

**CONSUMER FINANCIAL PROTECTION BUREAU  
INFORMATION COLLECTION REQUEST – SUPPORTING STATEMENT  
TRUTH IN LENDING ACT (REGULATION Z) 12 CFR 1026  
(OMB CONTROL NUMBER: 3170-0015)**

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The Bureau of Consumer Financial Protection (CFPB) is providing a supplement to its previous supporting statement for Regulation Z. This supplement addresses the information collection requirements in Regulation Z that are affected by the CFPB’s changes as described below.

**Terms of Clearance:** N/A.

**Abstract:** Federal and state enforcement agencies and private litigants use records retained under the requirement of Regulation Z to ascertain whether accurate and complete disclosures of the cost of credit have been provided to consumers prior to consummation of the credit obligation and, in some instances, during the loan term. The information is also used to determine whether other actions required under the TILA, including complying with billing error resolution procedures and limitation of consumer liability for unauthorized use of credit, have been met. The information retained provides the primary evidence of law violations in TILA enforcement actions brought by federal agencies. Without the Regulation Z recordkeeping requirement, the agencies' ability to enforce the TILA would be significantly impaired.

As noted above, consumers rely on the disclosures required by the TILA and Regulation Z to shop among options and to facilitate informed credit decision making. Without this information, consumers would be severely hindered in their ability to assess the true costs and terms of financing offered. Also, without the special billing error information, consumers would be unable to detect and correct errors or fraudulent charges on their open-end credit accounts. Additionally, enforcement agencies and private litigants need the information in these disclosures to enforce the TILA and Regulation Z. See 15 U.S.C. 1607, 1640.

**A. JUSTIFICATION**

**1. Circumstances Necessitating the Data Collection**

The Truth in Lending Act (TILA), 15 U.S.C. 1601 *et seq.*, was enacted to, among other things, assure a meaningful disclosure of credit terms so that consumers will be able to compare credit terms more readily and avoid the uninformed use of credit. Creditors are subject to disclosure and other requirements that apply to open-end credit (*e.g.*, revolving credit or credit lines) and closed-end credit (*e.g.*, installment financing). TILA imposes disclosure requirements on all types of creditors in connection with consumer credit, including mortgage companies, finance companies, retailers, and credit card issuers, to ensure that consumers are fully apprised of the terms of financing prior to consummation of the transaction and, in some instances, during the loan term. Regulation Z was previously implemented by the Board of Governors of the Federal Reserve System (Board) at 12 CFR 226. In light of the general transfer of the Board’s rulemaking authority for TILA to the CFPB, the CFPB adopted an interim final rule recodifying the Board’s Regulation Z at 12 CFR 1026. The CFPB enforces TILA as to certain creditors and advertisers. TILA also contains a private right of action for consumers.

Although Regulation Z has historically implemented provisions of TILA, the Dodd-Frank Act amended TILA and the Real Estate Settlement Procedures Act (RESPA) to mandate specifically that the CFPB establish a single, integrated disclosure (including real estate settlement cost statements) that includes the disclosure requirements of TILA and RESPA for mortgage loan transactions subject to both or either provisions of law. 15 U.S.C. 1604(a); 12 U.S.C. 2603(a). Required disclosures under RESPA include a good faith estimate of settlement costs, a special information booklet, and an itemization of settlement charges imposed upon the borrower and the seller. The implementing regulations for RESPA have historically been published in HUD's Regulation X at 24 CFR 3500, which the CFPB recodified at 12 CFR 1024.

Through a final rule issued in November 2013, the CFPB is amending Regulation Z to implement certain provisions of RESPA that relate to the integrated disclosures, as well as the integration requirements and certain other disclosure requirements under the Dodd-Frank Act. The CFPB enforces RESPA as to certain lenders, mortgage brokers, and settlement agents. As set forth more fully below, the CFPB believes the following aspects of the final rule are information collection requirements under the PRA.<sup>1</sup>

#### Disclosure – Loan Estimate and Closing Disclosure

The CFPB is implementing in Regulation Z certain additional disclosures derived from the following statutory provisions under TILA, as amended by the Dodd-Frank Act, in 12 CFR 1026.19, 1026.20, 1026.37, 1026.38, and 1026.39: 15 U.S.C. 1638(a)(16) through (a)(19), 1638(b)(4), 1639c(g)(2), (g)(3), and (h), and 1639d(h) and (j). In addition, the CFPB is implementing in Regulation Z certain disclosures derived from the following statutory provisions under RESPA in 12 CFR 1026.19, 1026.37, and 1026.38: 12 U.S.C. 2603 and 2604. Specifically, the final rule requires disclosures be provided to consumers within three business days after receipt of the consumer's mortgage loan application (the Loan Estimate), to replace the "early" TILA disclosure and the RESPA good faith estimate of settlement costs, and requires disclosures be received by consumers at least three business days prior to consummation (the Closing Disclosure), to replace the "final" TILA disclosure and RESPA settlement statement.

The final rule requires the development, implementation, and continuing use of new, integrated Loan Estimate forms required for closed-end mortgage transactions subject to the final rule and the generation and provision of additional Loan Estimates in particular transactions as a result of increases in the closing costs that were included in the initial Loan Estimate.<sup>2</sup> In addition, the final rule requires the

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<sup>1</sup> Under the final rule, these information collection requirements apply to closed-end transactions secured by real property, other than reverse mortgages subject to § 1026.33. Construction-only loans, vacant-land loans, and loans secured by more than 25 acres are subject to the integrated disclosure provisions although these transactions were previously exempt from RESPA coverage, because the CFPB believes that excluding these transactions would deprive consumers of the benefit of enhanced disclosures. However, the CFPB believes that the number of such transactions is negligible as compared to the entire mortgage market.

<sup>2</sup> The final rule also provides that, if the creditor permits a consumer to shop for a settlement service, the creditor shall provide the consumer with a written list identifying available providers of that service and stating that the consumer may choose a different provider for that service. Accordingly, creditors must comply with this additional requirement in certain transactions

development, implementation, and continuing use of new, integrated Closing Disclosure forms for closed-end mortgage transactions subject to the final rule and generation and provision of additional Closing Disclosures in particular transactions as a result of certain significant changes between the time the Closing Disclosure form is given and the closing.

Under the final rule, the integrated disclosures described above will serve as model forms for transactions subject to TILA, and standard forms for transactions subject to both TILA and RESPA.

#### Disclosure – Post-Consummation Disclosures

In addition to the integrated disclosures, the CFPB is also implementing two post-consummation disclosures. The first, the Post-Consummation Escrow Cancellation Notice, was proposed by the Board in their 2011 Escrows Proposal, 76 FR 11598 (Mar. 2, 2011). Subsequent to the issuance of the Board's 2011 Escrows proposal, the authority for finalizing the proposal transferred to the Bureau pursuant to the Dodd-Frank Act. In this final rule, the Bureau has adopted 12 CFR 1026.20(e) to implement the Post-Consummation Escrow Cancellation Disclosure generally as proposed in the Board's 2011 Escrow Proposal. The second, the post-consummation Partial Payment Policy disclosure, was proposed by the Bureau in this rule's related proposal. While it was included as part of the integrated disclosure requirements, the CFPB has decided to separate it here for the sake of completeness and transparency as the timing of both of the disclosures occur post consummation.

#### Recordkeeping

The CFPB is finalizing 12 CFR 1026.25(c), which contains record retention requirements related to the integrated disclosures required by in this final rule. Generally, that provision requires creditors to retain evidence of compliance with the integrated disclosure provisions of Regulation Z for three years after consummation of the transaction, except that the creditor must retain copies of the Closing Disclosure for five years after consummation (see #7, below). The Post-Consummation Escrow Cancellation Notice and the Partial Payment Policy disclosure are subject to the general two year requirement under Regulation Z.

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

The third party disclosures and recordkeeping requirements in this collection are required by statute and regulation, as explained above. Consumers rely on the disclosures required by TILA and Regulation Z to shop among options and to facilitate informed credit decision making. Without this information, consumers would be hindered in their ability to assess the true costs and terms of financing offered. Additionally, enforcement agencies and private litigants need the information in these disclosures to enforce TILA and Regulation Z. *See* 15 U.S.C. 1607, 1640. Under the final rule, consumers would also rely on the disclosures required by Regulation Z to understand their estimated

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where consumers are permitted to shop for settlement services. This is an existing requirement under current Regulation X, 12 CFR 1024 app. C, but is not specifically itemized as a separate information collection under Regulation X. Because the timing of this requirement coincides with the provision of the initial Loan Estimate to consumers, the burden associated with the written list of providers requirement under the final rule is included in the burden calculation for the Loan Estimate.

and final settlement costs.

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

Regulation Z contains rules to establish uniform standards for using electronic communication to deliver disclosures required under Regulation Z, within the context of the Electronic Signatures in Global and National Commerce Act (ESIGN), 15 U.S.C. 7001 *et seq.* 12 CFR 1026.5(a)(1)(iii), 1026.17(a)(1). These rules enable businesses to utilize electronic disclosures and compliance, consistent with the requirements of ESIGN. Use of such electronic communications is also consistent with the Government Paperwork Elimination Act (GPEA), Title XVII of Pub. L. 105-277, codified at 44 U.S.C. 3504, note. ESIGN and GPEA serve to reduce businesses' compliance burden related to Federal requirements, including Regulation Z, by enabling businesses to use more efficient electronic media for disclosures and compliance.

Regulation Z also permits creditors to retain records using any method that reproduces records accurately, including computer programs. Creditors need only retain enough information to reconstruct the required disclosure or other records. Comment 25(a)-2.

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

The recordkeeping requirement of Regulation Z being implemented in the final rule preserves the information used by the creditor in making disclosures (and underlying calculations) of the terms of consumer credit and other required actions. The creditor is the only source of this information. No other Federal law mandates this requirement. No State law known to the CFPB imposes these requirements, although some States may have other rules applicable to consumer credit transactions.

Similarly, the disclosures required by TILA and Regulation Z are not otherwise required, except as noted below with respect to RESPA and Regulation X. Although some credit cost information is contained in contractual documents, the information is not standardized. As a result, consumers cannot use them efficiently to shop or to appreciate fully the credit terms they are considering. The creditor is the only source of this information. No other Federal law mandates these disclosures other than as noted below. State laws do not duplicate these requirements, although some States may have other rules applicable to consumer credit transactions.

As noted above, the CFPB is implementing in Regulation Z certain disclosure requirements under TILA and RESPA to reduce the number of overlapping disclosures that consumers currently receive under those two statutes.

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

TILA and Regulation Z disclosure requirements are imposed on all creditors. The disclosure requirements are mandated jointly by TILA and Regulation Z. In this final rule, the CFPB is issuing additional disclosure requirements mandated by RESPA and the Dodd-Frank Act.

Most lenders today use some degree of computerization in their business, and Regulation Z

permits businesses to rely on computer support, among other alternatives, to meet their disclosure requirements. This flexibility yields reduced disclosure costs. (See #3 above.)

Moreover, as noted previously, Regulation Z provides model forms and clauses that may be used in compliance with its requirements. Correct use of these forms and clauses insulates a creditor from liability as to proper format. The CFPB has determined that the integrated disclosures serve as model forms for transactions subject to TILA, and standard forms for transactions subject to both TILA and RESPA.

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

The current record retention period of two years under Regulation Z supports private actions and regulatory enforcement actions. If the retention period were shortened, consumers who sue under TILA, and the administrative agencies, might find that creditor records needed to prove violations of TILA no longer exist.

The CFPB has decided to require creditors to retain evidence of compliance with the integrated disclosure provisions of Regulation Z for three years after consummation of the transaction, except that creditors must retain the Closing Disclosure and all documents related to the Closing Disclosure for five years after consummation (see #7, below). Creditors must retain evidence of compliance with the Post-Consummation Escrow Cancellation Notice and the post-consummation Partial Payment Policy disclosure for two years in accordance with the current record retention period for Regulation Z.

As noted, the disclosure requirements are needed to facilitate comparison cost shopping and to spur informed credit decision making. Without these requirements, consumers may not have access to this critical information, may not receive it in a timely fashion, or may not receive it in an easily-understandable manner. Their right to sue under TILA would be undermined, and enforcement agencies could not fulfill their mandate to enforce TILA and RESPA.

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

The final rule adopts a retention requirement of five years after consummation for the Closing Disclosure and all documents related to the Closing Disclosure, consistent with the requirements of existing Regulation X. While § 1026.25 of Regulation Z generally requires creditors to retain evidence of compliance with TILA for two years after the date disclosures are required to be made or action is required to be taken, current Regulation X (12 CFR 1024.10(e)) requires lenders to retain each completed RESPA settlement statement and related documents for five years after settlement, unless the lender disposes of its interest in the mortgage and does not service the mortgage. If the lender disposes of its interest and does not service the mortgage, current Regulation X requires the lender to provide the lender's copy of the RESPA settlement statement to the owner or servicer of the mortgage as part of the transfer of the loan file. The owner or servicer to whom the files are transferred must retain the RESPA settlement statement for the remainder of the five-year period.

The CFPB is implementing a retention requirement of five years after consummation because the Closing Disclosure serves an important purpose as both the record of all fees associated with the

transaction and as part of the official disbursement record and may be needed for five years after the transaction. For example, State and local laws related to transactions involving real property may depend on the information being available for five years. Additionally, the current five-year recordkeeping requirement under Regulation X has been in effect since 1992.<sup>3</sup> The CFPB is unaware of any problems caused by the five year requirement under current Regulation X and does not believe the time period should be shortened without evidence that the rule is not operating as intended, is unnecessary, or otherwise harms consumers. Thus, it appears that requiring creditors to retain copies of the Closing Disclosure for five years is appropriate. The CFPB believes that this requirement will ensure that records associated with the integrated disclosures are kept long enough to facilitate compliance with both TILA and RESPA and will also enable accurate supervision.

The final rule also requires that if a creditor sells, transfers, or otherwise disposes of its interest in a mortgage and does not service the mortgage, the creditor shall provide a copy of the Closing Disclosure to the owner or servicer of the mortgage as a part of the transfer of the loan file. Both the creditor and such owner or servicer shall retain such disclosures for the remainder of the five-year period. The CFPB recognizes that this requirement is different from the current requirements under Regulation X, which do not require a creditor to maintain these documents if the creditor disposes of its interest in the mortgage loan and does not service the mortgage loan. However, the CFPB believes that the current rule provides little practical benefit to creditors, because other provisions of Regulations Z and X require creditors to maintain records of compliance for several years, even if the creditor transfers, sells, or otherwise disposes of its interest in the mortgage loan.

The recordkeeping and disclosure requirements contained in Regulation X are otherwise consistent with 5 CFR 1320.8(d)(2).

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

In August 2012, the CFPB published a notice of proposed rulemaking in the *Federal Register* for public comment. The comment period with respect to the PRA analysis ended on November 6, 2012. In response to this request for comments, the CFPB did not receive comments related to the PRA analysis contained in the proposed rule or comments containing specific cost estimates addressing the CFPB's PRA analysis. Prior to issuing the proposed rule and before issuing the final rule, the CFPB consulted with 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. The CFPB also consulted with other stakeholders, including roundtables with industry representatives and consumer advocacy groups.

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

Not applicable.

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<sup>3</sup> 57 FR 49600, 49607 (Nov. 2, 1992).

**10. Assurances of Confidentiality**

There are no assurances of confidentiality provided to respondents.

**11. Justification for Sensitive Questions**

The CFPB through this collection does not ask any questions of respondents therefore there are no questions of a sensitive nature being asked.

**12. Estimated Burden of Information Collection**

Under the final rule, the CFPB accounts for the paperwork burden associated with Regulation Z for the following respondents pursuant to its administrative enforcement authority: insured depository institutions with more than \$10 billion in total assets, their depository institution affiliates, and certain nondepository institutions. The CFPB estimates it has 2,922 total respondents (128 depository institutions and affiliates and 2,515 nondepository institutions).<sup>4</sup> The CFPB and the FTC generally have joint enforcement authority over nondepository institutions. To prevent double-counting the same population, the CFPB has allocated to itself half of the estimated burden to nondepository institutions.

The CFPB calculates labor costs by applying appropriate hourly cost figures to the burden hours described below. The hourly rates used are based on Bureau of Labor Statistics data for depository and nondepository credit intermediators. To obtain fully-loaded hourly rates, the CFPB divides hourly wages by 66.6%.<sup>5</sup> The fully-loaded hourly labor cost by occupation is given below.

**Table 1: Occupational Categories and Hourly Rates**

Occupation	Depository Institutions	Nondepository Institutions
Attorneys	\$116	\$114
Compliance officers	\$46	\$52
Loan officers	\$48	\$48
Training and development specialists	\$39	\$41
Loan Interviewers and Clerks	\$26	\$26
Computer and IT staff	\$55	\$60

Currently Regulation Z's approved information collections and the CFPB's share of their associated burdens are as follows:

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<sup>4</sup> The CFPB has administrative enforcement authority over 154 depository institutions and depository affiliates. The CFPB estimates that 26 of these entities did not originate any closed-end mortgages in 2010 and excludes these entities for the purposes of this PRA analysis.

<sup>5</sup> 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.

**Table 2: Current Information Collection Burdens for Regulation Z**

<b>IC Title</b>	<b>Responses</b>	<b>Hours</b>	<b>Dollars</b>
Recordkeeping	939041	939041	2155667
Setup/Monitoring Disclosure Requirements	450000	2763979	2155666
Transaction-Related Disclosure Requirements	200000000	2763980	2155667
<b>Total Burden</b>	<b>201389041</b>	<b>6467000</b>	<b>6467000</b>

The CFPB's estimates of the burden of these information collections remain unchanged. In addition, this final rule adds the following information collections and estimates their burden as follows:

*A. Loan Estimate and Closing Disclosure*

The integrated Loan Estimate and the Closing Disclosure will result in certain one-time and ongoing costs to covered persons. The CFPB believes that many of the costs of complying with these requirements will be common across the two disclosures, and therefore discusses them together here. For purposes of the PRA, the one-time burdens are allocated equally across the Loan Estimate and the Closing Disclosure.

Under the final rule, responsibility for delivering the Loan Estimate will lie with the creditor. The CFPB believes that in some circumstances the Loan Estimate may be delivered by a mortgage broker acting on behalf of the creditor, as is currently the case with the RESPA GFE. In addition, the creditor would be solely responsible for providing the Closing Disclosure to the consumer, but either the settlement agent or the creditor could provide the Closing Disclosure. Although respondents under PRA for Regulation Z also include mortgage brokers and settlement agents, for purposes of the PRA analysis, the CFPB assumes that the creditor takes on the obligation to deliver the Loan Estimate and the Closing Disclosure. Accordingly, there is minimal burden attributed to brokers and settlement agents.

*i. One-time burden*

*Reviewing the regulation*

The CFPB estimates that, for each covered person, two compliance officers would spend 30 hours each learning about the regulation and developing training material. The burden allocated to the CFPB for depository and nondepository institutions is therefore 92,000 hours. Based on the labor cost of compliance officers, the cost for compliance officers is roughly \$4.7 million.

*Training*



Covered persons will incur one-time costs associated with training employees to use new forms and any new compliance software and systems. The CFPB estimates that each loan officer or other loan originator will need to receive eight hours of training, and that one trainer could train ten loan officers at a time, for an additional one hour of trainer time per ten hours of loan officer trainee time. In addition, for each loan officer trained, there are 0.67 back office staff trained. The CFPB estimates that there are approximately 31,000 loan officers at the depository institutions under the CFPB's jurisdiction and 24,000 at nondepository institutions that would need training. Based on the CFPB's allocation of 43,000 trainees, the time for trainers and trainees is  $(43,000 * 1.77 * 8) = 595,000$  hours. Based on the respective labor cost of loan officers and trainers, the associated labor cost is roughly \$23.8 million.

### Software and information technology

Covered persons<sup>6</sup> 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.<sup>7</sup> Based on information provided by creditors and by software vendors, the CFPB believes that 5 percent of creditors typically maintain their own systems, while 95 percent of creditors rely on vendors.

The use of vendors would substantially mitigate the costs of revising software and compliance systems, as the efforts of a single vendor would address the needs of a large number of creditors. Based on discussions with a leading origination technology provider, the CFPB believes that these updates, however, will likely be included in regular annual updates, and therefore the costs will not be directly passed on to the client creditors. Based on small entities that participated in the Small Business Review Panel process, the CFPB estimates that creditors that maintain their own compliance software and systems will incur costs of roughly \$100,000 to determine what changes need to be made and to update their systems to comply with the proposal.

The total cost to covered persons who maintain their own systems is roughly \$14.6 million.<sup>8</sup> Dividing the total cost by the labor cost for software and IT staff yields an estimate of 265,000 hours.

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<sup>6</sup> For the reasons discussed above, the CFPB is assuming that the creditor will bear the costs of revising software and compliance systems for purposes of this analysis. If, instead, settlement agents bore those costs with respect to the Closing Disclosure, the costs would likely be similar although borne by different parties. Two major vendors currently provide software services to the vast majority of small mortgage originators to produce the RESPA GFE and initial TILA disclosures. RESPA settlement statements are currently issued by settlement agents using software provided by a different, but similarly small, set of vendors; however, the CFPB understands that the originators' systems are capable of producing the RESPA settlement statements. As a result, the CFPB believes that it is reasonable to measure costs assuming that the originators' vendors will provide both the Loan Estimate and the Closing Disclosure to their clients under existing contracts. Were the current software providers for settlement agents to have to update their systems (under the second alternative or under other contractual arrangements), those vendors would have to incur the stated costs.

<sup>7</sup> In addition to changing the format of the required forms, the new forms include numerous new disclosures that are required by the Dodd-Frank Act. The CFPB believes that this additional information would be added to the forms as part of the process of adapting software and compliance systems to produce the new forms, and therefore does not provide separate estimates for the costs of adding this additional information.

<sup>8</sup> The CFPB assumes burden for 18 of the top 20 respondents and 68 additional respondents. The total cost is therefore  $(18 * \$2,000,000) + (68 * \$100,000) = \$42,800,000$ .

*ii. Ongoing burden*

Covered persons will have ongoing costs from providing the disclosures. Based on industry feedback, the CFPB understands that most disclosures will be generated by automated systems that use data collected by covered entities in the normal course of business. The CFPB believes that a small number of the disclosures in the Loan Estimate and Closing Disclosure will be generated using data that may not otherwise be collected in the normal course of business, and has considered this in calculating the ongoing burden associated with the information collection. The CFPB's estimates also account for the time covered persons will spend to review the forms for accuracy. The CFPB therefore estimates that providing a Loan Estimate will take approximately 3 minutes and providing a Closing Disclosure will take approximately 6 minutes. However, the CFPB may adjust its calculation in a final rule if it determines that such information is collected or reviewed for accuracy in the normal course of business or that automated sources of such data exist that would make any burden associated with collecting that data negligible.

**Table 3: Ongoing Costs for Integrated Disclosures for CFPB Respondents**

	<b>Loan Estimate</b>	<b>Closing Disclosure</b>	<b>Total</b>
CFPB share of responses	9,922,000	5,413,000	15,335,000
<i><u>Annual Burden (hours):</u></i>			
Time per response (minutes)	3	6	
<b>Total (hours)</b>	393,000	439,000	832,000
<i><u>Annual Burden (\$):</u></i>			
Labor costs	18,772,000	25,902,000	44,674,000
Production and distribution costs	3,144,000	1,756,000	4,900,000
<b>Total</b>	<b>21,916,000</b>	<b>27,658,000</b>	<b>49,574,000</b>

In calculating the total burden of providing Loan Estimates and Closing Disclosures, the CFPB assumes that Loan Estimates will be provided in response to applications for mortgages and Closing Disclosures will be provided three business days before mortgages are consummated. The CFPB further estimates entities will reissue on average two Loan Estimates per loan originated.

*B. Implementation of Certain New Disclosures Mandated by the Dodd-Frank Act*

Title XIV of the Dodd-Frank Act added new disclosure requirements to TILA and RESPA for mortgage transactions, including the Post-Consummation Escrow Cancellation Notice for certain mortgage transactions and the Partial Payment Policy disclosure for certain mortgage transactions. Although the Dodd-Frank Act does not specifically require inclusion of all of these new disclosures in the Loan Estimate and the Closing Disclosure, the CFPB is including some of these disclosures in the integrated forms and also requiring the provision of the Post-Consummation Escrow Cancellation Notice and the Partial Payment Policy disclosure for certain mortgage transactions because doing so will benefit consumers and reduce burden on covered persons. Disclosure of this information would ensure that consumers have the facts to understand a key aspect of their mortgage loan and avoid the uninformed use

of credit. The CFPB also believes that the disclosure of this information ensures that the features of the mortgage transaction, both initially and over the term of the transaction, are fully, accurately, and effectively disclosed to consumers in a manner that permits consumers to understand the costs, benefits, and risks associated with the mortgage transaction, in light of the facts and circumstances, and improves consumer awareness and understanding of residential mortgage loans. If these additional requirements were implemented separately, the aggregated cost of the multiple rules may have been greater than the cost of this final rule. Because creditors will be updating software and compliance systems for these two disclosures at the same time as and in conjunction with the updating for the Loan Estimate and the Closing Disclosure, the disclosures should be relatively easy to implement and the additional costs are likely to be minimal.

*i. One-time burden*

Because covered persons already have to revamp their origination process due to the newly integrated TILA and RESPA disclosures, the CFPB does not believe that the Post-Consummation Escrow Cancellation Notice and the post-consummation Partial Payment Policy disclosure for certain mortgages will impose additional costs to covered persons beyond those associated with reviewing the regulation, training, and updating software and information technology. The CFPB does not anticipate additional costs to covered persons as a result of the new disclosure requirements because covered persons will be updating software and compliance systems for these two disclosures at the same time as and in conjunction with the updating for the Loan Estimate and the Closing Disclosure, so modifying systems to perform these calculations and training existing employees on the new concepts will be a one-time lift.

*ii. Ongoing burden*

Covered persons may incur additional recurring costs associated with calculating and disclosing this additional information to consumers once the implementing rules take effect. The CFPB believes that any burden associated with the final rule's Post-Consummation Escrow Cancellation Notice and the post-consummation Partial Payment Policy disclosure requirements will be minimal or de minimis beyond presentation of the information, which will be ongoing.

*C. Recordkeeping*

The integrated Loan Estimate and the Closing Disclosure will result in certain one-time and ongoing costs to covered persons. The CFPB believes that many of the costs of complying with these requirements will be common across the two disclosures, and therefore discusses them together here. For purposes of the PRA, the one-time burdens are allocated equally across the Loan Estimate and the Closing Disclosure.

The current record retention period of two years under Regulation Z supports private actions and regulatory enforcement actions. However, the CFPB has decided to require creditors to retain evidence of compliance with the integrated disclosure provisions of Regulation Z for three years after consummation of the transaction, except that creditors must retain the Closing Disclosure and all documents related to the Closing Disclosure for five years after consummation, consistent with the

requirements of existing Regulation X (see #7, above). The final rule also requires that if a creditor sells, transfers, or otherwise disposes of its interest in a mortgage and does not service the mortgage, the creditor shall provide a copy of the Closing Disclosure to the owner or servicer of the mortgage as a part of the transfer of the loan file. Such owner or servicer shall retain such disclosures for the remainder of the five-year period. The CFPB recognizes that this requirement is different from the current requirements under Regulation X, which does not require a creditor to maintain these documents if the creditor disposes of its interest in the mortgage loan and does not service the mortgage loan (see #7, above). The CFPB believes that any burden associated with the final rule's recordkeeping requirement will be minimal or de minimis, since only information sufficient to reconstruct the required record is required to be retained.

The final rule does not finalize the integrated recordkeeping requirements proposed in the proposed rule.

*i. One-time burden*

The CFPB does not believe that the recordkeeping requirement will impose one-time costs on covered persons beyond reviewing the regulation.

*ii. Ongoing burden*

Covered persons will have ongoing costs from complying with the new record retention requirements. The CFPB believes that any burden associated with the final rule's record keeping requirement will be minimal or de minimis, since only information sufficient to reconstruct the required record is required to be retained.

*D. Summary*

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

**Table 4: Regulation Z One-Time and Annual Burdens Impacted by Final Rule for Bureau Respondents**

	<b>Loan Estimate</b>	<b>Closing Disclosure</b>	<b>Total</b>
Number of Respondents	<b>2,922</b>	<b>2,922</b>	<b>2,922</b>
CFPB share of responses	9,922,000	5,413,000	15,335,000
<i><u>One-Time Burden:</u></i>			
Labor (hours)	1,378,000	1,378,000	
Labor Costs	41,068,000	41,068,000	82,137,000
<i><u>Annual Burden:</u></i>			
Labor (hrs)	393,000	439,000	832,000
Labor costs	18,772,000	25,902,000	44,674,000
Production and distribution costs	3,144,000	1,756,000	4,900,000
<b>Total</b>	<b>21,916,000</b>	<b>27,658,000</b>	<b>49,574,000</b>

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

Covered persons will incur costs associated with producing and mailing the Loan Estimate and Closing Disclosure. The CFPB estimates the cost per disclosure is approximately \$0.80 per Loan Estimate and \$0.95 per Closing Disclosure, including postage.<sup>9</sup> The CFPB estimates that approximately half of the disclosures will be provided electronically and therefore will incur no cost beyond the labor costs described in #12, above. The production and mailing costs are roughly \$7.1 million for the Loan Estimate and \$2.3 million for the Closing Disclosure.<sup>10</sup>

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

As the CFPB does not collect any information, the cost to the CFPB is negligible.

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

<sup>9</sup> The CFPB estimates that the cost of a Loan Estimate is typically \$0.75 and that the written list identifying available service providers would add an additional \$0.10 to the initial Loan Estimate. The CFPB estimates there will be 8.3 million initial Loan Estimates and 9.6 million Loan Estimate redisclosures annually. Therefore, the cost of producing and distributing the Loan Estimate is  $(8,300,000 * \$0.85 * 0.5) + (9,600,000 * \$0.75 * 0.5) = \$7,100,000$  (rounded to the nearest \$100,000).

<sup>10</sup> The cost of producing and distributing for the Closing Disclosure is  $4,800,000 * \$0.95 * 0.5 = \$2,300,000$  (rounded to the nearest \$100,000).

As noted above, the Dodd-Frank Act amended TILA and RESPA to, among other things, mandate specifically that the CFPB establish a single, integrated disclosure (including real estate settlement cost statements) that includes the disclosure requirements of TILA and RESPA for mortgage loan transactions subject to both or either provisions of law. 15 U.S.C. 1604(a); 12 U.S.C. 2603(a). Accordingly, the CFPB is implementing the Loan Estimate and Closing Disclosure requirements in Regulation Z to replace the “early” TILA disclosure and RESPA GFE and the “final” TILA disclosure and RESPA settlement statement. The integrated disclosures under the final rule will apply to all closed-end transactions secured by real property or a dwelling, other than reverse mortgage transactions. The CFPB is also implementing in Regulation Z certain additional disclosures derived from statutory provisions under TILA and RESPA, as amended by the Dodd-Frank Act.

In addition, as previously discussed, the CFPB is requiring record retention related to the integrated TILA and RESPA disclosures and the post-consummation disclosures. Generally, the CFPB is requiring creditors to retain evidence of compliance with the integrated disclosure provisions of Regulation Z for three years after consummation of the transaction, except that the creditor must retain copies of the Closing Disclosure, and all documents related to that disclosure, for five years after consummation. For the two post-consummation disclosures, the CFPB is requiring creditors to retain evidence of compliance for two years.

The CFPB previously estimated the ongoing burden for Regulation Z based on the assumption that the total ongoing burden for the regulation, across all agencies, remained the same as it was before the regulation was restated by the CFPB. The CFPB used its own methodology to estimate the one-time and ongoing burden for the information collections that are affected by the final rule, which may differ from the methodologies employed by other agencies.

The CFPB makes no changes to the other information collections associated with Regulation Z since their last OMB approval. A summary of the burden changes is provided below in Table 5.

**Table 5: Summary of Burden Changes Resulting from Final Rule for Regulation Z**

Type of Burden	Requested	Program Change Due to Agency Discretion	Previously Approved	Difference
Annual Number of Responses	216,724,041	216,724,041	201,389,041	15,335,000
Annual Time Burden (Hr)	10,055,000	10,055,000	6,467,000	3,588,000
Annual Cost Burden (\$)	9,400,000	9,400,000	6,467,000	2,933,000

While this final rule results in approximately 3.6 new burden hours for Regulation Z (OMB No. 3170-0015), certain disclosure requirements from Regulation X resulting in a reduction of approximately 10.8 million hours from OMB control number 3170-0016. Therefore, the overall net burden change resulting from this final rule is a reduction of 7.2 million hours.

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

The information collections are third-party disclosures and record retention requirements. There is no publication of the information.

## **17. Display of Expiration Date**

The CFPB 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 CFPB intends to request renewal of OMB approval and obtain a new expiration date before the old one expires. Further, there are no collection instruments on which to display an expiration date. The expiration will, however, be displayed on OMB's public-facing docket on reginfo.gov (<http://www.reginfo.gov/public/do/PRAOMBHistory?ombControlNumber=3170-0015>).

## **18. Exceptions to the Certification Requirement**

The CFPB 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 the certification requirements.