

**Supporting Statement for the
Disclosure Requirements Associated with CFPB's Regulation DD
(Truth in Savings Act) (FR DD; OMB No. 7100-0271)**

Summary

The Board of Governors of the Federal Reserve System (Board), under delegated authority from the Office of Management and Budget (OMB), proposes to extend for three years, without revision, the mandatory disclosure requirements associated with CFPB's Regulation DD (Truth in Savings Act) (FR DD; OMB No. 7100-0271). TISA was contained in the Federal Deposit Insurance Corporation Improvement Act of 1991. The purpose of TISA and its implementing regulation is to assist consumers in comparing deposit accounts offered by institutions, principally through the disclosure of fees, the annual percentage yield (APY), and other account terms. TISA requires depository institutions to disclose key terms for deposit accounts at account opening, upon request, when certain changes in terms occur, and in periodic statements. It also includes rules about advertising for deposit accounts. TISA does not provide exemptions from compliance for small institutions.

Although the Consumer Financial Protection Bureau (CFPB) is now responsible for issuing Truth in Savings Act (TISA)¹ regulations, the Board continues to be responsible under the Paperwork Reduction Act (PRA) for renewing every three years the information collections required by institutions the Board supervises. The PRA classifies reporting, recordkeeping, or disclosure requirements of a regulation, including Regulation DD, as an information collection.²

The Board accounts for the paperwork burden associated with the regulation only for Board-supervised institutions.³ The respondent burden for the 936 Board-supervised entities is estimated to be 140,400 hours.⁴

Background and Justification

On July 21, 2011, rulemaking authority for TISA was transferred from the Board to the CFPB under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act). In December 2011, the CFPB published an interim final rule establishing its own Regulation DD to implement TISA at 12 C.F.R. part 1030 that substantially duplicated the Board's Regulation DD. The CFPB finalized its interim final rule in April 2016. The Board

¹ TISA was enacted in 1991 and is codified at 12 U.S.C. 4301 *et seq.* Regulation DD is located at 12 CFR part 1030.

² 44 U.S.C. 3501 *et seq.*

³ Other federal agencies account for the paperwork burden that Regulation DD imposes on the institutions for which they have supervisory authority.

⁴ The Board accounts for the following types of institutions, except those that are supervised by the CFPB: state member banks, branches and agencies of foreign banks (other than federal branches, federal agencies, and insured state branches of foreign banks), commercial lending companies owned or controlled by foreign banks, and organizations operating under section 25 or 25A of the Federal Reserve Act (12 U.S.C. 601-604a; 611-631). The CFPB supervises, among other institutions, insured depository institutions with over \$10 billion in assets and their affiliates (including affiliates that are themselves depository institutions regardless of asset size and subsidiaries of such affiliates).

repealed its version of Regulation DD (12 C.F.R. part 230) effective June 30, 2014.⁵

Description of Information Collection

TISA and Regulation DD cover accounts held by individuals primarily for personal, family, or household purposes. The disclosure requirements associated with Regulation DD are described below.

Account Disclosures (Section 1030.4)

Depository institutions are required to provide account disclosures containing rate and fee information to a consumer upon request. Account disclosures must also be provided prior to opening an account or before services are provided, whichever is earlier. The purpose of the disclosure requirement is to provide account holders and prospective account holders with the type and amount of any fees that may be imposed (including ATM withdrawals or other electronic fund transfers); the interest rate and the APY that will be paid on an account; and other key terms.

Subsequent Disclosures (Section 1030.5)

Change-in-terms notice (Section 1030.5(a))

Depository institutions are required to provide 30 days' advance notice of any change that may reduce the APY or adversely affect consumers, such as an increase in fees. Certain types of events, such as changes in the interest rate and APY for variable rate accounts, are exempt from this requirement.

Notice before maturity (Sections 1030.5(b), (c))

Depository institutions are required to provide notices prior to maturity for certain time accounts. The timing and content requirement of the notice varies depending on the term of a time deposit and whether it renews automatically:

- For automatically renewable time accounts with a term less than or equal to one month, no advance notice is required.
- Advance notices for automatically renewable time accounts with a maturity longer than one month but less than or equal to one year may be sent either 30 calendar days before maturity or, as an alternative, 20 calendar days before the end of a grace period, so long as the grace period is at least 5 calendar days. The alternative timing rule was adopted to allow flexibility for institutions to maintain any existing practice to send notices 10 to 15 days prior to maturity. The notice may contain the disclosures required when the account is opened or, as an alternative, information on the interest rate and APY for the new account, the maturity date for the existing and new accounts, and any changes in terms.
- For automatically renewable time accounts with terms longer than one year,

⁵ 79 FR 30711 (May 29, 2014).

institutions must provide disclosures required at account opening. The timing rules for these accounts longer than one year are the same as for accounts with maturities longer than one month but less than or equal to one year.

For nonrenewable time accounts with a maturity of less than or equal to one year, no notice is required. If the maturity is longer than one year, the notice must provide information on the maturity date, and whether or not interest will be paid after maturity at least 10 calendar days before maturity of the existing account.

Periodic Statement Disclosures (Section 1030.6)

Neither TISA nor the regulation mandates that depository institutions provide periodic statements. If an institution chooses to provide periodic statements, however, the statements must contain specific information: the total number of days in, or the beginning and ending dates of, the statement period; the dollar amount of interest earned and APY earned; fees imposed on the account, itemized by type and dollar amount; and if applicable, the total overdraft and returned item fees for the statement period and for the calendar year to date.

Advertising (Section 1030.8)

The advertising rules apply to both depository institutions and deposit brokers. The purpose of the advertising rules is to provide potential shoppers with uniform and accurate information that they can use in deciding among various deposit accounts if an advertisement states an APY or promotes the payment of overdrafts.

Additional disclosure requirements for overdraft services (Section 1030.11)

Institutions providing periodic statements must separately disclose on such statements the total amount of fees or charges imposed on the deposit account for paying overdrafts and the total amount of fees charged for returning items unpaid. These disclosures must be provided for the statement period and for the calendar year to date. Furthermore, advertisements generally promoting the payment of overdrafts must disclose the fees for the payment of each overdraft, the categories of transactions for which a fee for paying an overdraft may be imposed, the time period by which a consumer must repay or cover any overdraft, and the circumstances under which the institution will not pay an overdraft. Moreover, any account balance disclosed to a consumer through an automated system (including, but not limited to, an ATM, Internet website, or telephone response system) must exclude additional amounts that the institution may provide or that may be transferred from another account of the consumer to cover an item where there are insufficient or unavailable funds in the consumer's account. An institution may, however, disclose an additional account balance that includes such additional amounts provided the institution states that any such balance includes such additional amounts, and if applicable, that additional amounts are not available for all transactions.

Time Schedule for Information Collection

FR DD is triggered by specific events, and disclosures must be provided to consumers

within the time periods established by the TISA and regulation. There is no reporting form associated with FR DD; disclosures pertaining to a particular transaction or consumer account are not publicly available.

Disclosures of an institution's account terms that appear in advertisements are available to the public.

Legal Status

The Board's Legal Division has determined that section 269 of TISA specifically authorizes the CFPB "to prescribe regulations" to carry out the purposes and provisions of the Act, as well as to adopt model forms and clauses for common disclosures to facilitate compliance (12 U.S.C. 4308). FR DD implements this statutory provision (12 CFR Part 1030). The Board's imposition of the disclosure requirements on Board-supervised institutions is authorized by Section 270 of TISA, 12 U.S.C. 4309, and the provisions of Regulation DD (12 CFR 1030.1(a), 1030.2(j)). An institution's disclosure obligations under Regulation DD are mandatory. The Board does not collect any information; therefore, no issue of confidentiality arises.

Consultation Outside the Agency

On November 22, 2017, the Board published an initial notice in the *Federal Register* (82 FR 55608) requesting public comment for 60 days on the proposal to extend without revision the FR DD. The comment period for this notice expires on January 22, 2018.

Estimate of Respondent Burden

The general account disclosures (section 1030.4) are in standardized, machine-generated form and do not substantively change from one individual account to another; thus, the cost to the public is small. Subsequent notices (section 1030.5) and periodic statements (section 1030.6) are machine-generated reports of information that for the most part would be captured by the institution and disclosed to the consumer for business purposes; the marginal cost of complying with these regulations is considered to be small. The cost of complying with the advertising rules (section 1030.8) is also considered to be small. The cost of complying with the additional disclosure requirements for overdraft services (section 1030.11) is sufficiently accounted for under the cost estimates for periodic statement (section 1030.6) and advertising (section 1030.8) requirements. The regulation does not specify the kind of records that must be retained for this purpose.

The current total annual burden is estimated to be 140,400 hours for the 936 institutions supervised by the Board that are deemed respondents for purposes of the PRA. This estimated burden arises exclusively from the disclosures required under the regulation and is shown in the table below. These disclosure requirements represent 1.12 percent of total Federal Reserve System annual paperwork burden.

FR DD	<i>Number of respondents⁶</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
(Section 1030.4)				
Account disclosures	936	12	1	11,232
(Section 1030.5)				
Subsequent notices				
(Section 1030.5(a))				
Change in terms notices	936	12	1.5	16,848
(Sections 1030.5(b) and (c))				
Notices prior to maturity	936	12	1.5	16,848
(Sections 1030.6 and 1030.11)				
Periodic statement disclosure	936	12	8	89,856
(Sections 1030.8 and 1030.11)				
Advertising	936	12	0.5	<u>5,616</u>
<i>Total</i>				140,400

The total annual cost to the public is estimated to be \$7,707,960.⁷

Sensitive Questions

This information collection contains no questions of a sensitive nature, as defined by OMB guidelines.

Estimate of Cost to the Federal Reserve System

Since the Board does not collect any information, the cost to the Federal Reserve System is negligible.

⁶ Of these respondents, 606 are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$ 550 million in total assets) www.sba.gov/content/table-small-business-size-standards.

⁷ Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rates (30% Office & Administrative Support at \$18, 45% Financial Managers at \$67, 15% Lawyers at \$67, and 10% Chief Executives at \$93). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), Occupational Employment and Wages May 2016, published March 31, 2017, www.bls.gov/news.release/ocwage.nr0.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.