

**CONSUMER FINANCIAL PROTECTION BUREAU
GENERIC INFORMATION COLLECTION REQUEST
SUPPORTING STATEMENT PART A**

**GENERIC INFORMATION COLLECTION PLAN FOR THE DEVELOPMENT
AND/OR TESTING OF MODEL FORMS, DISCLOSURES, TOOLS AND OTHER
SIMILAR RELATED MATERIALS
(OMB CONTROL NUMBER: 3170-0022)**

Abstract

This is a request for a generic clearance for the Consumer Financial Protection Bureau (“CFPB,” or “Bureau”) to allow for qualitative testing of disclosures and related materials relating to the features of consumer financial products and services. The research will result in recommendations for the development of and revisions to such disclosures and related materials. The research activities may be conducted by the Bureau or external parties such as, for example, contractors retained by the Bureau, and will employ cognitive psychological testing methods. This approach has been demonstrated to be feasible and valuable by the CFPB and other agencies in developing disclosures and related materials. The planned research activities will be conducted with the goal of creating effective disclosures and related materials that will help consumers understand the features of consumer financial products and services.

A. JUSTIFICATION

1. Circumstances Necessitating the Data Collection

This is a request for a three-year generic clearance to collect information to allow the Consumer Financial Protection Bureau (“CFPB,” or “Bureau”) to conduct qualitative testing of disclosures and related materials relating to the features of consumer financial products and services the CFPB is authorized to regulate. These include, for example, mortgage origination and servicing, credit cards, checking accounts, private education loans, payday loans, debt collection, money services (such as remittances), and check cashing. Such testing could relate to consumer disclosures, including model forms and sample forms that may be used to inform how information should be disclosed. Related materials may also include electronic disclosure methods (such as web based forms), educational materials (such as pamphlets prepared to improve financial literacy), or compliance guides used to inform consumers and industry about consumer financial protection obligations (such disclosures and related materials referred to collectively as “Consumer Tools”).¹

¹ The term “Consumer Tools” is used in this supporting statement for ease of reference throughout the document.

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) and other federal consumer financial laws, the CFPB is required and/or authorized to develop disclosures and related materials relating to the features of consumer financial products and services. As a general matter, section 1021(b)(1) of the Dodd-Frank Act authorizes the Bureau to exercise its authorities under Federal consumer financial law for the purposes of ensuring that, with respect to consumer financial products and services, consumers are provided with timely and understandable information to make responsible decisions about financial transactions. Further, section 1032(a) of the Dodd-Frank Act authorizes the Bureau to prescribe rules to ensure that the features of any consumer financial product or service, both initially and over the term of the product or service, are fully, accurately, and effectively disclosed to consumers in a manner that permits consumers to understand the costs, benefits and risks associated with the product or service, in light of the facts and circumstances. Section 1032(b) provides that any rule prescribed under this section requiring disclosures may include a model disclosure form. Section 1032(b)(3) requires consumer testing to validate any model forms issued pursuant to section 1032(b). The CFPB is also required from time to time to issue reports on various consumer protection issues, and is authorized under the Dodd-Frank Act to engage in general monitoring and research activities to support its rulemaking and consumer education functions.

Consumer research and testing is often useful to enhance the value of consumer financial disclosure materials to consumers and industry compliance with CFPB regulations by, for example, improving the quality of the disclosure materials’ design and content. Consumer financial disclosure materials may help, among other things, to (1) facilitate comparison shopping by consumers with respect to consumer financial products and services, (2) ensure that the features of particular consumer financial products and services are fully, accurately, and effectively disclosed to consumers in a manner that permits consumers to understand the costs, benefits, and risks associated with the product or service both initially and over the term of the product or service, and (3) assist covered entities in complying with applicable regulations.

The CFPB has engaged and anticipates continuing to engage the public to obtain feedback about disclosures and related materials it tests. The collection of data from the public allows the Bureau to obtain a wide variety of perspectives to supplement the qualitative testing. This methodology is consistent with the Administration’s core goals of transparency, which “promotes accountability by providing the public with information about what the Government is doing,” and participation, which “allows members of the public to contribute ideas and expertise so that their government can make policies with the benefit of information that is widely dispersed in society.”²

This generic clearance request will be used to conduct qualitative testing of disclosures and related materials relating to the features of consumer financial products and services. The CFPB will not use this generic clearance for quantitative testing. The CFPB anticipates using the

²Open Government Directive. December 8, 2009.
<http://www.whitehouse.gov/sites/default/files/omb/assets/memoranda_2010/m10-06.pdf>.

results of the qualitative testing approved under this generic clearance for formative, cognitive research. To illustrate, the CFPB conducted three rounds of qualitative testing of mortgage servicing disclosure forms between February and April 2012 under an Emergency Clearance, to allow for qualitative testing of certain mortgage servicing disclosures required by Title XIV of the Dodd-Frank Act. The results have helped to inform the CFPB in developing its notice of proposed rulemaking with respect to the mortgage servicing disclosure regulations required by Title XIV of the Dodd-Frank Act. In addition, CFPB has several qualitative testing efforts underway under the existing clearance, including qualitative testing of prepaid account disclosure forms. Earlier rounds of the prepaid account disclosure testing conducted between February and April 2014 helped to inform the CFPB in developing its notice of proposed rulemaking with respect to prepaid account disclosure regulations. CFPB anticipates ongoing rulemakings and other initiatives for a range of consumer financial products to include consumer testing of potential disclosure forms. Other projects anticipated by the Bureau could include testing of compliance guides and programs that may be provided to industry participants to determine if such guides assist in compliance with CFPB regulations, as resources permit.

The CFPB will review existing literature on consumer behavior in designing, developing, and testing disclosures to evaluate and improve their effectiveness in satisfying statutory requirements; conveying the costs, risks, and benefits of particular consumer financial products and services; and helping consumers understand and make decisions concerning the proposed consumer finance transaction. Further, research with industry participants is useful to improve industry compliance with CFPB regulations. For example, the CFPB may use research conducted under this generic clearance to design and test electronic tools that engage with consumers and industry participants about compliance with CFPB regulations.

The use of a generic clearance will allow the CFPB to obtain useful data in a timely manner. In CFPB's experience, the design and testing of disclosures and related materials require numerous iterations of disclosure forms and rounds of qualitative testing of those iterations. This process is time- and resource-intensive, requiring a thorough analysis of the data collected from each round, revision of the disclosures and related materials based on those data, and a revision of the specific questions that will be asked at qualitative testing to match the disclosure or related material. A generic clearance for the qualitative testing process will allow the Bureau to focus its efforts on design and evaluation, so that the Bureau may conduct these tasks in an as efficient and timely manner as possible.

An internal review of all proposed data collections will be performed to ensure the following:

- Consistency with CFPB mission and strategic objectives;
- Technical adequacy in issues, such as frame, participant and sample selection, recording and analysis;
- Minimized burden on the participants;
- Privacy of participants and internet respondents information to the extent permitted by law, including section 1022(c)(8) of the Dodd-Frank Wall Street Reform and Consumer

- Protection Act and other applicable laws;
- Consistency with this generic clearance;
- Consistency with applicable law and regulation; and
- All data collections are truly voluntary.

Lastly, with respect to any disclosure regulation, the Bureau notes that in addition to consumer research and testing, the Bureau will generally go through the formal notice-and-comment process to give all stakeholders the opportunity to provide input. For example, the CFPB published its proposed rulemaking on prepaid accounts, including proposed disclosure requirements, in the *Federal Register* on Dec. 23, 2014 (79 FR 77102) and provided an appropriate period of public comment on the rule. We anticipate doing the same for all future rulemakings and other Bureau actions.

2. Use of the Information

The information collected will be used to inform the CFPB regarding the design, development, or evaluation of disclosures and related materials relating to the features of consumer financial products and services. Data collection tools will include, among other things, consent forms, participant questionnaires, cognitive one-on-one think-aloud interviews, and electronic feedback tools, as appropriate.

The information collected during qualitative testing will inform, among other things, the design and content of disclosures and related materials relating to the features of consumer financial products and services, using an iterative process to improve the draft versions of such disclosures. The data will be analyzed to determine what elements of the disclosures are effective and what elements need revision and will be used to inform CFPB staff decisions regarding alterations or revisions to the disclosures. The CFPB anticipates conducting iterative testing to improve the disclosures and related materials.

Information collected under qualitative testing approved under this generic clearance is not meant to be, and will not be treated as, a sample that is statistically generalizable to the overall American population. The testing results are formative in nature and will be clearly portrayed as such in any presentation of the results. The results of qualitative testing conducted under this generic clearance is expected to result in improved disclosures and related materials

3. Use of Information Technology

The CFPB anticipates collecting data through individual as well as group interviews, which may be conducted with or without computer assistance, as well as through the use of non-electronic tools (such as hand-written notes or responses) and electronic tools (such as audio- and video-recordings or eye tracking software). The CFPB notes that participation will be entirely voluntary and individuals may elect to discontinue providing feedback at any time.

4. Efforts to Identify Duplication

This research contemplated under this clearance will not duplicate any outside-of-government research effort, as its purpose is not to replicate survey research studies. The research is necessary to design, develop, and implement disclosures and related materials, including model forms and disclosures contemplated by the Dodd-Frank Act and other federal consumer financial laws. CFPB staff working on the development of disclosures and related materials are cognizant of current research being done in the field of disclosure design and development. The CFPB will continue to monitor research on disclosures and related work of researchers and other Federal regulatory agencies to ensure that the CFPB's research techniques reflect current knowledge and best practices.

5. Efforts to Minimize Burdens on Small Entities

Data collections under this clearance are not anticipated to burden small entities significantly. The CFPB anticipates that the majority of information collection projects will collect information from individuals, not small entities.

In certain circumstances, the CFPB may collect information from small entities. Such research may include, for example, industry members as participants to access their perspective and knowledge in using the disclosures or other similar related materials (such as, for example, tools relating to compliance with CFPB regulations), and communicating information to consumers regarding consumer financial products or services. The CFPB may conduct small entity usability testing to learn how disclosures and related materials work when integrated into small entities' existing protocols and practices. Further, the CFPB may utilize online tools to obtain feedback and small entities may choose to participate through the use of those tools. Participation through such online methods should involve an extremely low burden.

All efforts will be made to minimize the burden on small entities in the event that data will be needed pertaining to these entities. The CFPB anticipates that details regarding such efforts will be provided in each collection request.

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

The CFPB anticipates that individuals that participate in information collection projects will only participate once, so frequency of data collection is not an applicable concern. For each data collection project submitted hereunder, if the information is not collected, it will not be possible to evaluate the effectiveness of the Consumer Tools under evaluation.

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 1320.5(d)(2).

8. Consultation Outside the Agency

When this clearance was first proposed, comments were solicited in the Federal Register on November 2, 2011. 76 Fed. Reg. 67668 (Nov. 2, 2011). The CFPB carefully considered the comments we received at that time. In addition, in accordance with 5 CFR 1320.8(d)(1), the Bureau has published a notice in the *Federal Register* allowing the public 60 days to comment on this proposed renewal of the request for clearance to conduct research. No Comments were received. Further, and in accordance with 5 CFR 1320.5(a)(1)(iv), the Bureau 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.

9. Payments or Gifts to Respondents

Respondents for activities conducted in a setting that are not the respondents' home or over the phone (that is, cognitive interviews and focus groups) under this clearance will receive a small stipend. This practice has proven necessary and effective in recruiting subjects to participate in this small-scale research, and is also employed by the other Federal agencies. The incentive for participation in an interview or testing session lasting up to one hour will usually be \$40, and for participation in activities lasting longer than 1 hour or where successful recruitment may require higher incentives, such as for extensive travel or to recruit special populations, will generally range from \$50-\$75. CFPB may provide smaller incentives than these amounts at its discretion; however, any requests for larger amounts will be justified in writing to OMB. The amount of any reimbursement requested and the justification for the amount will be provided in each collection request.

10. Assurances of Confidentiality

The information collected under this generic clearance by contractors may include direct identifying personal information for the purpose of contacting participants. These may include name and contact information. Information collected under this generic clearance may also include personally identifiable information (PII) that are not direct identifiers such as a participant's gender or age, which may be provided to the CFPB to be used in analysis of the data. However, the CFPB will only receive and keep response data stripped of direct identifying personal information. The CFPB will not seek to collect, and will never retain individual-level data that is personally identifiable or could be aggregated to identify a test subject personally. 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 privacy, confidentiality, security and integrity. The CFPB anticipates imposing appropriate privacy requirements in connection with any information collection projects to ensure that PII will not be disclosed, to the extent permitted by applicable law. For example, it is the CFPB's practice to require that contractors that assist the CFPB with design and testing projects to comply with contractual requirements regarding information release, non-disclosure of personal information, privacy, and security.

For information collections under this generic clearance, the CFPB provides notice to individuals

that explain how their information will be used through Privacy Act Statements. Privacy Act Statements are made available prior to the collection of information and explain whether the information is mandatory or voluntary; the authority for the information collection; whether there are any opportunities to consent to sharing and submission of information; how the information will be secured, and what System of Records applies. Notice will be provided at all phases of recruitment and participation if electronic tools (such as audio- and video-recordings or eye tracking software) are used.

To reduce the risk of breaches of confidentiality, the CFPB designs recruitment materials so as not to disclose sensitive information about those it seeks to recruit, and uses appropriate security controls to protect information used in research. The CFPB also takes steps to reduce the risk of misuse of information collected for research. Misuse might involve secondary types of research that are incompatible with the purposes of the initial collection, or a use of the information that individuals do not understand or to which they have not provided consent. To reduce the risk of misuse, the CFPB minimizes access to PII based on need-to-know and stipulates, in most instances, that contractors that collect data on behalf of the Bureau remove or redact all direct identifying PII, as defined by the Bureau's privacy office, before transmitting data to the Bureau. 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 personally identifiable or otherwise sensitive information (12 CFR 1070.40 *et seq.*). The Bureau treats the information collected from participating persons and institutions in a manner consistent with our confidentiality regulations, and all data and analyses are subject to legal and privacy review prior to their release.

The Bureau also evaluates the potential privacy risk and harm to individuals of specific research relative to that authorized purpose, and vets research proposals to ensure that they serve an authorized purpose. Research conducted under this generic clearance will be consistent with the Privacy Act and the E-Government Act. The requisite SORNs and PIAs will document the collection, use, disclosure, and retention of PII and the technical, administrative, and physical controls used to minimize privacy risks. The SORNs and PIAs will be updated as appropriate, and details regarding information handling will be specified in individual submissions under this generic clearance.

11. Justification for Sensitive Questions

The most sensitive information expected to be collected in connection with the qualitative research activities is demographic data about the respondent, such as age range, race, income, education level and past or present experiences with consumer financial products. This will be collected voluntarily and is necessary to ensure the CFPB has a sufficient demographic mix for its purposive sample. The CFPB will follow OMB guidance with respect to how the information about demographic data is gathered. The CFPB shall set forth protocols to ensure that each

participant is not identifiable through PII and that none of the demographic or consumer financial experience data will be tied in reporting to any specific individual.

12. Estimated Burden of Information Collection

<u>Process</u>	<u>Number of respondents</u>	<u>Number of responses per respondent</u>	<u>Number of annual responses</u>	<u>Average burden per response (hours)</u>	<u>Total burden (hours)</u>
Informational outreach	600	1	600	1	600
Screening	8,000	1	8,000	.25	2,000
One-on-one interviews	1,500	1	1,500	1.75	2,625 ³
Focus Groups	450	1	450	1	450
Website feedback ⁴	13,000	1	13,000	.25	3,250
Annual Total:	21,000 ⁵	21,000	8,925
Three Year Total:	63,000	63,000	26,775

The estimates are based on the average length of time it would take to complete 12 of this type of research project based on similar research conducted by the CFPB and other regulators in developing model forms, disclosures, tools, and other similar related materials. In addition, the CFPB adjusted the calculations to reflect additional burden in the case of testing of compliance tools with industry participants.

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 will be no annualized capital/start-up costs for the government to receive this information. This testing is funded with non-appropriated funds. Individual project costs will be provided in

³ This includes up to 45 minutes of travel to and from the sites where such interviews take place

⁴ For example, the Bureau established the Know Before You Owe site on the CFPB website to obtain a wide variety of perspectives to support the qualitative testing of mortgage loan disclosure forms. The Bureau believes the use of such sites, including sites similar to the Know Before You Owe site, create an efficient means of obtaining information for an information collection while minimizing participant burden.

⁵ The respondents for information outreach, Focus Groups and One on One interviews are subsets of those who respond to the screener

each collection request.

15. Program Changes or Adjustments

	Total Respondents	Annual Responses	Burden Hours	Cost Burden (O & M)
Total 3-Year Burden Requested	63,000	63,000	26,775	\$0
Total Annual Burden Requested	21,000	21,000	8,925	\$0
Current OMB Inventory	25,050	25,050	8,925	\$0
Difference (+/-)	+37,950	+37,950	+17,850	\$0
Program Change	0	0	0	\$0
Discretionary	0	0	0	\$0
New Statute	0	0	0	\$0
Violation	0	0	0	\$0
Adjustment	+37,950	+37,950	+17,850	\$0

Although the number of annual responses has decreased from 25,050 to 21,000, the CFPB is now including in its burden estimates the time it takes respondents to travel to and from testing sites, leading to a more accurate estimate of the total burden this information collection imposes on respondents. As such the burden hours have remained constant even though the number of responses has decreased. In addition, in item 12 we are now also including the total burden for all three years for which we are seeking approval of this collection, and not just the annual burden, to facilitate a better public understanding of our burden estimates.

16. Plans for Tabulation, Statistical Analysis, and Publication

Projects conducted under this generic clearance may include survey methodological and questionnaire quality assurance, which encompass the exploratory activities leading to the evaluation of data quality. Projects conducted under this generic clearance may also include the design and development of disclosures and related materials relating to consumer financial products and services.

The results of these investigations will be used primarily to improve the quality of data collection and assure total collection quality as it relates to data management. Because the CFPB is using the latest techniques and cognitive psychological testing methodology, methodological papers may be written that include some tallies of response problems, recall strategies, or results from other testing procedures used, etc. The methodological results may be included as a methodological appendix or footnote in a report containing data from a larger data collection effort. The methodological results of this research may be prepared for presentation at professional meetings or publication in professional journals. In addition, it is anticipated that

information collections under this generic clearance may be included in reports that will be published discussing the methodology and results of the data collection to inform future formative, cognitive research. However, these results will not be presented as estimates about a population.

17. Display of Expiration Date

The OMB control number and expiration date associated with this PRA submission will be displayed on the Federal government's electronic PRA docket at www.reginfo.gov. In addition, all instruments used for collecting data under any collection submitted under this generic information collection plan will display the OMB control number wherever and when appropriate.

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.