

**CONSUMER FINANCIAL PROTECTION BUREAU INFORMATION
COLLECTION REQUEST – SUPPORTING STATEMENT
GENERIC INFORMATION COLLECTION PLAN FOR INFORMATION ON
COMPLIANCE COSTS AND OTHER EFFECTS OF REGULATIONS
OMB CONTROL NUMBER: 3170-0032**

TERMS OF CLEARANCE: Not applicable. The Office of Management and Budget (OMB) provided no actionable Terms of Clearance when this generic information collection plan was last approved by OMB on February 15, 2015.

ABSTRACT: The Dodd-Frank Wall Street Reform and Consumer Protection Act requires or authorizes the Consumer Financial Projection Bureau to implement new consumer protections in certain sectors of financial markets, including the mortgage and remittance industries. The information collected is required in order to effectively incorporate information from providers concerning compliance costs and other effects of regulations into potential rulemakings.

A. JUSTIFICATION

1. Circumstances Necessitating the Data Collection

Congress created the Consumer Financial Protection Bureau (“CFPB” or “the Bureau”) in July 2010 when the Dodd-Frank Wall Street Reform and Consumer Protection Act (“the Act” or “the Dodd-Frank Act”) was enacted. The Act accords the Bureau responsibility for implementing, interpreting, and assuring compliance with various Federal consumer financial protection laws on the part of depository and non-depository providers of consumer financial products and services (“covered persons” or “Providers”).¹ In order to fully understand the implications of the Bureau’s regulations, the Research, Markets, and Regulations (“RMR”) division of the CFPB seeks approval to collect information on compliance costs, benefits, and other impacts of its existing rules and any new, potential rules the CFPB may promulgate.²

As outlined in the Act, among the Bureau’s objectives is to identify regulations that are “outdated, unnecessary, or unduly burdensome” in order for the Bureau to reduce unwarranted regulatory burden.³ In order to determine the extent to which the Bureau’s rules present undue burden on the consumer financial industry and to identify the causes of such burden, the Bureau will collect qualitative information on the costs and impacts of regulations on a Provider’s businesses and operations. The Bureau may also gather information on the effects of regulations on the business processes of third-party service providers (“service providers”) that offer products and services that address compliance and operational needs of covered persons. A robust understanding of the process, systems, and decision-making involved in regulatory compliance along with preliminary estimates of associated costs will help the Bureau develop policy solutions that could potentially reduce undue burden on Providers, without sacrificing the benefits of regulations on both consumers and Providers.

Improving available information about compliance costs and other economic implications of

¹ See Dodd-Frank Act, Pub. L. No. 111-203, Sec. 1021

² See Dodd-Frank Act, Pub. L. No. 111-203, Sec. 1022

³ See Dodd-Frank Act, Pub. L. No. 111-203, Sec. 1021(b)(3)

regulations also enriches the data needed to fulfill statutory responsibilities both for rules that the Bureau is required to promulgate under the Dodd-Frank Act and for other potential rulemakings. In particular, section 1022 of the Dodd-Frank Act calls for the Bureau to consider the potential benefits and costs of a regulation to consumers and covered persons, including the potential reduction of consumer access to financial products or services; the impact on depository institutions and credit unions with \$10 billion or less in total assets as described in section 1026 of the Act; and the impact on consumers in rural areas.⁴ The Regulatory Flexibility Act requires the Bureau to consider compliance and related impacts of potential regulations on small Providers.⁵ The Paperwork Reduction Act requires the Bureau to estimate burdens of disclosure requirements, a common element of financial services laws, and other information collections.⁶

With respect to potential rules, better information about possible compliance costs and other economic implications can promote the public interest. Notices of proposed rulemakings (NPRMs) with qualitative information about the nature and scope of compliance costs obtained from the collections can elicit more useful public comments. Gathering information and data prior to a rule proposal would allow the Bureau to develop more robust proposals, as well as afford the public with a more nuanced understanding of a particular regulation or policy area.

The Bureau will use standard channels of gathering public feedback on its regulations, such as Federal Register notices, Requests for Information, and Small Business Review Panels. In addition, the Bureau is required to assess effectiveness, among other things, of any significant rules it adopts no later than five years after the effective date of the rule.⁸ The information collections under this clearance would offer covered persons and service providers an additional opportunity to provide the Bureau with deeper insight into significant contributors to costs at their respective institutions. The ability to gather qualitative information on a structured basis from representative institutions will enhance the information taken into consideration when the Bureau develops and evaluates its rules. By engaging directly with financial institutions and their service providers, the Bureau can also better understand a variety of implicit and potentially unexpected costs, as well as potential benefits, that stem from its existing regulations.

Information on compliance costs is not widely available in business literature or publicly available firm data. Regulatory financial statements and quarterly earnings statements provide data regarding a Provider's expenses; however, they do not distinguish costs that are related to compliance with regulatory requirements. Furthermore, available literature on compliance costs and regulatory burden are outdated and may not reflect current industry observations.

2. Use of the Information

The collections will gather qualitative information on the costs and impacts of regulations on the businesses and operations of Providers and on their customers across different sectors of the consumer financial industry. The Bureau seeks to better understand the business processes, business decisions, and other costs and benefits for covered persons and, by extension, their customers from potential rules and existing regulations. The Bureau will gather information on the direct costs resulting from the implementation and maintenance of different processes and systems for regulatory compliance. Beyond first-order, operational compliance costs, the Bureau may also investigate the effects of a potential or existing regulation on the business

⁴ See Dodd-Frank Act, Pub. L. No. 111-203, Sec. 1022(b)(2), 1026

⁵ See 5 U.S.C. §§ 603 et. Seq.

⁶ See 44 U.S.C. §§ 3506(c)(1)(A)(iv)

decisions of providers (such as what products to offer and how to price them) and, potentially, on providers' revenues or profits and, where possible, on their customers. These investigations may also assist the Bureau to assess qualitatively how a potential or existing regulation may affect market equilibrium and consumer access to financial products and services. Section 1022 specifically requires the Bureau to consider effects on consumer access of notice-and-comment rules.

As indicated in section 1, information collections under this generic clearance represent an additional channel for public feedback on CFPB's existing rules and any potential rulemakings. Additional input from covered persons and service providers would give the Bureau a more nuanced understanding of costs, which it can use to provide solutions for reducing undue regulatory burden without limiting the benefits of regulation for both consumers and Providers. To that end, RMR anticipates using the information from these collections to conduct formative research that will:

- Inform but not serve as the sole influencer on the Bureau's various rulemaking initiatives announced in the Bureau's regulatory agenda;
- Inform but not serve as the sole influencer on other potential rulemakings specifically required or authorized by the Dodd-Frank Act;
- Inform, along with other data and research the Bureau's perspective on the appropriate approach to regulation of various industries in its jurisdiction, such as short-term credit products in various forms, debt collection, and consumer reporting;
- Supplement available information used for mandated analyses that the Bureau is required to perform for potential new rules, such as cost-benefit analyses required under section 1022 of the Act, the Regulatory Flexibility Act, and the Paperwork Reduction Act;
- Review impacts of the rules the Bureau inherited from other agencies;
- Review significant new rules the Bureau adopts, as the Bureau is generally required to do within five years; and
- Develop new tools and solutions, such as compliance guides, that can help covered persons and service providers limit the burden of implementation and maintenance of their compliance systems for consumer financial regulations.

RMR will use information collections under this generic clearance to further develop and conduct studies that are intended to inform the objectives listed above. Through this formative research on compliance systems and processes, the Bureau will be able to better assess if aspects of existing rules under its authority are unduly burdensome or not have the intended effects. In doing so, it can propose solutions to limit such burden or increase effectiveness. With respect to potential rulemakings, the research conducted under this clearance will help inform and spot issues and subjects for other studies and public outreach the Bureau conducts for the purposes of proposing new regulations.

Collection methods will include structured interviews (either in-person meetings or conference calls), focus groups, and written questionnaires that may be delivered via e-mail or administered through an online survey tool. In some cases, the Bureau may also conduct case studies to gather more in-depth information from a targeted sample of institutions. The information that the Bureau collects may be included in external reports or statutorily mandated analyses

published in the Federal Register. The Bureau will aggregate information whenever appropriate. Recognizing that the generic collections will not be statistically valid, the Bureau will not use any data to make absolute assertions about the costs or benefits of regulatory compliance.

Participants for each of the collection methods may be solicited through an online form that will be made available on the Bureau's website (www.consumerfinance.gov). The online form will seek only what basic information is required to verify the potential participant's contact information and suitability for the research (e.g., job position with familiarity of compliance functions at a covered financial institution, and size and type of institution). The information collection instrument for soliciting participants is included as part of this clearance request.

The collected information under this clearance is not meant to be, and will not be treated as, a sample that is statistically generalizable to the overall U.S. consumer financial industry. However, the information may help the Bureau develop quantitative information collections that will further inform the Bureau's rulemakings. Should the Bureau conduct collections for quantitative information, collection instruments will go through a full public comment period and follow the standard approval process with OMB.

3. Use of Information Technology

With regard to collection methods involving structured interviews, focus groups, and case studies, electronic software systems may be used to capture responses. For written questionnaires, instruments may be delivered to respondents and sent back to the Bureau via e-mail or may be administered through a third-party online survey tool. Whenever possible, the Bureau will consider the use of information technology to reduce the burden of submitting responses to collections. All internet forms will be submitted through this clearance for approval by OMB prior to their implementation, including any new or revised instructions resulting from this effort.

4. Efforts to Identify Duplication

The purpose of these information collections is not to replicate existing information collections from the CFPB or other government agencies, or any other government survey research studies of which the CFPB is aware. The information collections will not duplicate any government, public or state research efforts of which the CFPB is aware.

The Bureau will monitor related work of researchers and other Federal regulatory agencies to ensure that the Bureau's research techniques reflect current knowledge and best practices and avoid any unnecessary duplication.

5. Efforts to Minimize Burdens on Small Entities

The information collections under this clearance are expected to significantly benefit small entities by improving the Bureau's understanding of the possible impacts of potential or existing regulations on small entities. The collections are voluntary and are not anticipated to burden small entities significantly. The Bureau will try to accommodate small entities should there be any difficulties in participating in the collection. The Bureau will offer flexible schedules for its collections to accommodate both the participants' schedules and the Bureau's project timetables. Furthermore, the Bureau will try to determine the appropriate collection method (as listed in section 2) to limit the burden on small entities and other respondents. For example, the online survey tool reported in (section 3) offers a low burden instrument for institutions to provide information to the Bureau should focus groups or structured interviews prove to be too

burdensome for the respondent.

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

If this information is not collected, feedback from covered persons and service providers on existing or potential proposed regulations will be limited to notices for public comment and collections from fewer than ten firms. Less targeted or thorough information collections may limit the Bureau's assumptions about regulatory impact on the consumer financial marketplace. Furthermore, as indicated in section 1, existing public information on the business processes involved in compliance with consumer financial laws would remain limited. Related work of researchers and other Federal regulatory agencies on compliance costs and effects of regulations are outdated and may not necessarily capture what Providers' current observations of regulatory burden.

The information collections also give an additional opportunity for Providers charged with implementing compliance systems under various federal consumer financial protection laws to give input on how certain regulations impact their respective institutions. Such input offers the potential to significantly improve upon the Bureau's assessment of relative costs, benefits and impacts of different potential rules before publishing them. As indicated in sections 1 and 2 above, information on regulatory costs and the significant contributors to cost will allow the Bureau to identify possible solutions to reduce undue regulatory burden on Providers.

The CFPB is also mindful of the potential burden of gathering information and will seek to keep this burden to a minimum. Wherever possible, the Bureau will seek to avoid imposing additional burden upon individual institutions through multiple instruments. This can likely be accomplished by streamlining and consolidating generic information request instruments whenever practicable.

7. Circumstances Requiring Special Information Collection

No special circumstances require the collections to be conducted in a manner inconsistent with the guidelines in 5 CFR 1320.5(d).

8. Consultation Outside the Agency

The Bureau solicited comments on these information collections through a 60-day Federal Register notice, which was published on June 14, 2012 (77 FR 35658) The Bureau met also with several industry groups, bank representatives, and other Federal financial regulatory agencies to discuss the availability of compliance cost data and the challenges in collecting it. In addition, the groups and representatives offered recommendations for the Bureau to consider when designing a collection instrument.⁷

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

⁷ The Bureau previously had solicited comments on a proposed information collection with the same name as this collection – Generic Clearance for Collection of Information on Compliance Costs and Other Effects of Regulations – through a 60-day Federal Register notice, which was published on May 15, 2012 (77 FR 28571) (“May notice”). On June 22, 2012 the May notice was withdrawn (77 FR 37660), and the June 14, 2012 (77 FR 35658) notice (“June notice”) was filed. In the withdrawal, the CFPB indicated that it would consider any comments provided to the May notice as comments to the June notice.

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 will publish 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

No payments or gifts will be provided to respondents.

10. Assurances of Confidentiality

For each participating institution, the Bureau will not collect any personally identifiable information (PII) beyond the name, title, email and phone number of the individual(s) representing the institution.

The Bureau will not disclose the information collected except to the extent it is required to do so by law and as provided in the Privacy Act Statement on the collection instruments. As applicable, each information collection request made under this generic will name and cite the System of Records Notice (SORN) and Privacy Impact Assessment (PIA) as well as describe how potential respondents are informed of any privacy and/or confidentiality expectations. Further, any pledge of confidentiality will be accompanied with the authority for such a pledge.

11. Justification for Sensitive Questions

The information collections do not include questions of a sensitive nature.

12. Estimated Burden of Information Collection

The following table presents estimates of the total number of respondents and burden hours on an annual basis for proposed collections. The number of respondents and average burden per response for a specific collection will depend on the methodology used for gathering information. These estimates, as well as the mix of collection methods used, may be adjusted slightly depending on the rule under consideration in the instrument, accommodating schedules for interactive collections, and preference for a specific collection method over another. Further details on estimated respondents and burden will be provided in each instrument approval request.

Exhibit 1: Burden Summary Table

<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>
Online Volunteer Solicitation	2,800	1	2,800	0.08	233
Structured Interviews	1,200	1	1,200	1.5	1,800
Focus Groups	75	1	75	3	225

Travel time to sites for focus groups and in-person interviews	350	1	350	1	350
Written Questionnaires	4000	1	4,000	1	4,000
Case Studies	75	1	75	32	2,400
Annual Totals:	8,150*	--	8,500	--	9,008
Three Year Totals:	24,450	--	25,500	--	27,024

*Note: The 350 respondents associated with travel time are a subset of other respondent types.

The proposed online volunteer solicitation may take up to five minutes to collect and would only be conducted once during the duration of the generic clearance.

Structured interviews and focus groups may take up to 1.5 hours per session, with up to an additional 1.5 hours of preparation. Written questionnaires delivered through e-mail or online surveys may take up to 1 hour to complete since institution representatives are able to read and respond to questions at their own pace. The Bureau estimates that background research for written questionnaires may take up to an additional 1 hour of preparation. These estimates were based on the approximate duration of separate meetings the Bureau held with industry groups, and community banks. During these meetings, questions on compliance systems and associated costs, similar to those in this information collection, were discussed.

Case studies at individual firms would require interviews with various individuals at the institution. For this collection method, the estimated burden on a respondent is up to 32 hours. This includes 16 hours (or two full-time work days) of Bureau on-site presence, and as many as 16 hours of respondent research and preparation.

The Bureau may request approval for multiple instruments⁸ per year for each of the potential collection methods (structured interviews, focus groups, written questionnaires, and case studies).

The financial burden on the respondents will primarily comprise of employee wages. Based on the average hourly wages in the credit intermediation industry,¹⁷⁹ the annual financial burden on the respondent universe would be up to \$978,502. This assumes that a compliance officer and a representative from the respondent's management staff are both involved in providing information for the collection process. We assume that the total respondents are comprised primarily of compliance officers (75%).

⁸ The Bureau estimates that the maximum annual number of structured interviews and written questionnaires is up to 10 instruments each. The maximum annual number of collections through focus groups and case studies is up to 5 instruments each. This is a total of up to 30 instruments per year.

⁹ Bureau of Labor Statistics, *May 2014 National Industry-Specific Occupational Employment and Wage Estimates: NAICS 522300 - Activities Related to Credit Intermediation* (available at http://www.bls.gov/oes/current/naics4_522300.htm).

	Compliance Officer		Management Occupations		Total Cost
	Avg. Hourly Wage = \$32.69		Avg. Hourly Wage = \$54.08		
	Burden Hours for All Respondents	Total Cost	Burden Hours for All Respondents	Total Cost	
Online Volunteer Solicitation			2800	\$151,434	\$151,424
Structured Interviews	1350	\$44,132	450	\$24,336	\$68,468
Focus Groups	170	\$5,557	55	\$2,974	\$8,531
Travel time to sites for focus groups and in-person interviews	260	\$8,499	90	\$4,867	\$13,366
Written Questionnaires	3000	\$98,070	1000	\$54,080	\$152,150
Case Studies	1800	\$58,842	600	\$32,448	\$91,290
TOTAL		\$215,100		\$270,129	\$485,229

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

The Bureau does not anticipate significant costs to the federal government as a result of implementing these information collections. For some collections, the Bureau may retain a contractor to assist with instrument development, as well as collection and analysis of information. Costs to the Bureau will be provided in each information collection request made under this generic.

15. Program Changes or Adjustments

Exhibit 2: Burden Change Summary

	Total Respondents	Responses	Burden Hours	Cost Burden (O & M)
Total Burden Requested	24,450	25,500	27,024	0
Current OMB Inventory	2,750	2,750	9,008	0
Difference (+/-)	+21,700	+22,750	+18,016	0
Program Change	0	0	0	0

Discretionary	0	0	0	0
New Statute	0	0	0	\$0
Violation	0	0	0	\$0
Adjustment	21,700	22,750	18,016	\$0

The changes in annual respondents and annual responses comes from the Bureau revising its burden estimates to reflect future plans and actual usage of this clearance in the prior three years. The estimated total annual burden hours will remain constant as the Bureau plans to use less burdensome collection methods, but may expand the frequency of information collections submitted under this plan. The majority of the change in the number of respondents, responses, and hours inventoried under this OMB control number results from the Bureau capturing the projected three-year total burden as opposed to only the annual burden as previously inventoried with OMB.

16. Plans for Tabulation, Statistical Analysis, and Publication

The Bureau anticipates displaying aggregated information in a Federal Register notice for the purposes of a Section 1022 analysis, and assessments related to the Regulatory Flexibility Act and the Paperwork Reduction Act.

In addition, the Bureau may publish aggregated information from certain collections in publicly available reports.

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.