Supporting Statement for the
Reporting, Recordkeeping, and Disclosure Requirements associated with
Regulation Z (Truth in Lending) and
Regulation AA (Unfair or Deceptive Acts or Practices)
(OMB No. 7100-0199)

Mortgage Disclosure Improvement Act (MDIA) Part II
(Docket No. R-1366) (RIN 7100-AD33)

Summary

The Board of Governors of the Federal Reserve System, under delegated authority from the Office of Management and Budget (OMB), proposes to revise the current recordkeeping and disclosure requirements of Regulation Z (Truth in Lending Act)[1] and Regulation AA (Unfair or Deceptive Acts or Practices). The Paperwork Reduction Act (PRA) classifies these requirements as an information collection.

On September 24, 2010, an interim final rulemaking (IFRM) was published in the *Federal Register* (75 FR 58470) for public comment to amend Regulation Z, which implements the Truth in Lending Act (TILA). The IFRM implements certain requirements of the Mortgage Disclosure Improvement Act of 2008, which amended TILA. The amendments require creditors extending consumer credit secured by real property or a dwelling to disclose certain summary information about interest rates and payment changes, in a tabular format, as well as a statement that consumers are not guaranteed to be able to refinance their transactions in the future. The interest rate and payment summary tables replace the payment schedule previously required as part of the TILA disclosure for mortgage transactions. Disclosures for non-mortgage, closed-end consumer credit will continue to include the current payment schedule. The comment period expired November 23, 2010. The Board received 36 comments; however, no comments specifically addressed the proposed paperwork burden estimates. On December 29, 2010, another interim rulemaking was published in the *Federal Register* (75 FR 81836) clarifying certain aspects of a September 24, 2010 interim rule in response to public comments. This interim rule is effective January 30, 2011. Compliance with its provisions is optional, however, for transactions for which an application for credit is received by the creditor before October 1, 2011. This interim rule does not change the January 30, 2011 mandatory compliance date of the September 2010 interim rule. Comments on this interim rule must be received on or before February 28, 2011.

TILA and Regulation Z ensure adequate disclosure of the costs and terms of credit to consumers. For open-end credit, creditors are required to disclose information about the initial costs and terms and to provide periodic statements of account activity, notices of changes-in-terms, and statements of rights concerning billing error procedures. The regulation also requires specific types of disclosures for credit and charge card accounts, and home-equity plans. For closed-end loans, such as mortgage and installment loans, cost disclosures are required to be provided prior to consummation. Special disclosures are required of certain products, such as

[1] Regulation Z implements TILA. TILA was enacted in 1968 and substantially revised in 1980 by the Truth in Lending Simplification and Reform Act. TILA is codified at 15 U.S.C. 1601 et seq. Regulation Z is located at 12 CFR Part 226.

reverse mortgages, certain variable-rate loans, and certain mortgages with rates and fees above specified thresholds. TILA and Regulation Z also contain rules concerning credit advertising.

The information collection pursuant to Regulation Z is triggered by specific events. There are no required reporting forms associated with Regulation Z. To ease the burden and cost of complying with Regulation Z (particularly for small entities), the Federal Reserve provides model forms, which are appended to the regulation. Creditors are required to "retain evidence of compliance" for twenty-four months (subpart D, section 226.25), but the regulation does not specify the types of records that must be retained.

Under the PRA, the Federal Reserve accounts for the paperwork burden associated with Regulation Z for the state member banks (SMBs) and other creditors supervised by the Federal Reserve that engage in lending covered by Regulation Z and, therefore, are "respondents" under the PRA.[2] Other federal agencies account for the paperwork burden on other creditors. The current annual burden for 1,138 respondents[3] is estimated to be 1,497,362 hours.

The Federal Reserve estimates the final rule will impose a one-time increase in the annual burden under Regulation Z for all respondents regulated by the Federal Reserve by 136,560 hours. In addition, the Federal Reserve estimates that, on a continuing basis, the revision to the rule will increase the annual burden by 546,240 hours. The total annual burden for the Regulation Z information collection is estimated to increase by 682,800 hours from 1,497,362 to 2,180,162 hours.

Background and Justification

TILA and Regulation Z require creditors to disclose certain credit costs and terms to consumers, using a specified format and terminology, at or before the time consumers enter into a consumer credit transaction and when the availability of consumer credit on particular terms is advertised. The purpose of the disclosures is to promote the informed use of consumer credit.

Although TILA does not specifically authorize exemptions for small business, Regulation Z contains several provisions designed to minimize burdens on these entities. The definition of creditor, for example, is limited to persons who, in the preceding calendar year, extended credit more than twenty-five times or extended credit secured by a dwelling more than five times.

In 1994, Congress enacted HOEPA as an amendment to TILA, to address abusive practices involving certain home-secured loans with high rates or high fees.[4] The Board also added to a disclosure required three days before the closing of a HOEPA loan a statement of the

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[2] Appendix I – Federal Enforcement Agencies – of Regulation Z defines the Federal Reserve-regulated institutions as: 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.

[3] The number of Federal Reserve-supervised creditors was obtained from numbers published in the Board of Governors of the Federal Reserve System 94th Annual Report 2007: 878 State member banks, 258 Branches & agencies of foreign banks, and 2 Commercial lending companies.

[4] 15 U.S.C. 1601 *et seq*.

total amount of the borrower's obligation and whether optional credit insurance or debt-cancellation coverage is included in that amount. Regulation Z Model Form H-16 illustrates this revised disclosure, which became mandatory on October 1, 2002.

In November 2007, the Board published a final rulemaking (72 FR 63462) that amended Regulation Z to address the timing and delivery of electronic disclosures, consistent with the requirements of the Electronic Signatures in Global and National Commerce Act (E-Sign Act). This rule provides that that certain disclosures may be provided to a consumer in electronic form without regard to the consumer consent and other provisions of the E-Sign Act; and that, when an advertisement is accessed by the consumer in electronic form, the disclosures must be provided in electronic form on or with the advertisement.

In July 2008, the Board published a final rulemaking (72 FR 44522) that amended Regulation Z. The goals of the amendments are to protect consumers in the mortgage market from unfair, abusive, or deceptive lending and servicing practices while preserving responsible lending and sustainable homeownership; ensure that advertisements for mortgage loans provide accurate and balanced information and do not contain misleading or deceptive representations; and provide consumers transaction specific disclosures early enough to use while shopping for a mortgage. The final rulemaking takes effect on October 1, 2009, with the single exception of the escrow requirement, which may be phased in during 2010 to allow lenders to establish new systems as needed.

On May 19, 2009, the Board published a final rulemaking (74 FR 23289) that amended Regulation Z to implement provisions of the Mortgage Disclosure Improvement Act of 2008 (MDIA). MDIA requires early, transaction specific disclosures for mortgage loans secured by dwellings other than the consumer's principal dwelling and requires waiting periods between the time when disclosures are given and consummation of the mortgage transaction. The final rulemaking was effective on July 30, 2009.

On August 14, 2009, the Board published a final rulemaking (74 FR 41194) that amended Regulation Z to implement provisions of Higher Education Opportunity Act (HEOA).[5] Title X of the HEOA amends the TILA by adding disclosure and timing requirements that apply to private educational lenders making private education loans, which are defined as loans made expressly for postsecondary educational expenses. The HEOA's definition of private education loan excludes open-end credit, real estate-secured loans, and loans made, insured, or guaranteed by the federal government under title IV of the Higher Education Act of 1965 (20 USC 1070 et seq.). The HEOA also amends TILA by adding limitations on certain practices by private educational lenders and limitations on co-branding in the marketing of private student loans. Mandatory compliance with the final rulemaking is effective as of February 14, 2010.

On February 22, 2010, the Board published a final rulemaking (75 FR 7658) (Docket No. R-1370) that amended Regulation Z to implement provisions of the Credit Card Accountability Responsibility and Disclosure Act of 2009 (Credit Card Act). In general, the amendments will:

[5] HEOA (Public Law 110-315; Sections 1021-1022) was enacted on August 14, 2008, and reauthorizes the HEA of 1965, as amended. http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_cong_public_laws&docid=f:publ315.110.pdf

(1) protect consumers from unexpected increases in credit card interest rates by generally prohibiting increases in a rate during the first year after an account is opened and increases in a rate that applies to an existing credit card balance, (2) prohibit creditors from issuing a credit card to a consumer who is under the age of 21 unless the consumer has the ability to make the required payments or obtains the signature of a parent or other cosigner with the ability to do so, (3) require creditors to obtain a consumer's consent before charging fees for transactions that exceed the credit limit, (4) limit the high fees associated with subprime credit cards, (5) ban creditors from using the "two-cycle" billing method to impose interest charges, and (6) prohibit creditors from allocating payments in ways that maximize interest charges. This NPRM represents the second stage of the Federal Reserve's implementation of the Credit Card Act. The mandatory compliance dates are February 22, 2010, for all provisions related to the Credit Card Act and July 1, 2010, for all other provisions of this final rule. Also, On February 22, 2010, the Board published a final rule (75 FR 7925), withdrawing a final rule amending Regulation Z (Docket No. R-1286) and the staff commentary to the regulation published on January 29, 2009, see (72 FR 5244).

On June 29, 2010, the Board published a final rulemaking (75 FR 37526) that amended Regulation Z to implement provisions of the Credit Card Accountability Responsibility and Disclosure Act of 2009. In particular, the final rule requires that penalty fees imposed by card issuers be reasonable and proportional to the violation of the account terms. The final rule also requires credit card issuers to reevaluate at least every six months annual percentage rates increased on or after January 1, 2009. The mandatory compliance dates for the amendments are August 22, 2010 and December 1, 2010.

On September 24, 2010, the Board published a final rulemaking (75 FR 58489) that amended Regulation Z to implement Section 131(g) of TILA, which was enacted on May 20, 2009, as Section 404(a) of the Helping Families Save Their Homes Act. TILA Section 131(g) became effective immediately upon enactment and established a new requirement for notifying consumers of the sale or transfer of their mortgage loans. The purchaser or assignee that acquires the loan must provide the required disclosures in writing no later than 30 days after the date on which the loan is sold or otherwise transferred or assigned. The mandatory compliance date for the amendments is January 1, 2011.

Description of Information Collection

TILA and Regulation Z distinguish between two types of credit, with the specific disclosure requirements depending on the type of credit involved. Subpart B of the regulation prescribes disclosures for open-end credit, which includes most revolving credit lines, credit card accounts, home-equity lines of credit and overdraft lines of credit tied to checking accounts. Subpart C of the regulation prescribes the disclosures for closed-end credit. This category of credit refers generally to credit extended in a fixed amount for a specified period, typified by mortgages, installment loans, and credit sales. Subpart E of the regulation prescribes special disclosures for certain home mortgage transactions that carry rates or fees above a specified threshold and for reverse mortgages. The disclosure requirements associated with Regulation Z are described below. The frequency of response varies according to the level of credit activity by a creditor.

Open-end Credit Disclosures (Subpart B)

No other federal law mandates these disclosures and procedures for responding to error allegations, although some states may have similar requirements.

Initial and Change-in-Term Disclosures (Sections 226.6 and 226.9(c)) - Creditors that offer open-end credit are required to inform consumers of costs and terms before they use the accounts and in general to inform them of certain subsequent changes in the terms of the accounts. Initial information must include the finance charge and other charges, the annual percentage rate (APR), a description of how balances (on which a finance charge is based) will be calculated, and any collateral that will secure repayment.

If the creditor changes any term initially disclosed, or increases the minimum periodic payment, a written change-in-term notice generally must be provided to the consumer at least fifteen days prior to the effective date of the change. Special rules and restrictions govern changes in the terms of home-equity plans.

Unfair or deceptive practices involving cosigners (Reg AA, Section 227.14) - A clear and conspicuous disclosure statement shall be given in writing to the cosigner prior to becoming obligated. The disclosure statement shall be substantially similar to the following statement and shall either be a separate document or included in the documents evidencing the consumer credit obligation.

NOTICE TO COSIGNER

You are being asked to guarantee this debt. Think carefully before you do. If the borrower doesn't pay the debt, you will have to. Be sure you can afford to pay if you have to, and that you want to accept this responsibility. You may have to pay up to the full amount of the debt if the borrower does not pay. You may also have to pay late fees or collection costs, which increase this amount. The bank can collect this debt from you without first trying to collect from the borrower. The bank can use the same collection methods against you that can be used against the borrower, such as suing you, garnishing your wages, etc. If this debt is ever in default, that fact may become a part of your credit record. This notice is not the contract that makes you liable for the debt.

Periodic Statements (Sections 226.7) - A written statement of activity on open-end accounts must be provided each billing cycle (typically monthly). The statement must be provided for each account that has a debit or credit balance of more than $1 or on which a finance charge is imposed, and it must include a description of activity on the account, opening and closing balances, finance charges imposed, and payment information.

Error Resolution Rules (Sections 226.13) - Creditors must notify consumers about their rights and responsibilities regarding billing problems. Creditors may provide either a complete statement of billing rights each year, or a summary on each periodic statement. The paperwork burden for the summary is included in the estimated burden for periodic statements.

When a consumer alleges a billing error, the creditor must provide an acknowledgment, within thirty days of receipt, that the creditor received the consumer's error notice, and must report on

the results of its investigation within ninety days. If a billing error did not occur, the creditor must provide an explanation as to why the creditor believes an error did not occur and provide documentary evidence to the consumer upon request. The creditor must also give notice of the portion of the disputed amount and related finance or other charges that the consumer still owes and notice of when payment is due.

Credit and Charge Cards (Sections 226.5(a)) - Generally, card issuers must provide additional disclosures with solicitations, when an annual fee is to be charged, and when the issuer changes its credit insurance carrier.

Solicitations and applications. When offering cards to consumers by direct mail solicitation, card issuers must disclose in a highly-structured table key of terms of the account, such as the APR, information about variable rates, and fees such as annual fees, minimum finance charges, and transactions fees for purchases. Similar disclosure rules apply in telephone solicitations, and for "take-one" and magazine or catalog applications. Special rules apply for charge cards.

Reporting and Marketing Rules for College Student Open-End Credit.[6] Section 226.57 57(d) (Annual Report to the Board) requires card issuers that are a party to one or more college credit card agreements to submit annual reports to the Board regarding those agreements. Card issuers must submit their initial annual report on college credit card agreements, providing information for the 2009 calendar year, to the Board by February 22, 2010. For each subsequent calendar year, issuers must submit annual reports by the first business day on or after March 31 of the following calendar year. The annual report must include the method or formula used to determine the amount of payments from an issuer to an institution of higher education or affiliated organization during the reporting period. In addition, each annual report must include a copy of any memorandum of understanding that directly or indirectly relates to the college credit card agreement or that controls or directs any obligations or distribution of benefits between any such entities.[7]

Internet Posting of Credit Card Agreements. Section 226.58 requires that card issuers post on their web sites the credit card agreements they offer to the public. Initial submissions of consumer agreements, including agreements offered to the public as of December 31, 2009, must be sent to the Board no later than February 22, 2010. Issuers must also submit these agreements to the Board quarterly for posting on the Board's public Web site. This requirement is applicable to any card issuer that issues credit cards under a credit card account under an open-end (not home-secured) consumer credit plan, as defined in Section 226.2(a)(15).[8]

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[6] Attachment I – Consumer and College Credit Card Agreement in final rulemaking (75 FR 7658) contains the submission technical specifications document and initial submission requirements. Note – Attachment I does not appear in the Code of Federal Regulations.

[7] To avoid double counting, the ongoing burden associated with creditor updates/annual report under Section 226.57 is accounted for under Section 226.58.

[8] A de minimis exception from the requirement to post on issuers' publicly available Web sites, and submit to the Board for posting on the Board's public web site, agreements applies to issuers with fewer than 10,000 open credit card accounts.

Annual fee. TILA also requires card issuers that charge an annual fee to notify a consumer at least thirty days before payment of the fee is due. The notice must include basic cost information for continued use of the card and how the consumer may close the account and avoid paying any fee.

Changes to insurance carriers. Card issuers that change credit insurance carriers must provide an advance notice to cardholders if increased cost or substantially decreased coverage would result from the switch in carriers. The notice must inform consumers about their right to cancel the insurance.

Home-Equity Plans (Sections 226.5(b)) - Creditors offering home-equity lines of credit must provide additional disclosures at application, when the credit plan is opened, and when consumers' use of the plan is restricted.

Applications. Lenders must provide, on or with applications for home-equity plans, generic disclosures about the plan, including the possibility of negative amortization, draw requirements, and the method of determining the minimum periodic payment. Additional disclosures about variable-rate plans, including information about interest rate caps and an historical example showing what the APR and payments would have been for the preceding 15 years.

Account opening. Some of the information given with the application must be repeated when the consumer opens the account. The paperwork burden associated with this second round of disclosures is considered negligible, since it involves disclosures that were previously made to the consumer.

Restricting use of the plan. A creditor may prohibit additional credit extensions or reduce the credit limit in certain instances, such as if there is a drop in the value of the loan security. However, in these instances, the creditor must give the consumer written notice not later than three business days after the action takes effect, explaining why the action was taken.

Closed-end Credit Disclosures (Subpart C, Section 226.17)

The requirements of Subpart C apply to any creditor that extends consumer credit (unless over $25,000 and not secured by a dwelling) if the credit is payable in more than four installments or is subject to a finance charge, and is not open-end credit. The required disclosures include credit terms such as the APR and finance charge, which reflect the total credit cost in percentage and dollar terms, respectively. Key information is highlighted for consumers through the use of certain terminology and a specific format.

For certain variable-rate mortgages, generic disclosures similar to those required for home-equity lines of credit must be provided at application. In addition, creditors must send periodic statements when payments change or at least annually if rates change without changes to payment amounts.

Special Disclosures (Subpart E)

Certain types of mortgage products trigger special disclosures, such as reverse and high-cost mortgages; the requirements have a minimal effect on the paperwork burden for SMBs.

HEOA (Subpart F Sections) 226.46 [9]

Disclosures for private education loans, which must be given at different times in the loan origination process:

- **Application or Solicitation Disclosures (Section 226.46(d)(1))** – Specifies the disclosures required by section 226.47(a) shall be provided on or with any application or solicitation. For purposes of this subpart, the term solicitation means an offer of credit that does not require the consumer to complete an application. The creditor may, at its option, disclose orally the information in a telephone application or solicitation. Alternatively, if the creditor does not disclose orally the information, the creditor must provide the disclosures or place them in the mail no later than three business days after the consumer has applied for the credit, except that, if the creditor either denies the consumer's application or provides or places in the mail the disclosures no later than three business days after the consumer requests the credit, the creditor need not also provide the §226.47(a) disclosures.

- **Approval Disclosures (Section 226.46(d)(2))** – Requires that the disclosures specified in § 226.47(b) be provided before consummation on or with any notice to the consumer that the creditor has approved the consumer's application for a loan. If the creditor provides approval to the consumer by mail, the disclosures have to be mailed at the same time as the approval. If the creditor provides approval by telephone, the creditor must place the disclosures in the mail within three business days of the approval. The creditor may provide the disclosures solely in electronic form if the creditor has complied with the consumer consent and other applicable provisions of the Electronic Signatures in Global and National Commerce Act (E-Sign Act) (15 U.S.C. § 7001 *et seq.*); otherwise, the creditor must place the disclosures in the mail within three business days.
- **Final Disclosures (Section 226.46(d)(3))**– Requires the final disclosures to be provided to the consumer after the consumer accepts the loan, but does not base the timing on when the private education loan funds are disbursed. Section 226.48(d) prohibits the creditor from disbursing funds until at least three business days after the consumer receives the final disclosures.

Reverse Mortgages (Section 226.33) – Creditors offering "reverse mortgages" must provide rate disclosures and a notice to consumers at least three days before loan consummation or before the first transaction in an open-end plan. A reverse mortgage transaction is a loan secured by the equity in a home. Disbursements are made to homeowners until the homeowner dies, moves permanently, or sells the home. The creditor relies on the home's future value for

[9] Model forms for each of the following three disclosures are available in Appendix H-17 for the application or solicitation disclosures required in § 226.38(a), Appendix H-18 for the approval disclosures required in § 226.38(b), and Appendix H-19 for the final disclosures required in § 226.38(c).

repayment. Creditors must disclose the projected total cost of credit for specified loan periods (short-term, life-expectancy, or long-term). Creditors must also furnish a notice to consumers that receiving disclosures or applying for the loan does not obligate the consumer to complete the transaction.

Home Ownership and Equity Protection Act (HOEPA) Mortgages (Section 226.34) Creditors offering mortgages with rates or fees above thresholds outlined in the HOEPA must provide cost disclosures and a notice at least three days before consummation. The cost disclosures include the APR, regular payment amount, the total amount borrowed and whether the total amount borrowed includes the cost of optional insurance. A notice warns consumers about losing their home and reminds consumers that they are not obligated to complete the transaction. In addition, if the creditor changes any terms that are to be reflected on the disclosures, the creditor must generally provide the consumer with new disclosures and allow the consumer another three days to consider the transaction before consummation.

Advertising Rules (Subpart B, Section 226.16) (Subpart C, Section 226.24)

These requirements apply to all persons who promote the availability of open-end or closed-end credit through commercial messages in any form, including print or electronic media, direct mailings, and displays. With some variations, Subparts B (for open-end credit) and C (for closed-end credit) both require advertisers to include certain basic credit information if the advertisement refers to specified credit terms or costs. The purpose of the advertising rules is to provide potential credit shoppers with accurate information that they can use in deciding among various credit sources.

The frequency of response varies according to the level of credit advertising by a creditor. No other federal law requires advertisers of credit to include these specific credit terms and costs, although some states may have similar requirements.

Notification of the sale or transfer of mortgage loans amendment (Section 226.39)

The disclosure requirements in Section 226.39 apply only to persons that acquire more than one consumer mortgage transaction in any 12-month period. The disclosure must identify the loan that was acquired or transferred and, consistent with the statute, contain the following: (1) The identity, address, and telephone number of the covered person that owns the mortgage loan; (2) the date of the acquisition or transfer; (3) contact information that the consumer can use to reach an agent or party having authority to act on behalf of the covered person; (4) the location of the place where the transfer of the ownership of the debt is recorded. The disclosure must be mailed or delivered to the consumer on or before the 30th calendar day following the date that the covered person acquires the loan.

Amendments

Interest Rate and Payment Summary for Mortgage Transactions (Section 226.18(s) & (t))

Section 226.18(s), provides requirements for disclosure of the contract interest rate and the periodic payment for most transactions secured by real property or a dwelling. The

information required by Section 226.18(s)(2)–(4) must be in the form of a table, as provided in Section 226.18(s)(1), substantially similar to Model Clause H–4(E), H–4(F), H–4(G), or H–4(H) in Appendix H.

Section 226.18(t)(1) requires creditors to disclose that there is no guarantee that the consumer will be able to refinance the loan to obtain a lower interest rate and payment. The Federal Reserve believes that including such a statement on the TILA disclosure form will alert consumers to consider the impact of future rate adjustments and increased monthly payments.

Time Schedule for Information Collection

Information collection pursuant to these recordkeeping and disclosure requirements is event-generated and must be provided to the borrower within the time periods established by the law and regulation as discussed above. Creditors must keep evidence of compliance for twenty-four months.

Consultation Outside of the Agency and Discussion of Public Comments

On September 24, 2010, an interim final rulemaking (IFRM) was published in the *Federal Register* (75 FR 58470) for public comment. The comment period expired November 23, 2010. The Board received 36 comments; however, no comments specifically addressed the proposed paperwork burden estimates. On December 29, 2010, another interim rulemaking was published in the *Federal Register* (75 FR 81836) clarifying certain aspects of a September 24, 2010 interim rule in response to public comments. This interim rule is effective January 30, 2011. Compliance with its provisions is optional, however, for transactions for which an application for credit is received by the creditor before October 1, 2011. This interim rule does not change the January 30, 2011 mandatory compliance date of the September 2010 interim rule. Comments on this interim rule must be received on or before February 28, 2011.

Sensitive Questions

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

Legal Status

The Board's Legal Division has confirmed that title I of the Consumer Credit Protection Act authorizes the Board to issue regulations to carry out the provisions of that Act (15 USC §§ 1601, 1604(a)). The information collections are mandatory. Since the Federal Reserve does not collect any information, no issue of confidentiality arises. Transaction- or account-specific disclosures and billing error allegations are not publicly available and are confidential between the creditor and the consumer. General disclosures of credit terms that appear in advertisements or take-one applications are available to the public.

Estimate of Respondent Burden

The current total annual burden for the disclosure requirements of this information

collection is estimated to be 1,497,362 hours, as shown in the table below. The table provides the estimated annual burden for the 1,138 creditors regulated by the Federal Reserve to which Regulation Z applies.

No paperwork burden is deemed to be associated with the recordkeeping requirement of Regulation Z (subpart D, section 226.25) because the regulation does not specify records to be retained as evidence of compliance. Regulation Z permits institutions to provide credit and charge card renewal and insurance notices on or with periodic statements. Accordingly, the burden associated with these disclosures is not separately identified but incorporated in the burden estimate for periodic statements.

As mentioned earlier Federal Reserve is adopting changes to format and content requirements for disclosures for closed-end mortgages that are required within three days after application and before consummation. The Board estimates that 1,138 respondents regulated by the Federal Reserve would take, on average, 120 hours (three business weeks) to update their systems and internal procedure manuals and to provide training for relevant staff to comply with the new disclosure requirements in § 226.18(s) and (t). This one-time revision will increase the burden by 136,560 hours. On a continuing basis, the Board estimates that 1,138 respondents regulated by the Federal Reserve will take, on average, 40 hours a month to comply with the new disclosure requirements and that the new requirements will increase the ongoing burden by 546,240 hours. To ease the burden and cost of complying with the new requirements under Regulation Z the Board is adding several model clauses to Appendix H.

Accordingly, the Board estimates that the new requirements will increase the total annual burden for respondents supervised by the Federal Reserve by 682,800 hours. This total estimated burden increase represents averages for all respondents supervised by the Federal Reserve. The Board expects that the amount of time required to implement each of the changes for a given institution may vary based on the size and complexity of the respondent.

The total annual burden for the Regulation Z information collection is estimated to increase by 682,800 hours from 1,497,362 to 2,180,162 hours.[10] These reporting, recordkeeping, and disclosure requirements represent 19.25 percent of total Federal Reserve System paperwork burden.

[10] The burden estimate for this rulemaking does not include the burden addressing changes to implement the following provisions announced in separate rulemakings:

- Closed-End Mortgages (Docket No. R-1366) (74 FR 43232), or
- Home-Equity Lines of Credit (Docket No. R-1367) (74 FR 43428)

Current Burden	*Number of respondents*	*Estimated annual frequency*	*Estimated response time*	*Estimated annual burden hours*
Subpart B Open-end Credit:				
Section 226.6 Initial disclosures	878	1,150	1.5 min	25,243
Reg AA				
Section 227.14(b) Cosigner disclosure	878	1,150	1 min	16,828
Section 226.9(c)				
Change-in-terms disclosures *(ongoing)*	878	3,750	1 min	54,875
Section 226.9(g)(3) One-time change (R-1370)	1,138	1	8 hours	9,104
Section 226.7				
Periodic statements *(ongoing)*	1,138	12	8 hours	109,248
Section 226.7(b)(12) One-time change (R-1370)	1,138	1	80 hours	91,040
Section 226.13				
Error resolution:				
Credit cards	226	145	30 min	16,385
Other Open-end credit	1,138	2	30 min	1,138
Section 226.5(a)				
Credit and Charge cards:				
Application and Solicitations	226	12	8 hours	21,696
Section 226.57(b) One-time change (R-1370)	4,276	1	8 hours	34,208
Section 226.57(d) One-time change (R-1370)	2,200	1	160 hours	352,000
Section 226.58 Agreements One-time (R-1370)	2,200	1	40 hours	88,000
Section 226.58 Agreements (Ongoing) (R-1370)	2,200	4	8 hours	70,400
Sections: 226.5a, 226.6(b), 226.7(b), 226.9(c), 226.9(g), and 226.52(b) One-time change (R-1384)	1,138	1	40 hours	45,520
Section 226.5(b)				
Home-Equity Plans:				
Application disclosure	651	790	1.5 min	12,857
Restriction disclosure	651	10	3 min	326
Subpart C Closed-end Credit:				
Section 226.17 disclosures	1,138	2,472	6.5 min	304,756
Subpart E:				
Pre-closing disclosure	30	250	3 min	375
Section 226.39 One-time change (R-1378)	68	1	40 hours	2,720
Section 226.39 (Ongoing) (R-1378)	68	12	8 hours	6,528
Subpart F Section *226.46:*				
Private student loan disclosures (ongoing)	1,136	12	17 hours	231,744
Subparts B & C *Sections 226.16 & 226.24:*				
Advertising rules	1,138	5	25 min	2,371
Total				**1,497,362**

Proposed Burden	*Number of respondents*	*Estimated annual frequency*	*Estimated response time*	*Estimated annual burden hours*
Subpart B Open-end Credit:				
Section 226.6 Initial disclosures	878	1,150	1.5 min	25,243
Reg AA				
Section 227.14(b) Cosigner disclosure	878	1,150	1 min	16,828
Section 226.9(c)				
Change-in-terms disclosures *(ongoing)*	878	3,750	1 min	54,875
Section 226.9(g)(3) One-time change (R-1370)	1,138	1	8 hours	9,104
Section 226.7				
Periodic statements *(ongoing)*	1,138	12	8 hours	109,248
Section 226.7(b)(12) One-time change (R-1370)	1,138	1	80 hours	91,040
Section 226.13				
Error resolution:				
Credit cards	226	145	30 min	16,385
Other Open-end credit	1,138	2	30 min	1,138
Section 226.5(a)				
Credit and Charge cards:				
Application and Solicitations	226	12	8 hours	21,696
Section 226.57(b) One-time change (R-1370)	4,276	1	8 hours	34,208
Section 226.57(d) One-time change (R-1370)	2,200	1	160 hours	352,000
Section 226.58 Agreements One-time (R-1370)	2,200	1	40 hours	88,000
Section 226.58 Agreements (Ongoing) (R-1370)	2,200	4	8 hours	70,400
Sections: 226.5a, 226.6(b), 226.7(b), 226.9(c), 226.9(g), and 226.52(b) One-time change (R-1384)	1,138	1	40 hours	45,520
Section 226.5(b)				
Home-Equity Plans:				
Application disclosure	651	790	1.5 min	12,857
Restriction disclosure	651	10	3 min	326
Subpart C Closed-end Credit:				
Section 226.17 disclosures	1,138	2,472	6.5 min	304,756
Section 226.18 One-time change (R-1366)	**1,138**	**1**	**120 hours**	**136,560**
Section 226.18 (Ongoing) (R-1366)	**1,138**	**12**	**40 hours**	**546,240**
Subpart E:				
Pre-closing disclosure	30	250	3 min	375
Section 226.39 One-time change (R-1378)	68	1	40 hours	2,720
Section 226.39 (Ongoing) (R-1378)	68	12	8 hours	6,528
Subpart F Section *226.46:*				
Private student loan disclosures (ongoing)	1,136	12	17 hours	231,744
Subparts B & C *Sections 226.16 & 226.24:*				
Advertising rules	1,138	5	25 min	2,371
Proposed Total				**2,180,162**
One-time change				**136,560**
Ongoing change				**546,240**

With the new requirements, the total estimated annual cost to respondents will increase by $28,745,880 from $63,038,940 to $91,784,820.[11]

Estimate of Cost to the Federal Reserve System

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

Financial Industry Burden Averages

The other federal financial agencies: Office of the Comptroller of the Currency (OCC), Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC), and the National Credit Union Administration (NCUA) are responsible for estimating and reporting to OMB the total paperwork burden for the domestically chartered commercial banks, thrifts, and federal credit unions and U.S. branches and agencies of foreign banks for which they have primary administrative enforcement jurisdiction under TILA Section 108(a), 15.U.S.C.1607(a). These agencies are permitted, but are not required, to use the Federal Reserve's burden estimation methodology. Using the Federal Reserve's method, the total current estimated annual burden for the approximately 16,200 domestically chartered commercial banks, thrifts, and federal credit unions and U.S. branches and agencies of foreign banks supervised by the Federal Reserve, OCC, OTS, FDIC, and NCUA under TILA would be approximately 21,813,445 hours. The new requirement will impose an increase in the estimated annual burden for such institutions by 9,720,000 hours to 31,533,445 hours. The above estimates represent an average across all respondents; the Federal Reserve expects variations between institutions based on their size, complexity, and practices.

[11] Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rate (30% Office & Administrative Support @ $16, 45% Financial Managers @ $48, 15% Legal Counsel @ $54, and 10% Chief Executives @ $76). Hourly rate for each occupational group are the median hourly wages (rounded up) from the Bureau of Labor and Statistics (BLS), Occupational Employment and Wages 2008, http://www.bls.gov/news.release/ocwage.nr0.htm Occupations are defined using the BLS Occupational Classification System, http://www.bls.gov/soc/