be collected, stored, and accessed. Specific details regarding information handling will be specified in individual submissions under this generic clearance, but will conform to these broad guidelines.

## **11. Justification for Sensitive Questions**

Questions about an individual's finances, for example, how much a person makes or how much their mortgage costs each month, are commonly considered sensitive. Nonetheless, the CFPB must ask these questions in order to understand consumer behavior and recognize financial trends and emergent risks relevant to consumers. Because these types of questions are central to the CFPB mission, we believe that we are justified in asking these types of sensitive questions.

In addition, some people may believe that questions about race or other socioeconomic factors may be considered sensitive. However, the CFPB is mandated to enforce fair lending laws and focus on risks to vulnerable populations, including service members, students, older Americans, and lower-income consumers. For this reason, we feel justified in asking these types of sensitive questions. For information collections involving questions of race/ethnicity, we will ensure that the OMB standards for Classification of Federal Data on Race and Ethnicity (Federal Register, October 30, 1997, Volume 62, Number 210, pages 58781-59790) are followed.

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<sup>12</sup> CFPB.022, <https://www.federalregister.gov/articles/2012/11/14/2012-27582/privacy-act-of-1974-as-amended>

Respondent participation is voluntary; subjects will be made aware of this fact. All respondents are free to opt-out of a data collection at any time and for any reason. Administrative data for respondents and nonrespondents will be used to analyze nonresponse bias.

The CFPB will ensure that a citation is made to any applicable System of Records Notice (SORN) for the collection of direct identifying information, and that a Privacy Impact Assessment (PIA) is published.

## **12. Estimated Burden of Information Collection**

The CFPB plans to mail surveys to up to 11,000 consumers and estimates a 30 percent response rate. For the estimated 3300 consumers who fill out the survey, we estimate that completing the survey will take 20 minutes on average, for a burden of 1,100 hours. This estimate includes the burden associated with pretesting the survey. The pretest will involve initially mailing the questionnaire and cover letters (and, subsequently, the first reminder letter) to a random subsample of about 1,000 consumers from the full sample to evaluate early returns and make any modifications that may be necessary. The pretest cases will be included in the main dataset and the instrument would be identical to the instrument for the full sample if no major changes to the instrument are needed. In addition, the CFPB intends to conduct cognitive testing of the survey questionnaire that would involve nine or fewer subjects and that would take about 60 minutes for each subject. The instrument used for cognitive testing will be the same as the final instrument except in instances in which the cognitive testing indicates revisions to the questions that may be necessary. The total burden including cognitive testing is therefore estimated to be 1,109 ~~hour~~hours

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

There are no capital/start-up or ongoing operation/maintenance costs associated with this information collection. Postage costs to return the survey questionnaire will be pre-paid by the survey contractor.

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

Based on the expenses associated with similar survey projects, we expect this survey to cost approximately \$400,000. This is the only cost to the government of this research project.

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

This is a new information collection request.

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

We expect data collection to take at least two to three months. Once the data have been received, we expect data tabulation and preliminary data analyses to last another four to five months. We expect the analysis will include providing descriptive statistics for which there are currently no reliable estimates, such as the frequency of various types of debt in collections, the frequency of contacts by creditors and debt collectors attempting to obtain payment, and borrowers' preferences regarding contacts from creditors or debt collectors. These and any other analysis would incorporate nonresponse adjusted sample weights. We also expect to produce cross-tabulations of these and similar measures by, for example, credit score, demographic characteristics, type of debt, and type of debt collector (first- or third-party). Finally, we may consider how estimates from this survey might be compared with data from the Surveys of Consumers and Survey of Consumer Finances based on responses to questions in Section A of the survey, which are similar to questions asked in these other two surveys.

These tabulations and analytical results will be published in a publicly released research paper. We estimate this paper will be released 6–8 months from the time that data collection can begin. If any survey responses are released, they will be made publicly available at that time as well. Additional papers focusing on more detailed substantive analyses and on methodological findings from this survey will be released at a later date.

**17. Display of Expiration Date**

The Bureau plans to display the expiration date for OMB approval of the information collection on all instruments.

**18. Exceptions to the Certification Requirement**

The Bureau certifies that this collection of information is consistent with the requirements of 5 CFR 1320.9, and the related provisions of 5 CFR 1320.8(b)(3) and is not seeking an exemption to these certification requirements.