CONSUMER FINANCIAL PROTECTION BUREAU
INFORMATION COLLECTION REQUEST – SUPPORTING STATEMENT
REAL ESTATE SETTLEMENT PROCEDURES ACT (REGULATION X)
12 CFR 1024
(OMB CONTROL NUMBER: 3170-0027)

The Consumer Financial Protection Bureau (Bureau) is dividing final rules to amend the Bureau's Regulations X and Z into separate Information Collection Requests (ICRs) in the Office of Management and Budget (OMB) system (accessible at www.reginfo.gov) to ease the public's ability to view and understand the individual final rule for Regulation X and Regulation Z. Respondents should continue to use the 3170-0015 control number for Regulation Z and 3170-0016 control number for Regulation X.

A. JUSTIFICATION

1. Circumstances Necessitating the Data Collection

Certain disclosures are required by the Real Estate Settlement Procedures Act (RESPA) of 1974, as amended by Section 461 of the Housing and Urban-Rural Recovery Act of 1983 (HURRA), and other various amendments. The statute is found at 12 U.S.C. 2601 *et seq*. The implementing regulations were historically published by the Department of Housing and Urban Development (HUD) at 24 CFR 3500. In light of the transfer of HUD's rulemaking authority for RESPA to the Bureau, the Bureau adopted an interim final rule (Interim Final Rule) recodifying HUD's Regulation X at 12 CFR 1024 to reflect the transfer of authority to the Bureau and certain other changes made by the Dodd-Frank Act.

Required disclosures include: the Good Faith Estimate (GFE), the HUD-1/HUD-1A Settlement Statements, the Servicing Disclosure Statement, and, as applicable, the Servicing Transfer Notice. Other disclosures may be required under certain circumstances and include: the Initial Escrow Account Statement, the Annual Escrow Account Statement, and the Affiliated Business Arrangement Disclosure.[1] This collection helps to protect consumers in several respects. The GFE and HUD-1/HUD-1A Settlement Statements enable consumers to compare estimated settlement costs with actual settlement costs. The Affiliated Business Disclosure helps to protect borrowers from unnecessarily high settlement service charges due to the settlement service provider's use of an affiliated provider. Disclosures related to the servicing of the mortgage loan help to protect consumers if the servicing of the loan could be or is transferred. Disclosures related to consumers' escrow accounts help to protect them from unnecessarily high escrow charges.

Through a final rule issued on January 17, 2013 (the 2013 RESPA Mortgage Servicing Final Rule), the Bureau is revising Regulation X to add a number of mortgage servicing requirements provided for in the Dodd-Frank Act's amendments to RESPA, as well as other

[1] The Bureau understands that the Special Information Booklet that Regulation X currently requires lenders to distribute to applicants for first-lien purchase money mortgages would not be an information collection because it does not require any information that is specific to the lenders or the transaction. HUD had previously classified the Special Information Booklet as an information collection with minimal burden.

requirements the Bureau is adopting pursuant to its authority under RESPA and the Dodd-Frank Act. Section 1463 of the Dodd-Frank Act creates statutory mandates under new subsections (k), (*l*) and (m) of RESPA section 6. Section 1463 of the Dodd-Frank Act also amends certain consumer protection provisions set forth in section 6(e) through (g) of RESPA. Several of these requirements involve information collections.

The Bureau previously proposed adjustments to the Servicing Disclosure Statement, which the Bureau has not finalized. The Bureau is making adjustments to the Servicing Transfer Notice. As described above, these are existing information collections under Regulation X.

- *Servicing Disclosure Statement.* RESPA section 6(a) generally sets forth requirements for persons making federally related mortgage loans to disclose to loan applicants, at the time of application, whether servicing of the loan may be assigned, sold, or transferred to any other person at any time while the loan is outstanding. 12 U.S.C. 2605(a). Through a proposed rule published on September 17, 2012 (the 2012 TILA-RESPA Proposal), the Bureau proposed to revise Regulation X to remove the disclosure requirements associated with the GFE and HUD-1/HUD-1A Settlement Statements for closed-end credit transactions secured by real property or a dwelling, other than reverse mortgages. The Bureau proposed to replace those disclosure requirements with integrated disclosure requirements, which the Bureau proposed to implement in Regulation Z. The integrated disclosure would include certain information that would ordinarily be included in the Servicing Disclosure Statement, but the Bureau proposed not to require the integrated disclosure for reverse mortgages. Thus, reverse mortgage transactions would continue to be subject to the disclosure requirements in Regulation X. In light of the proposed integrated disclosure in the 2012 TILA-RESPA Proposal, the Bureau proposed in its 2012 RESPA Mortgage Servicing Proposal to limit the Servicing Disclosure Statement to apply only to closed-end, reverse mortgage transactions. In the 2013 RESPA Mortgage Servicing Final Rule, however, the Bureau decided to maintain the existing coverage of the Servicing Disclosure Statement (*i.e.*, for both forward and reverse first-lien, closed-end mortgage loans) because the Bureau will be finalizing the 2012 TILA-RESPA Proposal at a future date; as it explained in the 2013 RESPA Mortgage Servicing Final Rule, the Bureau does not believe it is beneficial to require servicers to begin implementing existing requirements for the Servicing Disclosure Statement for subordinate -lien mortgage loans, only to have to adjust compliance upon finalization of the TILA-RESPA rulemaking. When the TILA-RESPA integrated disclosure rulemaking is finalized, the Bureau anticipates that rule will alter the requirements for servicers to comply with the Servicing Disclosure Statement.

- *Servicing Transfer Notice.* RESPA section 6(b) and (c) sets forth the general requirement for the transferor and transferee servicers of a federally related mortgage loan to notify the borrower in writing of any assignment, sale, or transfer of servicing. 12 U.S.C. 2605(b) and (c). The Bureau is making adjustments to the Servicing Transfer Notice. The Bureau's 2013 RESPA Mortgage Servicing Final Rule substantially reduces the length and complexity of the Servicing Transfer Notice, and the Bureau has amended the model form set forth in appendix MS-2 to streamline the contents of the form. The Bureau believes that borrowers are best served by reducing the content of the form so that borrowers receive a form that clearly sets forth the required content regarding the transfer of servicing and the address to which the next payment should be sent. In addition to reducing the length and complexity of the form, the Bureau has also expanded coverage from closed-end first-lien mortgages to closed-end subordinate-lien mortgages because the Bureau believes that borrowers of subordinate-lien, closed-end mortgage loans should be entitled to the protections that would be set forth in subpart C of part 1024. The Bureau does not believe there are any unique characteristics of subordinate-lien closed-end mortgage loans that should require servicers to treat a borrower of such a mortgage loan differently than a first-lien mortgage loan borrower.

The Bureau is also revising Regulation X to add a number of mortgage servicing requirements provided for in and authorized by the Dodd-Frank Act's amendments to RESPA. The new servicing duties required by the Dodd-Frank Act's amendments to RESPA address requirements for force-placed insurance and requirements for error resolution and responses to requests for information. Dodd-Frank Act section 1463(a) added section 6(k)(1)(E) of RESPA, authorizing the Bureau to prescribe regulations that are appropriate to carry out the consumer protection purposes of RESPA. This provision gives the Bureau broad authority to adopt additional regulations to govern the conduct of servicers of federally related mortgages. The Bureau further has authority pursuant to section 6(j)(3) of RESPA to establish any requirements necessary to carry out section 6 of RESPA and has authority under section 19(a) of RESPA to prescribe such rules and regulations and to make such interpretations as may be necessary to achieve the consumer protection purposes of RESPA. In addition, section 1022(b)(1) of the Dodd-Frank Act authorizes the Bureau to prescribe rules "as may be necessary or appropriate to enable the Bureau to administer and carry out the purposes and objectives of the Federal consumer financial laws, and to prevent evasions thereof;" and section 1032(a) of the Dodd-Frank Act provides that the Bureau "may 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." In light of the systemic problems in the mortgage servicing industry, the Bureau is exercising these authorities, as set forth in the preamble to the final rule, to require servicers of federally related mortgages to take certain actions that would involve information collections.

- *Duties on transferor servicers*. The Bureau's 2013 RESPA Mortgage Servicing Final Rule imposes obligations on a servicer who receives a misdirected payment during the 60 days after the effective date of a transfer. Beginning on the effective date of transfer of the servicing of any mortgage loan, with respect to payments received incorrectly by a transferor servicer (rather than the transferee servicer that should properly receive the payment on the loan), the transferor servicer shall promptly either transfer the payment to the transferee servicer for application to a borrower's mortgage loan account, or return the payment to the person that made the payment and notify such person of the proper recipient of the payment. Although this provision is not expressly required by the Dodd-Frank Act section 1463, the Bureau believes it is necessary and appropriate to achieve the consumer protection purposes of RESPA, including ensuring the avoidance of unnecessary and unwarranted charges and the provision of accurate information to borrowers. Accordingly, the provision is authorized under sections 6(j)(3), 6(k)(1)(E), and 19(a) of RESPA.

- *Error resolution and information requests.* The Bureau's rule for error resolution includes a requirement on servicers generally to provide written acknowledgement of receipt of a notice of error and to provide a written response to the stated error, when that error is submitted in writing. The Bureau's requirements for response to information requests requires servicers to provide a written response acknowledging receipt of an information request when that request is submitted in writing. Servicers are also required to provide the borrower with the requested information or a written notification that the information requested is not available to the servicer. Section 6(e) of RESPA requires servicers to respond to borrowers' "qualified written requests" that relate to the servicing of a loan, and section 6(k)(1)(B) of RESPA, added by the Dodd-Frank Act, separately prohibits servicers from charging fees for responding to valid qualified written requests. Further, Dodd-Frank Act section 1463(c) amends section 6(e) of RESPA to reduce the amount of time within which servicers must acknowledge and respond to qualified written requests, including, as appropriate, correcting errors and providing information. Section 1463(a) of the Dodd-Frank Act amended RESPA to add new servicer prohibitions regarding borrowers' assertions of errors and requests for information. Specifically, section 1463(a) of the Dodd-Frank Act added section 6(k)(1)(C) to RESPA, which states that a servicer shall not "fail to take timely action to respond to a borrower's requests to correct errors relating to allocation of payments, final balances for purposes of paying off the loan, or avoiding foreclosure, or other standard servicer's duties." In addition, section 1463(a) of the Dodd-Frank Act added section 6(k)(1)(D) to RESPA, which states that a servicer shall not fail to provide information regarding the owner or assignee of a borrower's loan within ten business days of a borrower's request. Neither Dodd-Frank Act provision suggests that a borrower request to correct an error or for information regarding the owner or assignee of the borrower's loan must be in the form of a "qualified written request" to trigger the new servicer prohibitions. The Bureau's error resolution rules implement section 6(k)(1)(C) of RESPA, and to the extent the requirements are also applicable to qualified written requests, sections 6(e) and 6(k)(1)(B) of RESPA. The Bureau's information request rules implement section 6(k)(1)(D) of RESPA, and to the extent the requirements are also applicable to qualified written requests, sections 6(e) and 6(k)(1)(B) of RESPA. Pursuant to the Bureau's authorities under sections 6(j), 6(k)(1)(E), and 19(a) of RESPA, the Bureau is also adopting certain additions and certain exemptions to these provisions. These additions and exemptions are necessary and appropriate to achieve the consumer protection purposes of RESPA, including ensuring responsiveness to consumer requests and complaints and the provision and maintenance of accurate and relevant information. The error resolution and information request procedures apply to qualified written requests and would replace the burden currently associated with responses to those requests.

- *Force-placed insurance.* The Bureau's rule for force-placed insurance prohibits servicers from charging a borrower for force-placed insurance unless two notices are provided to the borrower beforehand. The first notice must be delivered to the borrower or placed in the mail at least 45 days before charging the borrower for force-placed insurance, and the second notice must be delivered to the borrower or placed in the mail at least 15 days before charging a borrower for force-placed insurance. Two model forms of the second notice are provided because the content of the second notice would differ based on whether the servicer receives insurance information from the borrower after the first notice is sent. In addition the rule requires that servicers provide borrowers a written notice before charging a borrower for renewing or replacing existing force-placed insurance on an annual basis. The Bureau's force-placed insurance rules implement section 6(k)(1)(A), 6(k)(2), 6(*l*), and 6(m) of RESPA. Pursuant to the Bureau's authorities under sections 6(j), 6(k)(1)(E), and 19(a) of RESPA, the Bureau is also adopting certain additions and certain exemptions to these provisions. The Bureau believes these additions and exemptions are necessary and appropriate to achieve the consumer protection purposes of RESPA, including the avoidance of unnecessary and unwarranted charges and fees and the provision to borrowers of accurate and relevant information.

- *General servicing policies, procedures, and requirements.* Under the Bureau's rule, servicers are required to maintain policies and procedures reasonably designed to achieve certain objectives set forth in the rule. Further, servicers are required to comply with two standard information management requirements, including a requirement that servicers retain documents with respect to the servicing of a mortgage loan until one year after a mortgage loan is paid in full or servicing for a mortgage loan is transferred. This recordkeeping requirement replaces the systems of recordkeeping set forth in current § 1024.17(*l*), which requires servicers to retain copies of documents related to borrower escrow accounts for five years after the servicer last serviced the escrow account. The Bureau is adopting general servicing policies, procedures, and requirements rules pursuant to its authority under section 19(a) of RESPA, and sections 1022(b) and 1032 of the Dodd-Frank Act. The Bureau believes that servicing policies, procedures, and requirements are necessary to achieve the purposes of RESPA, including to avoid unwarranted or unnecessary costs and fees, to ensure that servicers are responsive to consumer requests and complaints, to ensure that servicers provide and maintain accurate and relevant information about the mortgage loan accounts that they service, and to facilitate the review of borrowers for foreclosure avoidance options. The Bureau believes that without sound operational policies and procedures to achieve certain standard requirements, servicers will not be able to achieve those purposes.

- *Early intervention for delinquent borrowers.* The Bureau's rule requires servicers to establish or make good faith efforts to establish live contact by the 36th day of a borrower's delinquency and, if appropriate, promptly notify borrowers about the availability of loss mitigation options. In addition, servicers must provide a written notice by the 45th day of a borrower's delinquency. Consistent with RESPA section 6(k)(1)(E), the Bureau believes early intervention rules are appropriate to achieve the consumer protection purposes of RESPA, including to help borrowers avoid unwarranted or unnecessary costs and fees and to facilitate review of borrowers for foreclosure avoidance options. For the same reasons, these rules are authorized under section 6(j)(3) of RESPA as necessary to carry out section 6 of RESPA, and under section 19(a) of

RESPA as necessary to achieve the purposes of RESPA, including borrowers' avoidance of unwarranted or unnecessary costs and fees and the facilitation of review of borrowers for foreclosure avoidance options. The Bureau is also adopting early intervention rules pursuant to its authority under sections 1022(b) and 1032 of the Dodd-Frank Act.

- *Loss mitigation procedures.* The Bureau's rule requires servicers to follow certain procedures when evaluating loss mitigation applications, including in certain circumstances (1) providing a notice telling the borrower that the loss mitigation application was received and whether or not the application is complete, (2) providing a notice telling the borrower if the loss mitigation is approved, or denied (and, for denials of loan modification requests, a more detailed notice of the specific reason for denial and appeal rights), and (3) providing a notice of the appeal determination. The Bureau relies on its authority under sections 6(j)(3), 6(k)(1)(C), 6(k)(1)(E) and 19(a) of RESPA to establish final rules setting forth obligations on servicers to comply with the loss mitigation procedures. These loss mitigation procedures are necessary and appropriate to achieve the consumer protection purposes of RESPA, including by requiring servicers to provide borrowers with timely access to accurate and necessary information regarding an evaluation for a foreclosure avoidance option and to facilitate the evaluation of borrowers for foreclosure avoidance options. Further, the loss mitigation procedures implement, in part, a servicer's obligation to take timely action to correct errors relating to avoiding foreclosure under section 6(k)(1)(C) of RESPA by establishing servicer duties and procedures that must be followed where appropriate to avoid errors with respect to foreclosure. In addition, the Bureau relies on its authority pursuant to sections 1022(b) and 1032 of the Dodd-Frank Act.

2. <u>Use of the Information</u>

The third party disclosures in this collection are required by statute and regulations. Real estate settlement service providers make the required disclosures to homebuyers/borrowers, and in some cases, sellers, pursuant to transactions involving federally related mortgage loans. Servicers make the required disclosures to borrowers of mortgage loans. Disclosures are not submitted to the federal government.

The Bureau is modifying the following disclosures that are currently required for "mortgage servicing loan," or first-lien, closed-end loans subject to Regulation X. The Bureau is expanding coverage of these disclosures to "mortgage loan," which would expand the universe of loans requiring these disclosures to subordinate-lien, closed-end loans. As noted above, the Bureau is limiting the Servicing Disclosure Statement to closed-end, first-lien mortgage loans. The Bureau's proposal would maintain the exclusion for open-end lines of credit (home-equity plans).

- *Servicing Transfer Notice.* Transferor servicers and transferee servicers of any mortgage loan are required to provide to the borrower a notice of transfer for any assignment, sale, or transfer of the servicing of the mortgage loan.

The following information collections would be new requirements under the Bureau's proposal.

- *Duties on transferor servicers*. The Bureau's 2013 RESPA Mortgage Servicing Final Rule imposes obligations on a servicer who receives a misdirected payment during the 60 days after the effective date of a transfer. Beginning on the effective date of transfer of the servicing of any mortgage loan, with respect to payments received incorrectly by a transferor servicer (rather than the transferee servicer that should properly receive the payment on the loan), the transferor servicer shall promptly either transfer the payment to the transferee servicer for application to a borrower's mortgage loan account, or return the payment to the person that made the payment and notify such person of the proper recipient of the payment.

- *Error resolution*. Generally, within five days (excluding legal public holidays, Saturdays, and Sundays) of a servicer receiving a notice of an error (enumerated by the Bureau's rule) from a borrower, the servicer must provide to the borrower a response acknowledging receipt of the borrower's notice of the asserted error. In addition, generally, within 30-45 days (excluding legal public holidays, Saturdays and Sundays), servicers must, as applicable, notify the borrower that it corrected the error or notify the borrower that no error has occurred.

- *Information requests.* Generally, within five days (excluding legal public holidays, Saturdays, and Sundays) of a servicer receiving an information request from a borrower, the servicer must provide to the borrower a response acknowledging receipt of the information request. In addition, generally within 30-45 days (excluding legal public holidays, Saturdays and Sundays), servicers must, as applicable, provide the borrower with the requested information in writing or a written notification that the information requested is not available to the servicer.

- *General servicing policies, procedures, and requirements.* Servicers must maintain policies and procedures reasonably designed to achieve objectives related to (i) accessing and providing timely and accurate information to borrowers and other specified third-parties, (ii) properly evaluating borrower loss mitigation applications, (iii) facilitating oversight of, and compliance by, third-party service providers, (iv) facilitating the transfer of information during servicing transfers between transferor and transferee servicers, (v) and informing borrowers of the written error resolution and information request procedures required under Regulation X. Further, servicers must retain documents with respect to the servicing of a mortgage loan until one year after a mortgage loan is paid in full or servicing for a mortgage loan is transferred.

- *Force-placed insurance*. Servicers are prohibited from charging a borrower for force-placed insurance unless two written notices are provided to the borrower beforehand. The first notice must be delivered to the borrower or placed in the mail at least 45 days before charging the borrower for force-placed insurance, and the second notice must be delivered to the borrower or placed in the mail at least 15 days before charging a borrower for force-placed insurance. In addition to the two notices, the Bureau is requiring that servicers provide borrowers a written notice before charging a borrower for renewing or replacing existing force-placed insurance on an annual basis.

- *Early intervention*. Not later than 36 days after a borrower becomes delinquent, servicers must establish or make good faith efforts to establish live contact and promptly inform borrowers that loss mitigation options may be available, if appropriate. Not later than 45 days after a borrower becomes delinquent, servicers must provide a written notice to delinquent borrowers with information about loss mitigation options (if applicable), contact information for the servicer, and housing counseling contact information. Servicers must provide the written notice more than once during any 180-day period.

- *Loss mitigation procedures*. If a servicer receives a loss mitigation application 45 days or more before a foreclosure sale, the servicer must, within five days (excluding legal public holidays, Saturdays, and Sundays) after receiving the loss mitigation application, notify the borrower that the servicer acknowledges receipt of the loss mitigation application and that the servicer has determined that the loss mitigation application is either complete or incomplete. If a loss mitigation application is incomplete, the notice must state, among other things, the additional documents and information the borrower must submit to make the loss mitigation application complete. Within 30 days of a servicer's receipt of a complete loss mitigation application (that is received more than 37 days before a foreclosure sale), the servicer must provide the borrower with a written notice stating the servicer's determination of which loss mitigation options, if any, it will offer to the borrower. If a borrower's complete loss mitigation application is denied for any trial or permanent loan modification option, the written notice must state the specific reasons for the servicer's determination for each such trial or permanent loan modification option and information about the appeals process, if applicable. If a borrower appeals the servicer's determination, then within 30 days of the appeal the servicer must provide the borrower a notice stating the servicer's determination of whether the servicer will offer the borrower a loss mitigation option based upon the appeal.

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

These disclosures may be provided in electronic form, subject to compliance with the consumer consent and other applicable provisions of the E-Sign Act.

4. <u>Efforts to Identify Duplication</u>

The Bureau's rules focus both on implementing the specific mortgage servicing requirements of the Dodd-Frank Act and on addressing broader systemic problems that the Bureau believes are critical to ensure that the mortgage servicing market functions to serve consumer needs. Subject to certain exemptions, the Bureau's rules apply to all mortgage servicers, whether depository institutions or non-depository institutions, and to all segments of the mortgage market, regardless of the ownership of the loan. The Bureau's servicing rules are subject to exemptions and scope limitations set forth in new 12 CFR 1024.30. *See* 2013 RESPA

Mortgage Servicing Final Rule. To avoid duplication with Federal law related to reverse mortgages (such as FHA rules for home equity conversion mortgages), the Bureau's rules related to general servicing policies, procedures, and standard requirements, early intervention, and loss mitigation, among others, are subject to an exemption for servicers with respect to any reverse mortgage transaction as that term is defined in 12 CFR 1024.31 (*see* the 2013 RESPA Mortgage Servicing Final Rule). To avoid duplication with Farm Credit Administration rules, the Bureau's rules related to general servicing policies, procedures, and standard requirements, early intervention, and loss mitigation, among others, are subject to an exemption for servicers with respect to any mortgage loan for which the servicer is a qualified lender as that term is defined in Farm Credit Administration rules at 12 CFR 617.7000.

RESPA section 6(e) contains procedures for qualified written requests that overlap with the requirements under section 1463 of the Dodd-Frank with respect to resolving errors and responding to inquiries. The Bureau is finalizing broader, more consumer-friendly error resolution and information request procedures that cover wider topics than the current qualified written request procedures and will subsume the qualified written request procedures. The Bureau believes that a common minimum set of procedures applicable to all assertions of errors or information requests, whether in the form of a qualified written request or not, will benefit both borrowers and servicers.

The early intervention and loss mitigation procedures in this rule may overlap with existing Federal law codifying requirements of FHA and VA. The Bureau is issuing minimum standards so that, to the extent requirements proposed by Bureau overlap with existing Federal rules, the Bureau expects servicers would abide by the stricter standard in order to comply with all requirements. The Bureau understands that section 106(c)(5) of the Housing and Urban Development Act of 1968, as amended, generally requires creditors to provide notice of homeownership counseling to eligible delinquent borrowers not later than 45 days after a borrower misses a payment due date. 12 U.S.C. 1701x(c)(5)(B). Similar to the information required under section 106(c)(5) of the Housing and Urban Development Act, the written early intervention notice include contact information for housing counselors. To avoid duplication, the Bureau has adjusted the timing for the written notice from the 40-day time period proposed by the Bureau, to a 45-day time period, and is permitting servicers to comply with the written notice by grouping the statements required by the notice with other existing notices in a single mailing. Further, to the extent a contact required by the Bureau's early intervention requirements conflict with other Federal law, the Bureau has included a provision that states that the Bureau's early intervention requirements do not require a servicer to communicate with a borrower in a manner otherwise prohibited by applicable law.

Apart from this overlap, the Bureau is not aware of any other Federal regulations that currently duplicate, overlap, or conflict with the proposals under consideration.

5. Efforts to Minimize Burdens on Small Entities

The Bureau estimates that 64% of respondents are small entities. The Bureau has finalized certain exemptions for small servicers. Importantly, the Bureau is exempting servicers that service 5,000 mortgage loans or less, all of which the servicer or an affiliate owns or originated, from most of the requirements under 1024.38 to 1024.41. Thus, the Bureau's rules related to general servicing policies, procedures, and standard requirements, early intervention, and loss mitigation,[2] among others, are subject to an exemption for servicers that qualify as small servicers, defined pursuant to 12 CFR 1026.41(e)(4) (*see* the 2013 TILA Mortgage Servicing Final Rule). The Bureau is also exempting these servicers from the amendment to § 1024.17(k)(5) requiring that a servicer advance funds to an escrow account when a borrower is more than 30 days delinquent. The Bureau believes that these exemptions remove a significant amount of the total compliance burden of the final rule that would otherwise fall on small servicers as defined by the SBA. However, due to limited data with which to compute the remaining compliance burden on small servicers as defined by the SBA, the Bureau is also noting *other* steps the agency has taken to minimize the economic impact on small entities.

The Bureau is finalizing a number of provisions to minimize burden for all entities that would be subject to the proposal. For example:

- *Servicing transfers.* The Bureau has amended the model form at appendix MS-2 to reduce the length of the form and eliminate certain content, which will reduce the burden on servicers, including small servicers.

- *Error resolution and information requests.* In the final rule, the Bureau has amended the proposed oral error resolution and inquiry response requirements such that servicers must only follow the prescriptive error resolution and information request procedures when the error notification or information request is received in writing.[3] Thus, if a servicer responds to an inquiry during the initial phone call, the servicer is not required to provide the acknowledgement notice or other written response. Further, a servicer that corrects an error and provides a borrower with written confirmation of the correction or provides borrowers with the information requested and contact information within five days of receiving the error notice or information request, respectively, need not send an acknowledgment notification or other written response. The additional flexibility of this approach minimizes the burden on small servicers by allowing them to adopt processes that work for their business model.

- *General servicing policies, procedures, and requirements*. The rules related to general servicing policies, procedures, and requirements require the servicer to maintain policies and procedures that are reasonably designed to achieve certain objectives. As clarified in commentary, servicers have flexibility to develop these policies and procedures in light of the size, nature, and scope of the servicer's operations. The flexibility minimizes the burden on small servicers.

- *Force-placed insurance.* The Bureau attempted to mitigate costs by, for example, providing that a servicer is not required to send more than one force-placed renewal

[2] However, pursuant to new 12 CFR 1024.41(j), small servicers are subject to limited prohibitions on making referrals to foreclosure, moving for foreclosure judgment or order or sale, or conducting a foreclosure sale.
[3] The requirements for servicers to have policies and procedures with respect to receiving an oral notice of error or information request were moved to § 1024.38 (General Servicing Policies, Procedures, and Requirements); small servicers are exempt from this section.

notice during any 12-month period. The Bureau attempted to mitigate the risk that borrower could cancel their own insurance and keep the refund,[4] by allowing servicers to advance premium payments for a borrower's hazard insurance in 30-day installments.[5] Finally, the Bureau modified the final rule by exempting small servicers in certain circumstances from the requirement that for a borrower who has escrowed for hazard insurance, a servicer may not purchase force-placed insurance where the servicer could advance funds to the borrower's escrow account to ensure timely payment of the borrower's hazard insurance premium charges.[6] The Bureau has also developed model forms at appendix MS-3 to assist servicers with complying with the proposed force-place insurance requirements

- *Early intervention.* The final rule provides servicers with more flexibility in satisfying the live contact requirement by relaxing the proposed good faith efforts standard and allowing servicers to demonstrate compliance by providing written or electronic communication encouraging borrowers to establish live contact with their servicer and, if appropriate, providing oral, written, or electronic information notifying borrowers that loss mitigation options may be available. Commentary also explains, in general, that a servicer may exercise reasonable discretion in determining whether informing a borrower of the availability of loss mitigation is appropriate under the circumstances. This flexibility minimizes the burden on small servicers by not requiring them to send information to certain borrowers when they believe such information would be premature. In addition, the Bureau has minimized the burden by providing flexible requirements with respect to the content of the written notice, which will help accommodate existing practices, and by not requiring a servicer to provide the written notice to a borrower more than once during any 180-day period. Further, the Bureau is permitting the written notice to be combined with other disclosures being sent by the 45th day of delinquency, which will accommodate existing practices. Finally the Bureau is providing model clauses for the written notice.

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

This information is not submitted to the federal government. These third-party disclosures are required by statute, 12 U.S.C. 2601 *et seq*., and regulations. The burdens on respondents are the minimum necessary to ensure that servicers do not (i) obtain force-placed insurance unless there is a reasonable basis to believe the borrower has failed to comply with the loan contract's requirements to maintain property insurance; (ii) charge fees for responding to valid qualified written requests; (iii) fail to take timely action to respond to correct certain types of errors; (iv) fail to respond to a request from a borrower to provide certain information about the owner or assignee of a mortgage loan; or (v) fail to comply with any other obligation found by the Bureau to be appropriate to carry out the consumer protection purposes of RESPA.

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[4] Small Business Review Panel Report, at 22.

[5] See comment 17(k)(5)-3

[6] For purposes of this exemption, a small servicer is one that services 5,000 or fewer loans all of which it either originated or owns.

The burdens on respondents are also necessary to ensure that servicers have a reasonable basis for undertaking actions that may harm borrowers and that servicers satisfy their duties to borrowers with respect to servicing federally related mortgage loans.

7. Circumstances Requiring Special Information Collection

There are no circumstances requiring special information collection.

8. Consultation Outside the Agency

On September 17, 2012, the Bureau published a notice of proposed rulemaking in the *Federal Register* for public comment. The comment period for the PRA section of the preamble ended on November 16, 2012. The Bureau did not receive any comments on the PRA section with respect to the burden of the proposed information collection.

Prior to issuing the proposed rule, the Bureau consulted with HUD and other Federal agencies consistent with section 1022 of the Dodd-Frank Act and consulted with affected small entities through a Small Business Review Panel convened under Small Business Regulatory Enforcement Fairness Act. In developing the final rule, the Bureau has considered potential benefits, costs, and impacts and has addressed general comments regarding costs of the rule in connection with that analysis.[7]

The 2012 RESPA Servicing Proposal set forth a preliminary analysis of these effects, and the Bureau requested and received comments on this topic. In addition, the Bureau has consulted, or offered to consult, with the prudential regulators, HUD, FHFA, the Federal Trade Commission, and the Federal Emergency Management Agency, including regarding consistency with any prudential, market, or systemic objectives administered by such agencies. The Bureau also held discussions with and solicited feedback from the United States Department of Agriculture Rural Housing Service, the Federal Housing Administration, Ginnie Mae, and the Department of Veterans Affairs regarding the potential impacts of the final rule on those entities' mortgage loan insurance or securitization programs. The Bureau also consulted with other stakeholders, including during roundtables with industry representatives and consumer advocacy groups.

9. Payments or Gifts to Respondents

Not applicable.

10. Assurances of Confidentiality

There are no assurances of confidentiality provided to respondents.

[7] Specifically, section 1022(b)(2)(A) 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 access by consumers to consumer 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 Dodd-Frank Act; and the impact on consumers in rural areas.

11. Justification for Sensitive Questions

There is no information of a sensitive nature being requested.

12. Estimated Burden of Information Collection

Under the proposal, the Bureau would account for the paperwork burden for all respondents under Regulation X. For purposes of this PRA analysis, the Bureau estimates that there are 11,254 depository institutions and credit unions subject to the final rule, and an additional 1,388 nondepository institutions. Therefore, the total number of respondents is 11,254+1,388=12,642.

The Bureau calculates labor costs by applying appropriate hourly cost figures to the burden hours described below. The hourly rates for lawyers and software developers are based upon the Bureau of Labor Statistics' national mean hourly wage estimates by occupational employment. The estimate for customer service agents reflects reports to the Bureau by market participants. To obtain fully-loaded hourly rates, the Bureau divides hourly wages by 67.5%.[8] The fully-loaded hourly labor cost by occupation is given below.

Occupation	Hourly Costs to Institutions
Customer Service Agents	$19
Lawyers	$92
Software developer	$72

During market outreach and the Small Business Regulatory Enforcement Fairness Act (SBREFA) panel process, the Bureau found the servicing business model to be bifurcated between small and large servicers. The cost and organizational structures vary enough by institution size to justify calculating costs to these particular segments separately. For the purposes of this analysis, small servicers are defined as nondepositories with revenues less than $7 million (800 respondents in this analysis), or depositories with total assets less than $175 million (7,303 respondents). Any institution that does not meet these requirements shall be considered a large servicer (4,539 respondents). Most servicers rely upon vendor servicing systems because the use of vendors substantially mitigates the cost of revising software and compliance systems as the efforts of a single vendor can address the needs of a large number of servicers. Based on discussions with a leading servicer technology provider, the Bureau believes that updates based on new regulations, however, would likely be included in regular annual updates for larger and medium sized institutions, and therefore the costs would not be directly passed on to the client servicers. Based on small entities that participated in the Small Business Review Panel process, the Bureau estimates that vendors who cater to smaller servicers will pass along the costs of any system upgrades. Throughout the following analysis, the Bureau estimates that new required disclosures will result in one-time charges of $288 per small servicer, and modified pre-existing disclosures will result in charges of $144.

[8] Bureau of Labor Statistics data indicate that, in Q4 2010, wages accounted for 67.5% of the total cost of compensation for credit intermediation and related activities.

Although most servicers rely on software and compliance systems provided by outside vendors, there are entities with their own servicing platforms that will require software and information technology updates. The Bureau estimates that one large entity and 5% of large nondepository respondents (0% of small nondepository respondents) operate in-house servicing platforms. As such, the Bureau estimates that 29 large nondepositories have internal servicing systems (5% multiplied by 588 large nondepository institutions). Therefore, the total number of internally-operated and designed servicing platforms in this analysis is 30.

Based upon industry research, the Bureau applied a consistent methodology across all six provisions to estimate the ongoing costs incurred by large and small servicers.[9] All respondents will have ongoing production and distribution costs from providing new or pre-existing modified disclosures. Production costs include deriving the information needed for disclosure, while distribution costs consist of printing and mailing. The Bureau believes that most large servicers (both depository and nondepository) employ vendors for the printing and distribution of their disclosures. Based upon talks with large servicers, the Bureau estimates the per response distribution cost for large servicers is approximately 30 cents. On the other hand, production costs are more likely to be handled internally at large servicers, which the Bureau estimates takes 0.003 hours of internal labor to produce. Unlike large servicers, smaller servicers are more likely to rely on vendors for their production costs while employing in-house labor for distribution. Through industry outreach, the Bureau estimates per-disclosure production costs of 20 cents, while per disclosure distribution costs are 0.004 hours per response.

A. Mortgage Servicing Transfers

The Mortgage Servicing Transfer provision would result in certain one-time and ongoing costs to covered persons. Currently, lenders are required to notify closed-end first lien borrowers at origination whether their loan may be sold and the servicing transferred. Upon any mortgage transfer, the transferor servicer is required to provide written notice to the borrower notifying the borrower of the transfer, while the transferee servicer is required to provide notification to the borrower that it will service the borrower's mortgage. The Bureau's final rule requires the origination notice for reverse mortgage transactions only; other mortgage loans would receive the origination notice through the 2012 TILA-RESPA Proposal, which was finalized on January 21, 2013 and implements the disclosures required by sections 6(a) of RESPA. The Bureau's final rule expands coverage of the transfer notices to closed-end subordinated lien mortgages, in addition to closed-end first-lien mortgages. Furthermore, the Bureau's final rule substantially reduces the length and complexity of the mortgage servicing transfer disclosure.

i. One-time burden

Reviewing the regulation

The Bureau estimates that, for each covered person, one lawyer would take 0.4 hours to read and review the sections of the rule that describe the contents of the Mortgage Servicing

[9] The Bureau considered the General Servicing Policies, Procedures, and Requirements as an information collection, but does not display costs as the Bureau believes the costs are de minimis.

Transfer provision, based on the length of the sections. The burden allocated to the Bureau respondents is therefore 0.4*12,642=4,968 hours.

Software and information technology

The Bureau is proposing modifications to the mortgage servicing transfer disclosure, which is a pre-existing disclosure. Using the methodology described above, the Bureau estimates that the 8,103 smaller covered entities (800 nondepositories and 7,303 depositories) would each incur one-time charges of $144. As a result, the Bureau estimates the one-time vendor costs for all small servicers as $1,166,000.

Larger servicers with proprietary systems would need to revise their compliance software and systems. Based on information from conversations with servicers and with software vendors, the Bureau estimates each firm will require 40 hours of software and IT to modify their systems for the revised Mortgage Servicing Transfer notices. As explained above, the Bureau estimates there are 30 respondents with in-house servicing platforms. Thus, the Bureau estimates aggregate one-time burden hours is 1,200 hours.

ii. Ongoing burden

Respondents will have ongoing production and distribution costs from providing the modified mortgage servicing transfer disclosure. To derive the number of responses, the Bureau multiplied the share of non-portfolio mortgages by the number of originations in 2011, and then multiplied by two, since each loan most likely generates a notice from the transferor and transferee.[10] The Bureau then apportioned this to institutions based upon their share of all outstanding mortgages. Therefore, vendor costs to distribute the new disclosure at large servicers are $2.6 million, which is derived from the product of $0.30 a disclosure by the estimated 8.7 million responses. These large depositories will also incur internal production costs of approximately 0.003 hours per disclosure, for an additional annual burden 26,300 hours. The Bureau estimates annual responses at smaller servicers will be number approximately 530,000. As explained above, smaller servicers will incur $0.20 production costs and 0.003 hours of labor for distribution costs per response, equivalent to $106,000 in vendor costs and 1,600 hours in labor.

[10] 6.3 million originations in 2011 * 73% of non-portfolio loans * 2 required notices = 9.3 million responses. The transferor and the transferee would be able to provide a single joint notice under final rule 1024.33(b)(3) as under the existing rule in 1024.21(d)(2)(i)(C), but the Bureau believes that transfers generally involve two notices since respondents would have to coordinate to produce a single joint notice.

Mortgage Servicing Transfer Notice	
Bureau share of respondents	12,642
Bureau share of responses	9,297,170
Average frequency per response	735
Annual Burden (hrs):	
Time per response (hours)	0.003
Total (hours)	27,861
Annual Burden ($):	
Vendor Costs	$2,639,766

B. Force-Placed Insurance

The Bureau's final rule for force-placed insurance requires servicers to deliver to the borrower or place in the mail two notices--one at least 45 days and the other at least 15 days before charging the borrow for force-placed insurance. In addition to the two notices, the Bureau requires servicers to provide borrowers a written notice before charging a borrower for renewing or replacing existing force-placed insurance on an annual basis. The Bureau believes the final requirement that servicers provide borrowers with two written notices prior to charging borrowers for force-placed insurance is usual and customary for the majority of mortgage servicers. However, the Bureau believes that the final requirement that servicers provide a written notice prior to charging borrowers for the renewal or replacement of existing force-place insurance may not be usual and customary.

i. One-time burden

Reviewing the regulation

The Bureau estimates that, for each covered person, one lawyer would take 0.55 hours to read and review the sections of the proposed rule that describe the contents of the Mortgage Servicing Transfer provision, based on the length of the sections. The burden allocated to the Bureau institutions is therefore 0.55*12,624= 6,950 hours.

Software and information technology

Respondents who maintain their own software and compliance systems would incur one-time costs to adapt their software and compliance systems to produce the new forms. The Bureau estimates that 30 large respondents will each require 80 hours to update their systems. Therefore, the aggregate one-time hourly burden from software and information technology updates is 30*80= 2,400 hours.

As discussed above, many of the Bureau's respondents operate vendor servicing platforms. Within this group, the Bureau estimates the smaller services will incur one-time vendor costs of $144 per institution associated with the regulatory changes. The aggregate one-time cost to these institutions is $144*8,103=$1,150,000.

ii. Ongoing burden

Respondents will have ongoing production and distribution costs from providing the new disclosure. The Bureau estimates the annual number of disclosures for renewing or replacing existing force-placed insurance as 1,088,000, with 1,026,000 apportioned to large servicers and 62,069 to small. The Bureau estimates that large servicers will incur internal production costs of approximately 0.003 hours per disclosure, multiplied by 1,026,000 disclosures, resulting in 3,079 burden hours. Large servicers will also incur distribution costs of $0.30 per response from their print vendors for the distribution of the periodic statements, for an annual aggregate cost of $307,000. The Bureau estimates small servicers will incur vendor production costs of $0.20 per disclosure. Multiplying this figure by the estimated annual number of responses, 62,000, gives total vendor production costs of $12,000. Additionally, small servicers will spend 0.003 hours to distribute each disclosure for an aggregate annual burden of 186 hours.

Force-Placed Insurance	
Bureau share of respondents	12,642
Bureau share of responses	1,088,000
Average frequency per response	86
Annual Burden (hrs):	
Time per response (hours)	0.003
Total (hours)	3,200
Annual Burden ($):	
Vendor Costs	$309,000

C. Error Resolution and Requests for Information

The Bureau's final rule for error resolution and requests for information generally requires written acknowledgement of receiving a notice of error or an information request, written notification of correction of error, and oral or written provision of the information requested by the borrower or a written notification that the information requested is not available to the servicer. These activities are information collections.

Reviewing the regulation

The Bureau estimates that, for each covered person, one lawyer would take 1.1 hours to read and review the sections of the final rule that describe the contents of the Error Resolution and Requests for Information provision, based on the length of the sections. The burden allocated to the Bureau institutions is therefore 1.1*12,642=13,906 hours.

Software and information technology

The Bureau does not believe there are costs associated with software and information technology for the error resolution provision.

ii. Ongoing burden

Respondents will have ongoing production and distribution costs from providing responses to alleged errors asserted by the borrower in writing. Based on conversations with large servicers, the Bureau believes 1% of mortgages will allege an error in a year. Therefore, the Bureau estimates (1%*57,000,000) 572,000 errors will be alleged annually, with 540,000 apportioned to larger servicers based upon their share of the total outstanding loans, and 32,000 to smaller servicers. Based on conversations with servicers, the Bureau believes that addressing the average error allegation will require approximately 10 minutes of staff time. This gives an aggregate industry burden of 95,000 hours.

The Bureau estimates that large servicers will incur internal production costs of approximately 0.003 hours per disclosure. Multiplying by 540,000 disclosures gives 1,620 hours of burden. Large servicers will also incur distribution costs of $0.30 per response from their print vendors for the distribution of the periodic statements, for an annual aggregate cost of $162,000. For small servicers, vendor production costs of $0.20 per disclosure multiplied by 32,000 estimated annual responses gives total vendor production costs of $6,500. Additionally small servicers will spend 0.003 hours to distribute each disclosure for an aggregate annual burden of 98 hours.

Error Resolution and Requests for Information	
Bureau share of respondents	12,642
Bureau share of responses	572,000
Average frequency per response	45
Annual Burden (hrs):	
Time per response (hours)	0.167
Total (hours)	97,000
Annual Burden ($):	
Vendor Costs	$162,000

D. Early Intervention with Delinquent Borrowers

An information collection would be created by the Bureau's final rule requiring servicers to provide an oral and written notice upon a borrower's reaching certain stages of delinquency. Most respondents currently provide some form of delinquency notice, and thus the expenses associated with this information collection are from the one-time costs to incorporate the Bureau's required information.

Reviewing the regulation

The Bureau estimates that, for each covered person, one lawyer would take 0.4 hours to read and review the sections of the final rule that describe the contents of the early intervention requirements, based on the length of the sections. The burden allocated to the Bureau institutions is therefore 0.4*1,023=1,125 hours. The number of institutions is lessened by the small servicer exemption which extends to servicers with less than 5,000 mortgages and certain other requirements.

<u>*Software and information technology*</u>

The Bureau does not believe there are costs associated with software and information technology for the error resolution provision.

ii. Ongoing burden

Respondents will have ongoing production and distribution costs from providing the disclosure. The final rule excludes entities that service less than 5,000 mortgages, which were originated and serviced for others, or originated and held in portfolio. The Bureau estimates this exemption limits the number of respondents to 1,023 that service approximately 49 million mortgages. Further, the final rule limits the required disclosure to primary residences, as such, the Bureau estimates that 89% of outstanding mortgages are secured against primary residences, reducing the number of possibly impacted mortgages to (49,000,000*89%=) 43.6 million loans. Fannie Mae, Freddie Mac, FHA, and the VA generally recommend that all institutions that service any of their guaranteed mortgages perform duties similar to those set forth in the Bureau's proposed provisions regarding early intervention with delinquent borrowers. The Bureau estimates that 80% of the 43.6 million mortgages are guaranteed by one of these institutions. Therefore, there are (20%*43,600,000=) 8.7 million mortgages that are currently not required to provide error resolution disclosures. However, GSE and VA/FHA servicers also manage other loans, and the Bureau believes they are likely to incorporate the most stringent policy across their entire portfolio for organizational simplicity. In consideration of this, the Bureau estimates that only 25% of loans that are not government guaranteed are currently not receiving delinquency notices that would comply with the proposal. Consequently, the number of possible mortgages impacted by this proposal is the product of 25% and 8.7 million, or 2.2 million mortgages. Of the 2.2 million mortgages, only a small portion will become delinquent at some point during the year. To calculate this amount, the Bureau applied the New York Federal Reserve's quarterly current to 30-59 day delinquent roll rate of 1.8%; however, the Bureau annualized the quarterly figure to acquire an annualized rate of (4*1.8%=) 7.2%. Thus, the number of mortgages hitting the early stages of delinquency in any given year is the product of 7.2% and the 2.6 million loans, which produces the Bureau's estimated annual responses of 31,500. The Bureau assumes the average staff time per response is 15 minutes, for an aggregate industry burden of 7,975 hours.

The Bureau estimates that large depositories will incur internal production costs of approximately 0.003 hours per disclosure. Multiplying by 31,000 disclosures gives 94 hours of burden. Large servicers will also incur distribution costs of $0.30 per response from their vendors for the distribution of the disclosures, for an annual aggregate cost of $9,400. The Bureau estimates that there are two small servicers that are non-exempt from this rule. The

Bureau estimates these two small servicers will incur vendor production costs on the order of $0.20 per disclosure. Thus, the $0.20 is multiplied by the estimated annual number of responses, 88, for total vendor production costs of $88.   Additionally, small servicers will spend 0.003 hours to distribute each disclosure for an aggregate annual burden of 0.25 hours.

Early Intervention with Delinquent Borrowers	
Bureau share of respondents	1,023
Bureau share of responses	31,500
Average frequency per response	31
Annual Burden (hrs):	
Time per response (hours)	0.250
Total (hours)	7,975
Annual Burden ($):	
Vendor Costs	$9,000

E. Loss Mitigation

Under the Bureau's final rule, servicers that offer loss mitigation options in the ordinary course of business would be required to follow certain procedures when evaluating loss mitigation applications, including (1) providing a notice telling the borrower if the loss mitigation is incomplete, approved, or denied (and, for denials of loan modification requests, a more detailed notice of the specific reason for denial and appeal rights), (2) providing a notice of the appeal determination, (3) providing servicers of senior or subordinate liens encumbering the property that is subject of the loss mitigation application copies of the loss mitigation application.

The loss mitigation provision would create an information collection by requiring servicers to notify borrowers who submit loss mitigation applications by specified deadlines and any servicers of senior or subordinate liens encumbering the property that is the subject of the loss mitigation application where applications have been submitted. Servicers may be required to send up to three notices per loss mitigation application. For incomplete applications received by specified deadlines, servicers are required to notify the borrower that the borrower's application is incomplete and explain the steps needed to complete it. For complete applications received by specified deadlines, the servicers are required to notify the borrower of their decision and provide a copy of the application to any servicers of senior or subordinate liens encumbering the property that is the subject of the loss mitigation application. For incomplete applications that resubmit and possess second-lien loan on their property, the provision would require three notices.

Reviewing the regulation

The Bureau estimates that, for each covered person, one lawyer would take 0.2 hours to read and review the sections of the final rule that describe the contents of the loss mitigation provision, based on the length of the sections. The burden allocated to the Bureau institutions is therefore 0.2*1,023=205 hours. The number of institutions is lessened by the small servicer exemption which extends to servicers with less than 5,000 mortgages and certain other requirements.

Software and information technology

The Bureau does not believe there are costs associated with software and information technology for the loss mitigation provision.

ii. Ongoing burden

Respondents will have ongoing production and distribution costs from providing the disclosures. According to the Housing and Urban Development's June 2012 Housing Scorecard, 8.3 million loss mitigation actions occurred between April, 2009 and May, 2012.[11] The Bureau realizes that not all loss mitigations actions are accepted, and to estimate the number of actual loss mitigation actions, assumes for every accepted modification one is rejected by the borrower. The annualized number of modifications over the past three years (8.3 million/3=) is 2.8 million. Applying the 50% modification acceptance rate, the Bureau estimates there are approximately 5.6 million loss mitigation actions in a given year. Furthermore, the Bureau assumes that the average loss mitigation action will require one written notices be sent and involve 10 minutes of staff time, for an aggregate industry burden of (5,600,000*0.167=) 933,000 hours.

The Bureau estimates that large servicers will incur internal production costs of approximately 0.003 hours per disclosure, multiplied by 5.5 million disclosures, results in 16,700 hours of burden. Large servicers will also incur distribution costs of $0.30 per response from their print vendors for the distribution of the disclosure, for an annual aggregate cost of $1.7 million. The Bureau estimates small servicers will incur vendor production costs on the order of $0.20 per disclosure. Thus, the $0.20 is multiplied by the estimated annual number of responses, 15,700, for total vendor production costs of $3,100. Additionally, small servicers will spend 0.003 hours to distribute each disclosure for an aggregate annual burden of 47 hours.

[11] Loss mitigation includes HAMP trial modifications (1.8 million), HAMP permanent modifications (1 million), FHA loss mitigation interventions (1.3 million), HOPE Now Modifications (2.9 million) and HARP Refinances (1.2 million).

Loss Mitigation	
Bureau share of respondents	1,023
Bureau share of responses	5,600,000
Average frequency per response	5,475
Annual Burden (hrs):	
Time per response (minutes)	0.167
Total (hours)	950,000
Annual Burden ($):	
Vendor Costs	$1,600,000

F. Summary

The ongoing and one-time hourly costs for each information collection are list below.

	Respondents	Disclosures Per Respondent	Hours burden per disclosure	Total burden hours	Total Vendor costs
Ongoing:					
Notice of Mortgage Service Transfer	12,642	735	0.003	27,861	2,639,766
Force-Placed Insurance	12,642	86	0.003	3,261	309,020
Error Resolution & Response to Inquiries	12,642	45	0.170	97,187	162,642
Early intervention	1,023	31	0.253	7,975	9,070
Loss Mitigation	1,023	5,474	0.170	949,847	1,610,942
One-Time:					
Notice of Mortgage Service Transfer	12,642	1	0.3877624	5,000	1,170,000
Force-Placed Insurance	12,642	1	0.7362132	9,000	1,170,000
Error Resolution & Response to Inquiries	12,642	1	1.0853196	14,000	0
Early intervention	1,023	1	0.4	0	0
Loss Mitigation	1,023	1	1.4121212	1,000	0

13. Estimated Total Annual Cost Burden to Respondents or Recordkeepers

Covered persons will incur costs associated with producing and mailing the aforementioned disclosures, and for some provisions additional staff time. The Bureau estimates the cost per disclosure, whether directly incurred through vendors or costs associated with in-house labor or some combination, as $0.50 per disclosure. All the staff burden hours are multiplied by $19 an hour, the fully loaded customer service representative wages noted above. The total annual cost burden to respondents are roughly $4,650,000[12] for the Mortgage Servicing Transfer, $545,000[13] for the Force-Placed Insurance, $2,100,000[14] for Error Resolution and

[12] Deriving the annual costs for the Mortgage Servicing Transfer: 9,300,000 annual responses multiplied by $0.50 a disclosure.

[13] Deriving the annual costs for the Force-Placed Insurance: 1,088,000 annual responses multiplied by $0.50 a disclosure.

[14] Deriving the annual costs for the Error Resolution and Request for Information: 575,000annual responses multiplied by $0.50 for distribution and production costs of $286,000. In addition, the Bureau estimates all respondents in aggregate will incur 95,000 hours of customer service representative time per year. At $19 an hour,

Request for Information, $165,000[15] for Early Intervention with Delinquent Borrowers, and $20,500,000[16] for Loss Mitigation.

14. Estimated Cost to the Federal Government

Because the Bureau does not collect any information, the cost to the Bureau is negligible.

15. Program Changes or Adjustments

The Bureau is making adjustments to the Servicing Transfer Statement, which, as described above, is an existing information collection under Regulation X. For a more detailed explanation of these adjustments, see the previous response to A.1 (Justification).

The information collections for the Bureau's proposed requirements for force-placed insurance, error resolution, information requests, early intervention, and loss mitigation procedures would be new requirements under the Bureau's proposal. For a more detailed explanation of these adjustments, see the previous response to A.1 (Justification).

16. Plans for Tabulation, Statistical Analysis, and Publication

The information collections are third-party disclosures. There is no publication of the information.

17. Display of Expiration Date

The Bureau believes that displaying the OMB expiration date is inappropriate because it could cause confusion by leading consumers to believe that the regulation sunsets as of the expiration date. Consumers are not likely to be aware that the Bureau intends to request renewal of OMB approval and obtain a new expiration date before the old one expires.

18. Exceptions to the Certification Requirement

None.

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the total annual cost from staff time is $1,800,000. Therefore, the ongoing cost from this provision is $286,000 + $1,800,000 = $2,100,000.

[15] Deriving the annual costs for the Early Intervention with Delinquent Borrowers: 31,500 annual responses multiplied by $0.50 for distribution and production costs of $16,000. In addition, the Bureau estimates all respondents in aggregate will incur 7,800 hours of customer service representative time per year. At $19 an hour, the total annual cost from staff time is $150,000 Therefore, the aggregate ongoing costs from this provision are $16,000 + $150,000 = $166,000.

[16] Deriving the annual costs for Loss Mitigation: 5,600,000 annual responses multiplied by $0.50 for distribution and production costs of $2,800,000. . In addition, the Bureau estimates all respondents in aggregate will incur 930,000 hours of customer service representative time per year. At $19 an hour, the total annual cost from staff time is $17,700,000. Therefore, the aggregate ongoing costs from this provision are $2,800,000 + $17,700,000 = $20,500,000.