

**CONSUMER FINANCIAL PROTECTION BUREAU
INFORMATION COLLECTION REQUEST –
DEBT COLLECTION SURVEY FROM THE CONSUMER CREDIT PANEL
(OMB CONTROL NUMBER: 3170-XXXX)**

ABSTRACT: The CFPB plans to conduct a mail survey of consumers to learn about their experiences interacting with the debt collection industry. The survey will ask consumers about their experiences with debt collectors, such as whether they have been contacted by debt collectors in the past, whether they recognized the debt that was being collected, and about their interactions with the debt collectors. The survey will also ask consumers about their preferences for how they would like to be contacted by debt collectors, opinions about potential regulatory interventions in debt collection markets, and about their knowledge of their legal rights regarding debt collections. The information collected through this survey will be used to inform a CFPB rule making concerning debt collection and research purposes.

The Dodd-Frank Wall Street Reform and Consumer Protection Act and other federal consumer financial laws authorize the Consumer Financial Protection Bureau (CFPB or Bureau) to engage in consumer protection rule writing. This PRA clearance is to collect survey data in support of CFPB rulewriting around debt collection. The CFPB issued an advance notice of proposed rulemaking concerning debt collection on November 6th, 2013. In order for the Bureau to improve its understanding of the debt collection market, the CFPB proposes a research project using the Consumer Credit Panel (CCP), a proprietary sample dataset from one of the national credit reporting agencies, to survey people who may have had debts in collection.

A. JUSTIFICATION

1. Circumstances Necessitating the Data Collection

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) and other federal consumer financial laws authorize the CFPB to engage in research and general market monitoring activities, to assess trends and emerging risks in consumer

financial markets.¹² The Bureau relies on empirical evidence and rigorous research to improve its understanding of consumer financial markets for regulatory purposes.

On November 6th, 2013, the CFPB issued an advance notice of proposed rulemaking concerning debt collection. This PRA clearance is to collect survey data in support of CFPB rulewriting concerning debt collection and for research and market monitoring purposes. The main law that governs debt collection and protects consumers is the 1977 Fair Debt Collection Practices Act (FDCPA). In 2010, the Dodd-Frank Act revised the FDCPA, making the Bureau the first agency with the power to issue substantive rules under the statute. The Bureau may also address concerns related to debt collection using its authority under the Dodd-Frank Act to issue regulations concerning unfair, deceptive, or abusive acts or practices and to establish disclosures to assist consumers in understanding the costs, benefits, and risks associated with consumer financial products and services.³

There are many businesses in the multi-billion dollar debt collection market. Banks and other original creditors may collect their own debts or hire third-party debt collectors. Original creditors and other owners of debts also may sell their debts to debt buyers, who may collect on the purchased debts or hire third-party debt collectors to recover them. It is estimated that there are more than 4,500 debt collection firms in the U.S.

Debt collection has long been one of the most complained-about subject areas to government regulators, including the Federal Trade Commission. Since July 2013, when

¹ DFA Section 1013(b)(1) mandates that the Bureau have research staff whose responsibilities include “[r]esearching, analyzing, and reporting on (A) developments in markets for consumer financial products or services, including market areas of alternative consumer financial products or services with high growth rates and areas of risk to consumers; (B) access to fair and affordable credit for traditionally underserved communities; (C) consumer awareness, understanding, and use of disclosures and communications regarding consumer financial products or services; (D) consumer awareness and understanding of costs, risks, and benefits of consumer financial products or services; (E) consumer behavior with respect to consumer financial products or services, including performance on mortgage loans; and (F) experiences of traditionally underserved consumers, including un-banked and under-banked consumers.”

² DFA Section 1022(c)(4) directs that “in order to support its rulemaking and other functions, the Bureau shall monitor for risks to consumers in the offering or provision of consumer financial products or services, including developments in markets for such products or services.”

³ DFA Section 1031, 1032.

the CFPB began accepting debt collection complaints, it has been one of the highest categories of grievances. Consumers report that some collectors harass them, demand amounts they do not owe, or threaten dire circumstances if they fail to pay, such as jail.

The Bureau is interested in learning about the debt collection system, about consumer experiences with the debt collection system, and about how rules for debt collectors might protect consumers without imposing unnecessary burdens on industry. The CFPB is particularly interested in the accuracy of the information used by debt collectors, ensuring that consumers know their rights, and the communications tactics employed by debt collectors. The survey proposed is designed to elicit this information from consumers, who in many cases are the only source of this type of information.

2. Use of the Information

The CFPB requests approval from the Office of Management and Budget (OMB) for a clearance that will allow the Bureau to collect data through a survey to support rulemaking concerning debt collection and for research and market monitoring regarding this industry. Data collected in this survey will be used to inform rulemaking as well as for research purposes.

The clearance includes pretesting the questionnaires to ensure the collection of reliable information while minimizing respondent burden and costs. For example, the Bureau may use cognitive interviewing or pretesting to gauge the effectiveness of the survey questions and whether respondents understand each question.

This survey is a one-time data collection. A sample of consumers in the United States will be randomly drawn from the CCP, a 1-in-48 random sample of de-identified credit records acquired from one of the three national credit reporting agencies. The CFPB will draw the sample, inform the credit reporting agency of which credit records were selected, and the credit reporting agency (which unlike the CFPB has access to the direct identifying information related to these records) will mail a copy of the survey instrument to consumers whose records were selected. Consumers will be able to respond to the survey either by mailing back the paper version of the survey instrument using a prepaid envelope or online. All responses will be collected by the credit reporting

agency, or a subcontractor, which will remove any direct identifying information that respondents may have included, convert the responses into an electronic format, and transmit the responses to the CFPB. While the respondents will remain anonymous to the CFPB, the survey responses will be supplied with a key that allows the responses to be matched with the sampled credit record.

In broad terms, the survey will ask consumers about their experiences with debt collectors. Consumers will be asked whether they have been contacted by debt collectors in the past, whether they recognized the debt that was being collected, and about their interactions with the debt collectors. The survey will also ask consumers about their preferences for how they would like to be contacted by debt collectors, opinions about potential regulatory interventions in debt collection markets, and about their knowledge of their legal rights regarding debt collections. A copy of the proposed survey instrument is included as part of this notice.

The information collected from this survey will be used to support a potential Bureau rulemaking on debt collection. As evidenced in the recent advance notice of proposed rulemaking, the Bureau is considering rules concerning debt collection under the FDCPA and the Dodd-Frank Act. The Bureau is particularly interested in areas of consumer harm within the debt collection system. To that end, the CFPB is interested in improving the adequacy of information transferred with debts when debts are placed with a collector or sold to a debt buyer. The Bureau would also like to improve the validation, dispute, and verification processes to ensure that consumers are receiving accurate and useful information and have the ability to dispute invalid debts. In addition, the CFPB is considering rules governing communications between collectors, consumers, and third parties, including issues relating to technologies introduced in the 36 years since the FDCPA was enacted. The Bureau may also clarify or expand prohibitions on unfair, deceptive, and abusive acts or practices. Finally, the CFPB may issue rules relating to the collection of time-barred debt, litigation practices, recordkeeping, or registration of debt collectors.

In addition, survey responses may be used in research projects to better

understand how the debt collection process works for consumers and for creditors. This research will take the form of published research studies or articles in academic journals. Additionally, survey responses may be used to estimate the extent to which information about debt collections reported in credit records represents the universe of debt collection activities, results from which may be used in conjunction with future samples of the CCP to monitor activity in debt collection markets.

The CCP credit record data are proprietary and cannot be shared publicly. To allow outside researchers and other interested parties to learn about debt collection activities from these data, the CFPB may make a version of the survey data publicly available to the extent that such release is legally permissible and consistent with protecting consumers' privacy. Any public-release version of the data would be de-identified and would exclude any direct identifying information. In addition, the CFPB may withhold some data elements or take other steps to protect the privacy of respondents in any publicly available version of the data.

3. Use of Information Technology

Surveys will be sent by mail to sampled consumers, who will have the option of filling out the paper survey and mailing it back using a prepaid envelope or completing the survey online. Any paper surveys that are received will be electronically scanned by a subcontractor of the credit reporting agency, stripped of any direct identifying information that the respondent may have included, and converted to an electronic format. The data will then be transmitted to the CFPB using a secure FTP server.

4. Efforts to Identify Duplication

There is little information available about the debt collection market. Consumer complaints are useful for identifying areas of consumer harm, but may be subject to selection bias and may therefore not be representative of the average consumer collection

experience. The credit records that we use as our sampling frame provide perhaps the most comprehensive source of information available about debt collection accounts. These data include information about the collection account, such as the original dollar amount of the debt, the date the debt was incurred, the current amount owed, and the category of expenditure that generated the debt (e.g., medical care, utility bills, insurance). Because we have the credit records for each survey respondent (and non-respondent), we will be able to incorporate this information and avoid having to ask respondents detailed information about their collection accounts.

The information that we intend to collect through these surveys, which includes detail about each surveyed consumer's experiences with the debt collection agency and potentially information about debts that are not included in the credit records, is not available through other sources.

5. Efforts to Minimize Burdens on Small Entities

No small businesses will be impacted by this study, as survey respondents will be individuals only.

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

The proposed clearance will allow the Bureau to collect information on the debt collection market from consumers, allowing us to develop a more complete understanding of this market and consumers' experiences with it. Without this data collection, policy development at the Bureau will not be as well informed, and the CFPB will not be able to achieve its mission as effectively. Since this is a one-time data collection, less frequent collection is not possible.

Where appropriate, the CFPB plans to make the results of any research conducted using these data publicly available. Additionally, where legally permissible and consistent with protecting consumers' privacy, we envision making the collected survey data available to researchers outside of the CFPB and to the public. Therefore, the data to be collected under this proposed clearance will not only improve the CFPB's

understanding of consumer financial markets, but also increase the knowledge of researchers and other policymakers.

7. Circumstances Requiring Special Information Collection

There are no special circumstances that require the CFPB to conduct the information collection in a manner inconsistent with the guidelines provided in 5 CFR 1320.5(d)(2).

8. Consultation Outside the Agency

In accordance with 5 CFR 1320.8(d)(1), the Bureau has published a notice in the Federal Register allowing the public 60 days to comment on this proposed new collection of information. Further and in accordance with 5 CFR 1320.5(a)(1)(iv), the Bureau will publish a notice in the Federal Register allowing the public 30 days to comment on the submission of this information collection request to the Office of Management and Budget.

9. Payments or Gifts to Respondents

Survey recipients will receive a cash payment, currently expected to be five dollars, as an inducement to complete and return the survey questionnaire. Recipients who fail to respond to the initial survey solicitation may receive an additional cash inducement of a similar amount.

Meta-analyses of mail surveys find that incentives given initially with the questionnaire yield significantly higher response rates than do incentives contingent on return of the survey or no incentives; furthermore, monetary incentives produce a stronger effect than non-monetary incentives.^{4,5} Many recurring federally-funded surveys

⁴ Allan H. Church, "Estimating the Effect of Incentives on Mail Survey Response Rates: A Meta-Analysis," *Public Opinion Quarterly* 57, no. 1 (1993): 62-79.

use monetary incentives, including the Survey of Consumer Finances, the Survey of Income and Program Participation, and the National Survey of Drug Use and Health, and self-administered surveys such as the Survey of Doctorate Recipients, the National Survey of Recent College Graduates, and the National Survey of Mortgage Borrowers.⁶ Incentives have consistently been found to improve response rates across a variety of survey topics and modes.^{7,8} Incentives have been found to be cost-effective in different modes, often reducing the effort required to contact and interview sample persons or reduce the number of follow-up mailings.^{9,10,11}

10. Assurances of Confidentiality

CFPB shall treat the information in accordance with applicable federal law, including but not limited to the Bureau's confidentiality rules, 12 C.F.R. Part 1070, and the federal laws and regulations that apply to federal agencies for the protection of confidentiality of personally identifiable information (PII) and for data security and integrity. These protections include stipulating in most instances that contractors that collect data on behalf of the Bureau remove or redact all direct identifying information before transmitting data to the Bureau and that any contractor staff assigned to the project sign confidentiality agreements. When appropriate, research results will be presented in aggregated form to protect the confidentiality of firms or consumers, and any publicly released version of data will use disclosure protection techniques (e.g., rounding, imputation, exclusion of some variables, aggregation of categorical responses) to minimize

⁵ Phil Edwards, Ian Roberts, Mike Clarke, Carolyn DiGuiseppi, Sarah Pratap, Reinhard Wentz, and Irene Kwan, "Increasing Response Rates to Postal Questionnaires: Systematic Review," *British Medical Journal* 324 (2002):1183-1189.

⁶ Fan Zhang, "Incentive Experiments: NSF Experiences," NSF Working Paper, 2010.

⁷ Eleanor Singer (2002), "The Use of Incentives to Reduce Nonresponse in Household Surveys." In R.M. Groves, D.A. Dillman, J.L. Eltinge, and R.J.A. Little (eds), *Survey Nonresponse*. New York: Wiley, pp. 163-177.

⁸ Eleanor Singer, and Cong Ye (2013), "The Use and Effects of Incentives in Surveys." *The Annals of the American Academy of Political and Social Science*, 645 (1):112-141.

⁹ Martha Berlin et al. (1992), "An Experiment in Monetary Incentives." *Proceedings of the Survey Research Methods Section, American Statistical Association*, pp. 393-398.

¹⁰ Eleanor Singer, John Van Hoewyk, and M. Patricia Maher (2000), "Experiments with Incentives in Telephone Surveys." *Public Opinion Quarterly*, 64 (2): 171-188.

¹¹ Gwen L. Alexander et al. (2008), "Effect of Incentives and Mailing Features on Recruitment for an Online Health Program." *American Journal of Preventive Medicine*, 34 (5): 382-388.

the risk of releasing direct identifying PII or otherwise sensitive information (12 CFR 1070.40 *et seq.*).

Consistent with the Privacy Act and the E-Government Act, a Systems of Records Notice (SORN) has been published,¹² and a Privacy Impact Assessment (PIA) will be submitted for approval, as appropriate. The SORN and PIA will document the ways in which participants' direct identifying information will be collected, stored, and accessed. Specific details regarding information handling will be specified in individual submissions under this generic clearance, but will conform to these broad guidelines.

11. Justification for Sensitive Questions

Questions about an individual's finances, for example, how much a person makes or how much their mortgage costs each month, are commonly considered sensitive. Nonetheless, the CFPB must ask these questions in order to understand consumer behavior and recognize financial trends and emergent risks relevant to consumers. Because these types of questions are central to the CFPB mission, we believe that we are justified in asking these types of sensitive questions.

In addition, some people may believe that questions about race or other socioeconomic factors may be considered sensitive. However, the CFPB is mandated to enforce fair lending laws and focus on risks to vulnerable populations, including service members, students, older Americans, and lower-income consumers. For this reason, we feel justified in asking these types of sensitive questions. For information collections involving questions of race/ethnicity, we will ensure that the OMB standards for Classification of Federal Data on Race and Ethnicity (Federal Register, October 30, 1997, Volume 62, Number 210, pages 58781-59790) are followed.

Respondent participation is voluntary; subjects will be made aware of this fact. All respondents are free to opt-out of a data collection at any time and for any reason.

¹² CFPB.022, <https://www.federalregister.gov/articles/2012/11/14/2012-27582/privacy-act-of-1974-as-amended>

Administrative data for respondents and nonrespondents will be used to analyze nonresponse bias.

The CFPB will ensure that a citation is made to any applicable System of Records Notice (SORN) for the collection of direct identifying information, and that a Privacy Impact Assessment (PIA) is published.

12. Estimated Burden of Information Collection

The CFPB plans to mail surveys to up to 10,000 consumers and estimates a 34 percent response rate. For the estimated 3400 consumers who fill out the survey, we estimate that completing the survey will take 20 minutes on average, for a total burden of 68,000 minutes.

13. Estimated Total Annual Cost Burden to Respondents or Recordkeepers

There are no capital/start-up or ongoing operation/maintenance costs associated with this information collection. Postage costs to return the survey questionnaire will be pre-paid by the survey contractor.

14. Estimated Cost to the Federal Government

Based on the expenses associated with similar survey projects, we expect this survey to cost approximately \$200,000. This is the only cost to the government of this research project.

15. Program Changes or Adjustments

This is a new information collection request.

16. Plans for Tabulation, Statistical Analysis, and Publication

We expect data collection to take at least two to three months. Once the data have been received, we expect data tabulation and preliminary data analyses to last another four to five months. These tabulations and analytical results will be published in a publicly released research paper. We estimate this paper will be released 6-8 months from the time that data collection can begin. If any survey responses are released, they will be made publicly available at that time as well.

17. Display of Expiration Date

The Bureau plans to display the expiration date for OMB approval of the information collection on all instruments.

18. Exceptions to the Certification Requirement

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) and is not seeking an exemption to these certification requirements.

Supporting Statement – Part B (2-3 pages)

- 1. Describe (including a numerical estimate) the potential respondent universe and any sampling or other respondent selection method to be used. Data on the number of entities (e.g., establishments, State and local government units, households, or persons) in the universe covered by the collection and in the corresponding sample are to be provided in tabular form for the universe as a whole and for each of the strata in the proposed sample. Indicate expected response rates for the collection as a whole. If the collection has been conducted previously, include the actual response rate achieved during the last collection.**

The Bureau recently acquired a nationally representative sample of de-identified consumer credit records (the “Consumer Credit Panel” or “CCP”) from one of the three national credit reporting agencies. This sample is comprised of a 1-in-48 random sample of all credit records drawn from the credit reporting agency’s archive from December 2012. The resulting sample includes approximately 5 million de-identified credit records,

representing the universe of approximately 240 million credit records. At the end of each calendar quarter, the CFPB receives updated credit records for these sampled consumers (if available) and a 1-in-48 sample of credit records that were newly created since the previous quarter. This sampling process was designed to provide an on-going panel of credit records that remains representative of the universe of credit records at each point in time. The contract with the credit reporting agency also allows for testing to verify that the panel remains representative.

The de-identified credit records that the CFPB receives carefully exclude any direct identifying information in order to maintain the anonymity and protect the privacy of sampled consumers. The records include information about the credit accounts, such as mortgages and credit cards, that are included in each consumer's credit record (though the identity of the creditor is excluded from the information the CFPB receives). Also included is information about non-credit-related debts that have been reported by third-party collection agencies, monetary-related public records (like tax liens and bankruptcy filings), and details of any credit record inquiries made by lenders in response to an application for credit. The credit information in the CCP is used to monitor conditions in consumer credit markets, to study consumer behavior regarding credit, to evaluate the effects of consumer regulations, or to address other issues in support of the Bureau's research, monitoring, and supervisory missions.¹³

We plan to randomly select borrowers from the most recent quarter of the CCP to receive a survey. This process will oversample credit records with recent third-party collections for non-credit-related debts or credit accounts that appear to have entered collections in the recent past. The sample will also include credit records with no evidence of collection activity; among this group, we are considering oversampling credit records with lower credit scores or other indicators that may indicate a greater likelihood of having debt collections that are not reported to the credit reporting agencies.

¹³ Similar datasets are used by the Federal Reserve Board and the Office of the Comptroller of the Currency, so the CFPB is not unique among regulatory agencies in collecting this type of information in order to inform its policymaking.

To the best of our knowledge, no survey like this of debt collections has previously been attempted. The closest effort in approach is likely the pilot of the “continuation survey” of the National Survey of Mortgage Borrowers conducted by Freddie Mac. The continuation survey was sent to mortgage borrowers with an oversampling of consumers who were delinquent on their mortgages. Like the survey the CFPB seeks PRA approval to conduct, Freddie Mac’s survey was a mail survey sent to consumers who were randomly selected from a sample of credit records. The continuation survey oversampled mortgage borrowers who were delinquent on a mortgage. While this survey remains in the field, the response rate to date has been about 33 percent. Since we are also surveying consumers who do not have mortgages and who therefore may be more mobile and harder to contact, we expect a lower rate of response to our survey.

2. Describe the procedures for the collection of information.

As described in the question above, we plan to randomly select approximately 10,000 credit records from the CCP. Unique record locators assigned to these credit records will be sent to the credit reporting agency along with a survey instrument that has been designed by CFPB staff. The credit reporting agency will identify the consumers associated with each sampled credit record, and mail the survey instrument. The credit reporting agency’s subcontractor will receive the responses that come in either by mail or online, strip off any direct identifying PII that may have been included in the consumer’s response, and send the de-identified information to the CFPB. This process, which has been successfully pilot tested for the National Survey of Mortgage Borrowers, allows the CFPB to survey consumers without revealing direct identifying PII directly to the Bureau.

- 3. Describe methods to maximize response rates and to deal with issues of non-response. The accuracy and reliability of information collected must be shown to be adequate for intended uses. For collections based on sampling a special justification must be provided for any collection that will not yield “reliable” data that can be generalized to the universe studied.**

Obtaining sufficiently high response rates is a challenge for any survey. The CFPB intends to include a cash incentive with each survey to boost response rates. Additionally, the Bureau will incorporate lessons learned by the National Mortgage Database (NMDB)¹⁴ pilot team, comprised of staff from the CFPB, Freddie Mac, and the Federal Housing Finance Agency, which has pilot-tested a similar methodology for new or delinquent mortgage borrowers. Further, because we will have the de-identified credit records of both respondents and non-respondents to the survey, we anticipate using this information to model survey nonresponse and to adjust sample weights to ensure the survey is representative of American consumers. Finally, as noted below, the CFPB is considering examining the effects of alternative versions of the required Privacy Act Statement on survey nonresponse.

- 4. Describe any tests of procedures or methods to be undertaken.**

The CFPB plans to test experimental instruments on a small scale prior to their use in full-scale experiments. These techniques are meant to reduce the total public burden of the information collection by ensuring that the large-scale information collection is optimized. In addition, the CFPB is considering examining whether differences in, say, the length of the Privacy Act Statement affect survey nonresponse. The CFPB understands that there has been limited research on this and related questions. If the CFPB concludes it is feasible and valuable to conduct this research in the context of this survey, the CFPB anticipates that it

¹⁴ The National Mortgage Database (**OMB No. 2590-0012**) is a joint effort of FHFA and the CFPB and is a uniquely comprehensive database of information on the residential mortgage origination market. A key purpose of the NMDB is to make accessible accurate, comprehensive information for monitoring the residential mortgage market. The need for the NMDB grew out of the subprime mortgage crisis that began in the United States in 2007. The subprime crisis, and the financial crisis that followed, revealed the extent to which regulators lacked sufficient data to foresee and adequately respond to a crisis in the mortgage markets.

would likely randomize across two versions of the Privacy Act Statement of differing length as well as, possibly, the location of the statement (for example on the inside of the first page or the back page). To mitigate the potential effects of this experiment on overall survey response rates in the event there are sizable differences in response rates, the majority (say, 80 or 90 percent) of sample cases would be assigned the version that the CFPB believes is more likely to produce a higher response rate.

5. Provide the name and telephone number of individuals consulted on statistical aspects of the design and the name of the agency unit, contractor(s), grantee(s), or other person(s) who will actually collect and/or analyze the information for the agency.

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