Supporting Statement
Trade Regulation Rule on Disclosure Requirements and Prohibitions Concerning Franchising
16 C.F.R. Part 436
(OMB Control No. 3084-0107)

Overview of Information Collection

The Federal Trade Commission requests a three-year extension of an existing clearance from the Office of Management and Budget ("OMB") for the information collection requirements contained in the Trade Regulation Rule on Disclosure Requirements and Prohibitions Concerning Franchising, 16 C.F.R. part 436.

1. Necessity for Collecting the Information

In 1978, the Federal Trade Commission ("FTC" or "Commission") issued the original Trade Regulation Rule on Disclosure Requirements and Prohibitions Concerning Franchising, 16 C.F.R. part 436 ("Franchise Rule" or "Rule"), after concluding that lengthy investigations and a rulemaking proceeding revealed evidence of widespread deceptive and unfair practices in the sale of franchises and business opportunities. The Commission's investigation disclosed that prospective purchasers often found it difficult to obtain reliable information about proposed franchise and business opportunity investments, and to verify the representations of the sellers and brokers offering them for sale.

The Rule requires franchisors to furnish to prospective franchisees a disclosure document that provides information relating to the franchisor, the franchisor's business, the nature of the proposed franchise relationship, and additional information about any claims concerning actual or potential sales, income, or profits for a prospective franchisee ("financial performance representations"). The franchisor must have written information that forms a reasonable basis for such claims at the time such claims are made.

The Rule requires all disclosures to (1) be made at least 14 calendar days before the franchisee signs a contract or makes a payment in connection with a franchise sale, and (2) use disclosure documents that comply with the form and content set forth in the Rule. It does not regulate the substantive terms of the franchisor-franchisee relationship. Nor does it require registration of the offering or the filing of any documents with the Commission in connection with the sale of franchises.

Revisions to the Rule[1] took final effect on July 1, 2008, after a one-year phase-in. Among other things, the amendments accomplished five objectives. First, the amendments addressed the sale of business format and product franchises exclusively.[2] Second, the amendments minimized prior inconsistencies between federal and state disclosure requirements by merging the Rule's disclosure requirements with the Uniform Franchise Offering Circular ("UFOC") disclosure

[1] 72 Fed. Reg. 15,444 (Mar. 30, 2007).
[2] The disclosure and recordkeeping requirements applicable to business opportunity ventures, which were covered by the Franchise Rule prior to July 1, 2008, are separately set forth in 16 C.F.R. Part 437, and are covered under OMB Control Number 3084-0142.

format accepted by states that have franchise registration and disclosure laws.[3] Third, the amendments required the disclosure of more information on the quality of the franchise relationship, such as litigation franchisors initiate against their franchisees and the existence of any franchisee associations. Fourth, the amendments recognized new technologies by permitting franchisors to furnish disclosures electronically, including by email and posting on the Internet. Finally, the amendments reduced compliance costs by creating disclosure exemptions for sophisticated investors and for sales to franchisor "insiders" who are already familiar with the franchise system's operations.

2. Use of the Information

The Rule does not require the FTC to collect any information from covered entities. Prospective franchisees can use the disclosures required by the Franchise Rule to become better informed about potential franchise investments and to verify representations made by a franchisor.

For example, if a franchisor chooses to make financial performance representations, disclosures are necessary to enable a prospective franchisee to analyze the credibility of those claims. Accordingly, the Rule requires the franchisor to (1) provide specified information about the claims, and (2) preserve and offer to show prospective franchisees the background material upon which the claim is based. This allows the prospective franchisee to form an independent judgment about the reliability of the claim. It also discourages the use of unrealistic financial performance representations because the franchisor knows that the franchisee can determine whether the representation is credible by examining the background material.

3. Consideration of the Use of Information Technology to Reduce Burden

Consistent with the aims of the Government Paperwork Elimination Act, 44 U.S.C. § 3504 note, the Rule permits franchisors greater latitude in using technology to reduce compliance costs. Franchisors may reduce significantly printing and distribution costs by using email and the Internet to furnish disclosure documents. 16 C.F.R. §§ 436.2(c), 436.6(g). The Rule also permits the use of electronic signatures and electronic recordkeeping. 16 C.F.R. §§ 436.1(u), 436.6(h); see 72 Fed. Reg. 15444, 15,517–18 (Mar. 30, 2007).

4. Efforts to Identify Duplication

The Rule avoids potential duplication of state laws. Since it took effect on July 1, 2008, the FDD disclosure format prescribed by the amended Rule has provided a single disclosure that can be used in all states that have franchise registration and disclosure laws because it incorporates UFOC requirements.[4]

---

[3] Before July 1, 2008, when the amended Rule took effect, approximately 95 percent of all franchisors used the UFOC disclosure format. As required by the amended Rule, and permitted by all state franchise laws, franchisors must now use the Franchise Disclosure Document ("FDD") format, which, in turn, has incorporated UFOC's requirements.

[4] The states with franchise disclosure laws similar to the Rule previously required the use of the UFOC disclosure format, and would not accept disclosures in the format prescribed by the original Franchise Rule. The Commission

5. Efforts to Minimize the Burden on Small Businesses

The Rule does not require a franchisor to register or file disclosure documents with the government before offering or selling a franchise. Thus, compliance with the Rule does not involve the burdens or fees typically associated with registering or filing disclosure documents in states with franchise disclosure or registration laws; a consideration that may be especially important to small businesses.

6. Consequences of Conducting the Collection Less Frequently

Reducing the frequency of disclosure under the Rule would deprive prospective franchise purchasers of material, current information. With limited exceptions, the Rule requires only a one-time disclosure to a prospective purchaser, and the Rule minimizes the burden of information collection by requiring only annual updates of the mandated disclosures, unless there is a material change during the year. Where a material change has occurred, only a quarterly update to the FDD is required to reflect the change. In addition, when providing the FDD to a prospective franchisee, the franchise seller must also notify the prospective franchisee of any material changes that the seller knows or should have known occurred in the information contained in any financial performance representation.

7. Special Circumstances Requiring Collection Inconsistent with Guidelines

The collection of information in this Rule is consistent with the guidelines contained in 5 C.F.R. § 1320.5(d)(2).

8. Consultation Outside the Agency

As a prelude to this request, the Commission sought public comment. See 91 Fed. Reg. 24235 (May 5, 2026). No germane comments were received. Pursuant to the OMB regulations that implement the PRA (5 C.F.R. part 1320), the FTC is providing a second opportunity for public comment while seeking OMB approval to extend the existing paperwork clearance for the Rule.

9. Payments or Gifts to Respondents

Not applicable.

10. Assurances of Confidentiality

No assurance of confidentiality is necessary, since franchisors do not register or file any documents with the Commission. To the extent that information covered by a recordkeeping

---

permitted the use of the UFOC while the original Franchise Rule remained in effect, in lieu of the Rule's disclosure format. Consequently, there was never any requirement that franchisors prepare one disclosure document for federal use, and another for use in franchise registration states.

requirement is collected by the Commission for law enforcement purposes, the confidentiality provisions of Sections 6(f) and 21 of the FTC Act, 15 U.S.C. §§ 46(f), 57b-2 will apply.

11. Sensitive or Private Information

Under the provisions of the Rule, a franchisor must disclose certain franchisees' names, business addresses, and business telephone numbers. Disclosing this information lets prospective franchisees conduct their own due diligence investigation of the franchisor's claims, in particular financial performance representations. No other information about individual franchisees must be disclosed. For example, franchisors that choose to make a financial performance representation based upon the earnings history of current franchisees need not identify in the FDD the individual franchisees whose information formed the basis of the earnings claim, or the earnings of any individual franchisee or franchised location.

12. Hours and Labor Cost Burden

Estimated Annual Burden Hours: 22,480
(11,280 + 7,200 + 4,000)

Estimated Annual Labor Costs: $8,403,680.[5]
($5,076,000 + $3,240,000 + $87,680)

FTC staff estimates that there are approximately 4,000 sellers of franchises covered by the Rule, with approximately 6% (240) of that total reflecting an equal amount of new and departing business entrants.[6] FTC staff estimates that the average annual disclosure burden for established franchisors to update existing disclosure documents will be three hours per seller for a total of 11,280 hours (3,760 franchisors × 3 hours). For new sellers of franchise opportunities, FTC staff estimates that the preparation of disclosure documents will require approximately 30 hours for a total of 7,200 hours (240 new franchisors × 30 hours).

Covered franchisors also may need to maintain an alternative version of the FDD for use in non-registration states, which may differ from FDDs used in registration states. FTC staff estimates that this recordkeeping obligation would require approximately one hour per year. This results in an additional burden of 4,000 hours (4,000 franchisors × 1 hour). Under the Rule, a franchisor is also required to retain copies of receipts of disclosure documents, as well as materially different versions of its disclosure documents. Such recordkeeping requirements, however, are consistent with, or less burdensome than, those imposed by the states that have franchise registration and disclosure laws. Accordingly, FTC staff believes that incremental recordkeeping burden, if any, would be de minimis.

---

[5] This estimate is updated from the prior estimate of $8,400,040 that was included in the 60-day Federal Register notice. The updated estimate is based on more current information released on May 15, 2026 from the Bureau of Labor Statistics, Occupational Employment and Wages – May 2025, Table 1: National Employment and Wage Data from the Occupational Employment and Wage Statistics Survey by Occupation, May 2025, https://www.bls.gov/news.release/ocwage.htm.

[6] Some franchise offerings may qualify for the exemptions listed in 16 CFR 436.8. Thus, this estimate may overestimate the number of franchisors subject to the Rule.

Labor costs are derived by applying estimated hourly cost figures to the burden hours described above. FTC staff anticipates that an attorney will prepare required disclosure documents at an estimated hourly attorney rate of $450.[7] For established franchisors, FTC staff estimates the following annual labor costs: $1,350 per established franchisor (3 hours × $450) for a total annual cost burden of $5,076,000 ($1,350 × 3,760 established franchisors). For new franchisors, this yields an annual cost of $13,500 per new franchisor (30 hours × $450) for a total annual cost burden of $3,240,000 for new franchisors ($13,500 × 240 new franchisors).

Additionally, FTC staff anticipates that recordkeeping under the Rule will be performed by clerical staff at approximately $21.92 per hour.[8] Thus, based on the 4,000 hours of recordkeeping burden per year for all covered franchisors, this will amount to a total annual labor cost of $87,680 ($21.92 × 4,000 hours).

13. Estimated Capital/Other Non-Labor Costs Burden

Estimated Annual Non-Labor Costs: $4,800,000.
($1,600,000 + $3,200,000)

FTC staff estimates that the non-labor burden incurred by franchisors differs based on the length of the disclosure document, the number produced, and the method of distribution employed by franchisors. FTC staff estimates that the estimated 4,000 sellers of franchise opportunities distribute approximately 100 disclosure documents each annually for a total of 400,000 disclosure documents. FTC staff estimates that 80% of these disclosure documents (320,000) are distributed electronically at a cost of $5 per electronic disclosure. This results in a total estimated $1,600,000 (320,000 × $5) in non-labor costs for electronic disclosure. FTC staff estimates that the remaining 20% of disclosure documents (80,000) are distributed in hard copy at a cost of $40 each for printing and mailing costs. This results in a total estimated non-labor cost burden associated with printing and mailing disclosure documents of $3,200,000 (80,000 × $40).

14. Estimated Cost to the Federal Government

FTC staff estimates that the annualized cost to the Commission (per year over the 3-year clearance renewal being sought) to administer and enforce the amended Rule will be approximately $536,384. This represents half of a work year for four attorneys at GS-15, step-10, under the locality pay scale for Washington, DC, and includes employee benefits. The wage rate is multiplied by 1.36 based on the FTC's average benefits rate.

15. Program Changes or Adjustments

There are no program changes. The differences in labor cost estimates from the prior clearance reflect updates in the hourly costs associated with compliance with the Rules.

---

[7] It is staff's understanding that franchisors often hire outside counsel to prepare the required disclosures, and outside counsel is typically compensated at a higher rate than in-house attorneys.

[8] Bureau of Labor Statistics, Occupational Employment and Wages – May 2025, Table 1: National Employment and Wage Data from the Occupational Employment Statistics Survey by Occupation, May 2025, https://www.bls.gov/news.release/ocwage.htm (based on hourly mean wage for file clerks).

16. Plans for Tabulation and Publication

There are no plans to publish any information.

17. Requested Permission Not to Display the Expiration Date for OMB Approval

The OMB control number and expiration date associated with this PRA submission will be displayed on the Federal government's electronic PRA docket at www.reginfo.gov. The OMB control numbers for current information collections is also found at 16 C.F.R. § 1.101. There are no required forms or other documents upon which display of the control number and expiration date would be appropriate.

18. Exceptions to the "Certification for Paperwork Reduction Act Submissions"

The Commission certifies that the collection of information encompassed by this request complies with 5 C.F.R. § 1320.9 and the related provisions of 5 C.F.R. § 1320.8(b)(3). There is no certification for the use of effective and efficient statistical survey methodology pursuant to 5 C.F.R. § 1320.9(i) because that is not applicable to this collection.