

**SUPPORTING STATEMENT FOR
REGULATION F: FAIR DEBT COLLECTION PRACTICES ACT, STATE
APPLICATION FOR EXEMPTION
OMB CONTROL NO.: 3170-0056**

A. JUSTIFICATION

1. Explain the circumstances that make the collection of information necessary. Identify any legal or administrative requirements that necessitate the collection. Attach a copy of the appropriate section of each statute and regulation mandating or authorizing the collection of information.

In 1977, Congress passed the Fair Debt Collection Practices Act (FDCPA) “to eliminate abusive debt collection practices by debt collectors, to insure that those debt collectors who refrain from using abusive debt collection practices are not competitively disadvantaged, and to promote consistent State action to protect consumers against debt collection abuses.”¹ The FDCPA established certain consumer protections but, over time, interpretative questions arose, including questions related to communication technologies that did not exist at the time the FDCPA was passed (such as cell phones, text messaging, and email)..

Regulation F originally provided a procedure whereby State governments may apply to the Bureau for a determination that, under the laws of that State, any class of debt collection practices within that State is subject to requirements that are substantially similar to, or provide greater protection for consumers than, those imposed under the FDCPA, and that there is adequate provision for State enforcement of such requirements.

Regulation F was updated in January 2021, to provide consumers and industry with greater clarity about the FDCPA’s provisions, as to how Regulation F governs the activities of debt collectors as that term is defined under the FDCPA.

2. Indicate how, by whom, and for what purpose the information is to be used. Except for a new collection, indicate the actual use the agency has made of the information received from the current collection.

Regulation F contains information collection requirements that allow the Bureau to make a determination on State applications for a determination that, under the laws of that state, any class of debt collection practices within that State is subject to requirements that are substantially similar to those imposed under sections 803 through 812 of the FDCPA and the corresponding provisions of Regulation F, and that there is adequate provision for State enforcement of such requirements. Other information collections clarify the content of certain required disclosures, such as when a debt collector communicates with a consumer by electronic means. Regulation F’s record retention requirements facilitate

¹ 15 U.S.C. 1692(e).

the Bureau's supervision and enforcement of the requirements of the FDCPA and Regulation F.

3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g., permitting electronic submission of responses, and the basis for the decision for adopting this means of collection. Also, describe any consideration of using information technology to reduce burden.

The application of the FDCPA has newer communications technologies including email and text messaging and provides greater clarity about how to provide required disclosures electronically. Additionally, to ensure that the process of applying for an exemption is both easy and fast, States may submit applications and supporting documentation to the Bureau in paper or electronic form. The record retention provisions do not limit the use of available technology to maintain required records, it allows covered persons to retain records in a way that reproduces the records accurately (including computer programs) and that ensures the debt collector can easily access the records.

4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in Item A.2 above.

The recordkeeping, reporting, and disclosure provisions do not duplicate any other Federal information collection requirement. The information collection requirements are unique to this regulation.

5. If the collection of information impacts small businesses or other small entities, describe any methods used to minimize burden.

The disclosure and recordkeeping requirements apply to all debt collectors as defined in the FDCPA. The Bureau estimates that over 90 percent of respondents are small entities. The Bureau anticipates updated provisions within Regulation F will reduce the burden of the FDCPA on small entities by providing additional clarity about how to comply when providing required disclosures and clarifying how and how often debt collectors may communicate with consumers.

6. Describe the consequence to federal program or policy activities if the collection is not conducted or is conducted less frequently, as well as any technical or legal obstacles to reducing burden.

Certain information collections are required by the FDCPA; others are required by Regulation F as interpretations of the FDCPA's requirements. In the absence of these requirements, debt collectors and consumers would have less clarity about how the FDCPA applies to certain disclosures, communications, and other related collection activities. Without the recordkeeping requirements, the Bureau would not have a tangible

mechanism to ensure that consumers are receiving the protections contained in Regulation F. With respect to the State application, failing to collect this information may leave the Bureau without the necessary information as to State law to allow the Bureau to consider and grant an exemption request.

7. Explain any special circumstances that would cause an information collection to be conducted in a manner:

- **requiring respondents to report information to the agency more often than quarterly;**
- **requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it;**
- **requiring respondents to submit more than an original and two copies of any document;**
- **requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records for more than three years;**
- **in connection with a statistical survey, that is not designed to produce valid and reliable results that can be generalized to the universe of study;**
- **requiring the use of statistical data classification that has not been reviewed and approved by OMB;**
- **that includes a pledge of confidentiality that is not supported by authority established in statute or regulation, that is not supported by disclosure and data security policies that are consistent with the pledge, or which unnecessarily impedes sharing of data with other agencies for compatible confidential use; or**
- **requiring respondents to submit proprietary trade secret, or other confidential information unless the agency can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law.**

There are no special circumstances. The collection of information requirements are consistent with the applicable guidelines contained in 5 CFR § 1320.5(d)(2).

8. If applicable, provide a copy and identify the date and page number of publication in the Federal Register of the agency's notice, required by 5 CFR 1320.8(d), soliciting comments on the information collection prior to submission to OMB. Summarize public comments received in response to that notice and describe actions taken by the agency in response to these comments. Specifically address comments received on cost and hour burden.

Describe efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and recordkeeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.

Consultation with representatives of those from whom information is to be obtained or those who must compile records should occur at least once every 3 years -- even if

the collection-of-information activity is the same as in prior periods. There may be circumstances that may preclude consultation in a specific situation. These circumstances should be explained.

In accordance with 5 CFR §1320.8(d)(1), the Bureau has published a notice in Federal Register that provides the public 60 calendar days to comment on the extension of reporting requirements contained within OMB Control No. 3170-0056.² No comments were received.

Also, in accordance with 5 CFR §1320.5(a)(1)(iv), the Bureau has also published a notice in the Federal Register providing the public 30 days to comment on reporting requirements contained within this information collection request.³

9. Explain any decision to provide any payments or gifts to respondents, other than remuneration of contractors or grantees.

Not applicable. No payment, gifts, or other incentives are provided to respondents.

10. Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or agency policy.

The information collected under State application relates to State law and would not be confidential. To the extent that information covered by a recordkeeping requirement is collected by the Bureau for law enforcement purposes, the confidentiality provisions of the Bureau's rules on the Disclosure of Records and Information, 12 CFR part 1070, would apply.

11. Provide additional justification for any questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private. This justification should include the reasons why the agency considers the questions necessary, the specific uses to be made of the information, the explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their consent.

There is no information of a sensitive nature being requested by the Bureau under this information collection.

12. Provide estimates of the hour burden of the collection of information. The statement should:

- **Indicate the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated. Unless directed to do so, agencies should not conduct special surveys to obtain information on which to base hour burden estimates. Consultation with a sample (fewer than 10) of potential respondents is desirable. If the hour**

² 89 FR 18606 (published on 3/14/2024).

³ 89 FR 56741 (published on 7/10/2024; comment period ends on 8/9/2024).

- burden on respondents is expected to vary widely because of differences in activity, size, or complexity, show the range of estimated hour burden, and explain the reasons for the variance. General, estimates should not include burden hours for customary and usual business practices.**
- **If this request for approval covers more than one form, provide separate hour burden estimates for each form.**
 - **Provide estimates of annualized cost to respondents for the hour burdens for collections of information, identifying and using appropriate wage rate categories. The cost of contracting out or paying outside parties for information collection activities should not be included here. Instead, this cost should be included in Item 14.**

Total Hours Allocated to CFPB: 858,343

Total Associated Labor Costs Allocated to CFPB: \$18,986,623

Covered Entities

The Provision for a State application for a waiver applies to the 53 State and US territorial governments only.

The Bureau has identified four categories of entities that are considered debt collectors and are therefore subject to the regulation:

1. Collection Agencies – 7,107 firms primarily engaged in collecting payments for claims and remitting payments collected to their clients;⁴
2. Debt Buyers – 660 firms primarily engaged in purchasing delinquent accounts from creditors and attempting to collect amounts owed, themselves or through agents;⁵
3. Collection Law Firms – 210 firms primarily engaged in collecting consumer debt; and⁶
4. Loan Servicers subject to the FDCPA – 700 firms that acquire servicing rights to loans that are already in default.⁷

⁴ The Census Bureau estimates that there are 3,421 collection agencies (NAICS Code 56144) with paid employees in the U.S. and 3,868 nonemployer collection agencies in the U.S. as of 2020. Economic Surveys Business Patterns 2020.

⁵ Receivables Management Association (previously DBA International), the largest trade group for this industry segment, states that it has approximately 600 members and believes that 90 percent of debt buyers are current members.

⁶ The primary trade association for collection attorneys, the National Creditors Bar Association (NCBA), states that it has approximately 350 law firm members. The Bureau estimates that approximately 60 percent of law firms that collect debt are NCBA members.

⁷ Loan servicers are covered, if they acquire servicing of loans already in default. The Bureau believes that this is most likely to occur with regard to companies that service mortgage loans or student loans. The Bureau estimates that there are 500 mortgage loan servicers that service more than 5,000 loans. The Bureau makes the assumption that all those servicing more than 5,000 loans may acquire servicing of loans when loans are in default and that at most 100 of those servicing 5,000 loans or fewer acquire servicing of loans when loans are in default. The Bureau estimates that there are fewer than 100 servicers of student loans that may obtain servicing of delinquent loans in the course of their business.

Therefore, the Bureau estimates impact to 53 States and U.S. territorial governments and 8,677 firms defined as “debt collectors” in the FDCPA. Unless otherwise specified, debt collectors include all of the aforementioned mentioned firms in this analysis.

The estimated burden includes the burden of information requirements, that includes the burden of information collections that are already required by the FDCPA.

Exhibit 1: Burden Hour Summary

Information Collection Requirement	Number of Respondents	Type of Information Collection	Annual Frequency	Annual Responses	Average Response Time (hours)	Annual Burden Hours	Hourly Rate	Total Annual Costs
State Application for Waiver (previously §1006.2, renumbered as §1006.108)	53	Reporting	1	1	2	2	\$43.55	\$87.10
<i>Opt-out notice for electronic communication</i>		<i>Disclosure</i>						
Ensuring communication system provides opt-out capacity (§ 1006.6(e)) *	8,677		1	8,677	0	0	n/a	\$0
Providing disclosure in communications (§ 1006.6(e))	8,677		1	8,677	0	0	n/a	\$0
<i>Communication prior to furnishing</i>		<i>Disclosure</i>						
Updating policies such that requirements described in § 1006.30(a) are met before furnishing (§ 1006.30(a))	ONE-TIME COST, FROM INITIAL IMPLEMENTATION OF THE RULE							

Regulation F: Fair Debt Collection Practices Act, State Application for Exemption

OMB Control Number: 3170-0056

OMB Expiration Date: 7/31/2024

Information Collection Requirement	Number of Respondents	Type of Information Collection	Annual Frequency	Annual Responses	Average Response Time (hours)	Annual Burden Hours	Hourly Rate	Total Annual Costs
Meeting requirements described in § 1006.30(a) (§ 1006.30(a))	451		8,825	3,979,184	0.003	11,938	\$22.12	\$264,068
<i>Transfer of debts discharged in bankruptcy</i>		<i>Disclosure</i>						
Providing notice to transferee that the consumer's personal liability for a secured debt was discharged in bankruptcy (§ 1006.30(b) (2))	700				0	0	n/a	\$0
<i>Validation Notice</i>		<i>Disclosure</i>						
Reformatting of Validation Notice (§ 1006.34)	ONE-TIME COST, FROM INITIAL IMPLEMENTATION OF THE RULE							
System Upgrades to Implement Validation Notice (§ 1006.34)	ONE-TIME COST, FROM INITIAL IMPLEMENTATION OF THE RULE							
Delivering Validation Notice (§ 1006.34)	8,677		9,340	81,046,118	0.003	243,138	\$22.12	\$5,378,212
<i>Request for creditor information</i>		<i>Disclosure</i>						
Responding to requests for original creditor information (§ 1006.38(c))	8,677		33	283,661	0.003	851	\$22.12	\$18,824

Information Collection Requirement	Number of Respondents	Type of Information Collection	Annual Frequency	Annual Responses	Average Response Time (hours)	Annual Burden Hours	Hourly Rate	Total Annual Costs
<i>Disputes</i>		<i>Disclosure</i>						
Responding to non-duplicative disputes (§ 1006.38(d)(2)(ii))	8,677		490	4,254,921	0.332	1,412,634	\$22.12	\$31,247,464
Responding to duplicative disputes (§ 1006.38(d)(2)(ii))	8,677		54	472,769	0.102	48,128	\$22.12	\$1,064,591
<i>Recordkeeping</i>		<i>Recordkeeping</i>						
Record retention (§ 1006.100)*	8,677		1		0	0	n/a	\$0
Totals:	8,730			90,053,997		1,716,691		\$37,973,246
CFPB Totals:	8,730			45,026,999		858,345		\$18,986,623

*the Bureau assumes that all or substantially all respondents already provide this information in the regular course of their business and therefore assigns no burden to this information collection

Burden Shared Between CFPB and the Federal Trade Commission

The CFPB shares administrative enforcement authority under the FDCPA with the Federal Trade Commission (FTC). To avoid double-counting, the CFPB allocates to itself half of the estimated paperwork burden by dividing the burden hours evenly between the agencies. However, since the CFPB and FTC have joint authority over the respondents themselves, the CFPB retains the entity count of all affected respondents as shown above.

State Application

12 CFR § 1006.108 provides that any State may apply for a determination that, under the laws of that state, any class of debt collection practices within that State is subject to requirements that are substantially similar to those imposed under sections 803 through 812 of the FDCPA, and the corresponding provisions of Regulation F, and that there is adequate provision for State enforcement of such requirements. The procedures and criteria whereby States may apply to the Bureau for exemption of a class of debt collection practices within the applying State from the provisions of the Act and the corresponding provisions of Regulation F are set forth in appendix A.

There are potentially 53 state respondents (50 states and 3 territories); however, in past years, one State has applied for this determination. The application must be resubmitted annually. Given an estimate of two hours to complete the application, the Bureau estimates two burden hours annually and \$87.10 in ongoing labor costs.⁸

Opt-out Notice for Electronic Communications or Attempts to Communicate

§ 1006.6(e) requires a debt collector who communicates or attempts to communicate with a consumer electronically in connection with the collection of a debt to describe a reasonable and simple method by which the consumer can opt out of further electronic communications or attempts to communicate by the debt collector to a particular electronic address or telephone number.

The Bureau understands that opt-out functionality is a common component of business email and text message software products. If a debt collector chose to adopt email or text messaging as a means of communication, it is very likely the software system the debt collector selected would include opt-out functionality. Therefore, inasmuch as this is something all or nearly all respondents already do in the ordinary course of business the Bureau estimates that there is no one-time or ongoing costs associated with this provision.⁹

Disclosures required by FDCPA section 807(11).

FDCPA section 807(11) requires debt collectors to disclose in their initial communications with consumers that they are attempting to collect a debt and that any information obtained will be used for that purpose, and to disclose in their subsequent communications with consumers that the communication is from a debt collector, except in a formal pleading made in connection with a legal action.¹⁰ § 1006.18(e) implements FDCPA section 807(11).

FDCPA section 807(11) and § 1006.18(e) provide the required content for a debt collector's initial and subsequent communication with a consumer. Therefore, this provision qualifies for the label exception to the definition of an information collection

⁸ The Bureau uses the mean hourly wage of \$43.55 for Business and Financial Operations Occupations (13-0000) to calculate labor costs. Bureau of Labor Statistics, *National Occupational Employment and Wage Estimates* (May 2023), available at <https://www.bls.gov/oes/current/oes130000.htm>.

⁹ Some free email software systems include this functionality. See https://knowledge.hubspot.com/articles/kcs_article/email/how-do-i-add-an-unsubscribe-link-to-my-one-to-one-sales-emails-and-sequences for opt-out functionality information. For product pricing see <https://www.hubspot.com/pricing/sales?selectedPackage=free>. Microsoft Outlook email users can add an unsubscribe link to all their email messages at no cost (https://answers.microsoft.com/en-us/outlook_com/forum/all/insert-unsubscribe-link/4e37fcb2-e038-403d-93d3-68203675e4cb). The functionality is available in text message services as well; see, e.g., <https://www.protextig.com/product-and-services.html>.

¹⁰ 15 U.S.C. 1692e(11).

under the PRA¹¹ and the Bureau does not estimate any one-time or ongoing costs associated with it.

Communication Prior to Furnishing Information

Section 1006.30(a) provides, subject to certain exceptions, that a debt collector must not furnish to a consumer reporting agency, as defined in section 603(f) of the Fair Credit Reporting Act,¹² information regarding a debt before the debt collector takes certain steps. The Bureau anticipates that debt collectors generally will comply with this requirement by ensuring that they send a validation notice to the consumer before furnishing information about the debt to a consumer reporting agency.

The Bureau understands that most debt collectors already send validation notices to consumers before furnishing information to consumer reporting agencies, but that some debt collectors furnish information about debts and do not provide validation notices unless or until they communicate with the consumer. The Bureau expected debt collectors who furnished to a consumer reporting agency before providing a validation notice incurred a one-time burden of updating their policies such that the debt collector provides a validation notice before furnishing information to a consumer reporting agency, when Reg F was initially implemented. The Bureau estimated that 5.2 percent of debt collectors, or 619 firms, furnished before providing a validation notice.¹³ The Bureau estimated it would take each firm, on average, 4 hours to update their policies, resulting in approximately 5,000 hours of one-time burden and \$192,750 in labor costs.¹⁴ This one-time cost was included in the initial cost estimates, but has now been removed in the current estimates.

The Bureau estimates that consumers are contacted about approximately 185,036,800 debts in collection annually.¹⁵ The Bureau estimates that 73 percent of these contacts are

¹¹ 5 CFR 1320.3(c)(2)

¹² 15 U.S.C. 1681a(f).

¹³ See Consumer Financial Protection Bureau, *Study of Third-Party Debt Collection Operations* (July 2016) at 19, available at http://files.consumerfinance.gov/f/documents/Third_Party_Debt_Collection_Operations_Study_embargoed.pdf (CFPB Operations Study). Forty-five of 58 respondents reported that they furnish data to the credit bureaus. In all but three of these cases the respondents said that they send a validation notice upon account placement, such that the requirement would be satisfied (CFPB analysis of data from the CFPB Operations Study). $3 / 58 = 0.052$.

¹⁴ The Bureau uses the mean hourly wage of \$38.55 for Compliance Officers (13-1041) to calculate labor costs. See May 2023 BLS Wage Estimates.

¹⁵ The Bureau estimates that there are approximately 208 million U.S. consumers with a credit file. See Brevoort, Kenneth P., Philipp Grimm and Michelle Kambara. (May 2015). *Credit Invisibles*. Bureau of Consumer Financial Protection, p. 12, available at https://files.consumerfinance.gov/f/201505_cfpb_data-point-credit-invisibles.pdf. Of these, approximately 32 percent, or 66.6 million, are contacted about a debt in collection each year. See *CFPB Debt Collection Consumer Survey* (January 2017). Consumer Financial Protection Bureau, p. 13 (CFPB Debt Collection Consumer Survey report). Of those contacted about a debt, 27 percent of consumers reported being contacted about one debt, 57 percent of consumers reported being contacted two to four debts, and 16 percent of consumers reported being contacted about 5 or more debts. See CFPB Debt Collection Consumer Survey report at 13. Based on those reported number of debts, the Bureau estimates that the average consumer is contacted about 2.78 debts annually ($0.68*0 + 0.27*1 +$

made by debt collectors.¹⁶ Therefore, the Bureau estimates there are 135 million validation notices sent annually.

The Bureau estimated that debt collectors who furnish before providing a validation notice successfully reach 10 percent of consumers they attempt to contact and ultimately provide a validation notice. The Bureau estimates 60 percent of notices are sent by mail and the remaining 40 percent are sent electronically. Given an estimate of 0.003 hours to mail a notice, the Bureau estimated the ongoing annual burden hours is approximately 11,938 and ongoing annual labor costs of \$264,068.¹⁷

Notification regarding secured claims in bankruptcy

Section 1006.30(b) generally prohibits a debt collector from selling, transferring for consideration, or placing for collection a debt if the debt collector knows or should know that the debt has been discharged in bankruptcy. However, § 1006.30(b)(2)(ii) provides an exception to this general rule if the debt is secured by an enforceable lien and the debt collector notifies the transferee that the consumer's personal liability for the debt was discharged in bankruptcy.

The Bureau understands that most types of debt collectors generally do not sell, transfer, or place for collection debt that has been discharged in bankruptcy. The Bureau further understands, however, that in certain circumstances, in particular for certain residential mortgage debts, debts that have been discharged in bankruptcy but are secured by an enforceable lien may be transferred to servicers that are debt collectors under the FDCPA. The Bureau expects that entities affected by this provision would be loan servicers. Where such transfers take place, the Bureau understands that the transferring debt collector would, in the ordinary course of business, provide information to the transferee about whether the debt has been discharged in bankruptcy. Because affected respondents already make such notification in the ordinary course of business the Bureau estimates that there is no one-time or ongoing costs associated with this provision.

Validation Notice

Regulation F requires that debt collectors provide additional information on validation notices sent to consumers. While the Bureau did not expect that the requirement to provide additional information would result in an increase in any ongoing printing or mailing costs, debt collectors may have experienced costs resulting from the need to reformat validation notices to include the required information. The Bureau expected that debt collectors relying on vendors to send validation notices would experience

$0.57*3 + 0.16*5 = 2.78$). Therefore, the Bureau estimates that consumers are contacted about approximately 185,036,800 debts in collection annually (66.6 million * 2.78 = 185,036,800).

¹⁶ The CFPB Debt Collection Consumer Survey asked respondents whether the most recent contact regarding a debt was from a creditor or debt collector. Of the 86 percent of respondents who were able to answer, 73 percent said they were contacted by a debt collector. See CFPB Debt Collection Consumer Survey report at 40.

¹⁷ 6.4 million additional notices * 0.6 * 0.003 = 11,938. The Bureau uses the mean hourly wage of \$22.12 for Bill and Account Collectors (43-3011) to calculate labor costs. See May 2023 BLS Wage Estimates.

minimal costs as a result of this requirement because vendors were likely to provide updates to the notices at no additional cost. In the original estimates, the Bureau estimated that 1,700 firms did not use a vendor to send validation notices and therefore would bear the cost of reformatting validation notices themselves.¹⁸ The Bureau assumed that each of the 1,700 firms would take, on average, 8 hours to reformat the validation notice, resulting in approximately 13,600 hours of one-time burden and \$524,280 in labor costs.¹⁹ This one-time cost was included in the initial cost estimates, but has been removed in the current estimates.

Some debt collectors would also have needed to update their debt collection management systems to enable them to track certain information required by the validation notices that they didn't already track. The Bureau believed that all debt collectors were maintaining all of the information required, in a validation notice with the exception of post-default interest and fee data. The Bureau originally estimated that 1,900 firms did not track post-default interest and fee data and would therefore need to upgrade their systems to add such data fields.²⁰ The Bureau expect the majority of these updates would be made by vendors supplying collection management systems at a minimal cost to the debt collectors. The Bureau estimates that 238 of the firms that would need to add fields use a proprietary system and would therefore bear the burden of making upgrades.²¹ The Bureau estimates these updates would take, on average, 40 hours of programming time.²² Therefore debt collectors upgrading proprietary debt collection management systems would result in approximately 9,520 hours of one-time burden and \$493,136 in labor costs.²³ This one-time cost was included in the initial cost estimates, but has been removed in the current estimates.

Debt collectors will incur the cost of delivering validation notices. As described above, the Bureau estimates there are 135 million validation notices sent annually. The Bureau estimates 60 percent of validation notices are sent by mail and the remaining 40 percent

¹⁸ The Bureau estimates that 86 percent of debt collectors use letter vendors. See CFPB Operations Study at 32.

¹⁹ The Bureau used the mean hourly wage of \$38.55 for Compliance Officers (13-1041) to calculate labor costs. See May 2023 BLS Wage Estimates.

²⁰ This estimate is based on the percentage of firms reporting that they rarely (9 percent) or never (7 percent) receive a breakdown of post-charge-off fees and interest from clients. See CFPB Operations Study at 23.

²¹ One vendor estimated that approximately 10 to 15 percent of collection firms use an in-house collection system, which is roughly consistent with the eight of 58 respondents that indicated using a proprietary system in the CFPB Operations Study. The Bureau used a midpoint (12.5 percent) of the 10 to 15 percent to estimate the number of firms not tracking post-default interest and fee data that also use a proprietary debt collection management system.

²² Respondents in the CFPB Operations Study reported a wide range of programming costs to make upgrades to debt collection management systems, from "under \$1,000" for smaller firms to as much as "\$13,000 to \$26,000" for larger firms. The respondents also indicated that adding data fields could be done using in-house resources. The Bureau assumes that these changes could be made with 40 hours of programming time and that, given the number of small firms relative to larger firms, that the labor costs associated with that programming time is representative of the feedback received in the CFPB Operations Study.

²³ The Bureau used the mean hourly wage of \$51.80 for Computer Programmers (15-1251) to calculate labor costs. See May 2023 BLS Wage Estimates.

are sent electronically. Therefore, the Bureau estimates that 81 million notices are sent by mail annually. Given an average time of 0.003 hours to mail each notice, the Bureau estimates debt collectors incur approximately 243,138 burden hours annually and \$5,378,212 in labor costs.²⁴

Responses to requests for original-creditor information

§ 1006.38(c) requires that upon receipt of a request for the name and address of the original creditor submitted by the consumer in writing within the validation period, a debt collector must cease collection of the debt until the debt collector provides the name and address of the original creditor to the consumer in writing or electronically in a manner permitted by § 1006.42. This provision incorporates the existing requirement to provide information about the original creditor as required by FDCPA section 809(a)(5).

Debt collectors will incur costs to respond by mail to consumer requests for information about the original creditor. The Bureau expects that debt collectors who respond to requests for information by email will not incur any ongoing costs. The Bureau estimates that 0.35 percent of consumers contacted by a debt collector request information about the original creditor.²⁵ The Bureau estimates that in 60 percent of these cases, the debt collector will respond by mail. As described above, the Bureau estimates 135 million validation notices are sent annually. Therefore, the Bureau estimates that there will be 283,661 requests for information that debt collectors will respond to by mail annually.²⁶ Given an average time of 0.003 hours to mail each response, the Bureau estimates that debt collectors will incur an ongoing annual burden of 851 hours and \$18,824 in labor costs.²⁷

Responses to Disputes

FDCPA section 809(b) provides that, if a consumer disputes a debt in writing within 30 days of receiving the validation information or notice described in section 809(a), the debt collector must cease collection of the debt, or any disputed portion of the debt, until the debt collector obtains verification of the debt or a copy of a judgment and mails it to the consumer.²⁸ Section 1006.38(d) implements and interprets this requirement, including the requirement to provide a copy either of verification of the debt or of a judgment to the consumer in writing or electronically in a manner permitted by § 1006.42.

²⁴ The Bureau uses the mean hourly wage of \$22.12 for Bill and Account Collectors (43-3011) to calculate labor costs. See May 2022 BLS Wage Estimates.

²⁵ The Bureau estimates that 3.5 percent of consumers dispute a debt after being contacted by a debt collector. See CFPB Operations Study at 30. The Bureau understands that requests for original creditor information are substantially less common than disputes.

²⁶ $135,076,864 * 0.0035 * 0.6 = 283,661$.

²⁷ The Bureau uses the median hourly wage of \$22.12 for Bill and Account Collectors (43-3011) to calculate labor costs. See May 2023 BLS Wage Estimates.

²⁸ 15 U.S.C. 1692g(b).

§ 1006.38(d)(2)(ii) establishes an alternative way for debt collectors to respond to disputes that they reasonably conclude are duplicative disputes, as that term is defined in § 1006.38(a)(1). § 1006.38(d)(2)(ii) provides that, upon receipt of a duplicative dispute, a debt collector must cease collection of the debt, or any disputed portion of the debt, until the debt collector either: notifies the consumer in writing or electronically that the dispute is duplicative, provides a brief statement of the reasons for the determination, and refers the consumer to the debt collector's response to the earlier dispute; or provides the disclosure required for a non-duplicative dispute.

Debt collectors will incur costs to respond to both duplicative and non-duplicative disputes. The Bureau estimates that 3.5 percent of consumers who receive a validation notice dispute the debt.²⁹ The Bureau estimates that 10 percent of disputes are duplicative. As described above, the Bureau estimates that 135 million validation notices are sent annually. Therefore, the Bureau estimates there are 4,254,921 non-duplicative disputes and 472,769 duplicative disputes annually.

The Bureau expects that debt collectors who respond to disputes by mail will experience a time burden for investigating the dispute and for mailing a response. Debt collectors who respond electronically will only incur the time burden of investigating the dispute. The Bureau estimates that it takes 0.33 hours to investigate a non-duplicative dispute and 0.003 hours to mail a response, and that it takes 0.1 hours to investigate a duplicative dispute and 0.003 hours to mail a response. Given the estimate that 60 percent of responses to disputes will be sent by mail, the Bureau estimates that the average response time per non-duplicative dispute is 0.332 hours and that the average response time per duplicative dispute is 0.102 hours.³⁰ Therefore, the Bureau estimates an ongoing annual burden of approximately 1,412,634 hours and \$31.2 million for non-duplicative disputes and 48,128 hours and \$1,064,591 for duplicative disputes.³¹

Recordkeeping

FDCPA and Regulation F requires debt collectors to retain evidence of compliance with them for three years after the debt collector's last collection activity on the debt. The Bureau believes that, in most cases, debt collectors are already maintaining records for three or more years for legal purposes and therefore would not incur significant costs as a result of this requirement.

13. Provide an estimate of the total annual cost burden to respondents or record keepers resulting from the collection of information. (Do not include the cost of any hour burden shown in Items 12 and 14).

²⁹ See CFPB Operations Study at 30. 3.5 percent is the midpoint of the estimates given by respondents who used business data to estimate dispute rates.

³⁰ For non-duplicative disputes, $0.6*(0.33 + 0.003) + 0.4*0.33 = 0.332$; for duplicative disputes $0.6*(0.1 + 0.003) + 0.4*0.1 = 0.102$.

³¹ The Bureau uses the mean hourly wage of \$22.12 for Bill and Account Collectors (43-3011) to calculate labor costs. See May 2023 BLS Wage Estimates.

Communication Prior to Furnishing Information

Regulation F rule requires debt collectors to take certain steps before furnishing information to a credit reporting agency, subject to certain exceptions. As described above, the Bureau estimates this requirement will result in approximately 6.6 million additional validation notices sent annually, 60 percent or 3.98 million of which will be sent by mail. The Bureau estimates that the cost to send validation notices with a return envelope is, on average, \$0.65 per notice.³² Therefore, the Bureau estimates this requirement will result in materials costs of approximately \$2.6 million annually.

Validation Notice

Regulation F requires debt collectors to provide a validation notice. The Bureau assumes that 60 percent of validation notices would be sent by mail due to updated provisions regarding electronic communications. Given an estimated mailing cost of \$0.65 per response, the Bureau estimates the validation notice requirement will result in material costs of approximately \$52.7 million annually.

Responses to requests for original-creditor information

Regulation F requires debt collectors to respond to requests for information about the original creditor submitted by the consumer in writing within the validation period. As described above, the Bureau estimates there are approximately 283,661 requests annually that debt collectors will respond to by mail. Given an estimated mailing cost of \$0.65 per response, the Bureau estimates this requirement will result in materials costs of approximately \$184,380 annually.

Responses to Disputes

Debt collectors will incur costs to respond to both duplicative and non-duplicative disputes. As described above, the Bureau estimates there are approximately 4,254,921 non-duplicative disputes and 472,769 duplicative disputes annually. The Bureau estimates that debt collectors will respond to 60 percent, or 2,552,953 non-duplicative disputes and 283,661 duplicative disputes, by mail. The Bureau estimates that the cost to respond is, on average, \$1.03 per non-duplicative dispute response and \$0.65 per duplicative dispute response.³³ Therefore, this requirement would result in material costs of approximately \$2,629,541 for non-duplicative disputes and \$184,380 for duplicative disputes annually.

³² Respondents to the CFPB Operation Study generally said that the cost of sending a letter with one page and a return envelope was \$0.50 to \$0.80 per letter sent. See CFPB Operations Study at 32. The Bureau uses the midpoint of this range in its analysis.

³³ The Bureau estimated that the response to a non-duplicative is approximately 6 pages while the response to a duplicative request is approximately 1 page. Respondents to the CFPB Operations Study said the cost of including an additional 8.5" x 11" insert in a mailing cost approximately \$0.05 - \$0.10 per letter. See CFPB Operations Study at 33. The Bureau used the mid-point of this range in its analysis.

Exhibit 2: Cost Burden Summary

Description of Costs (O&M)	Per Unit Costs	Quantity	Costs
Mailing Validation Notice prior to furnishing	\$0.65	3,979,184	\$2,586,470
Mailing Validation Notices	\$0.65	81,046,118	\$52,679,977
Responses to requests for original creditor	\$0.65	283,661,41	\$184,379.92
Responses to non-duplicative disputes	\$1.03	2,552,953	\$2,629,541
Responses to duplicative disputes	\$0.65	283,661	\$184,380
Total Burden Costs:			\$58,264,748
CFPB Burden Costs:			\$29,132,374

14. Provide estimates of the annualized cost to the Federal Government. Also, provide a description of the method used to estimate cost, which should include quantification of hours, operational expenses (such as equipment, overhead, printing, and support staff), any other expense that would not have been incurred without this collection of information. Agencies also may aggregate cost estimates from Items 12, 13, and 14 into a single table.

There are no additional costs to the Federal Government.

15. Explain the reasons for any program changes or adjustments.

The estimated burden has changed because of three reasons:

- median hourly wages have increased;
- the total number of covered entities has decreased; and
- one-time costs associated with initial implementation.

Overall, the total annual burden has decreased due to a reduction in the number of covered entities and the addition of one-time costs.

16. For collections of information whose results will be published, outline plans for tabulations, and publication. Address any complex analytical techniques that will be used. Provide the time schedule for the entire project, including beginning and ending dates of the collection of information, completion of report, publication dates, and other actions.

There are no plans to provide any publications based on the information collection of this regulation.

17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.

The information collection is not collected in a manner that allows the display of the current expiration date. However, the expiration date can be found under the “Information Collections under Review” section of www.reginfo.gov (<https://www.reginfo.gov/public/do/PRAMain>).

18. Explain each exception to the certification statement.

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