

V. *et al.*  
Docket No. SE 2010-95-M. (Issues include whether the Administrative Law Judge erred by concluding that the service horns on certain mobile equipment had been maintained in functional condition.)

Any person attending this meeting who requires special accessibility features and/or auxiliary aids, such as sign language interpreters, must inform the Commission in advance of those needs. Subject to 29 CFR 2706.150(a)(3) and 2706.160(d).

Commission's rulemaking authority under the mortgage provisions in section 626 of the 2009 Omnibus Appropriations Act, as amended,<sup>1</sup> to the CFPB.<sup>2</sup> On December 16, 2011, the CFPB republished the Mortgage Assistance Relief Services ("MARS") Rule as Regulation O (12 CFR Part 1015).<sup>3</sup> As a result, the Commission subsequently rescinded its MARS Rule (16 CFR Part 322).<sup>4</sup> Nonetheless, under the Dodd-Frank Act, the FTC retains its authority to bring law enforcement actions to enforce Regulation O.<sup>5</sup>

Regulation O contains information requirements that have been approved by OMB under the PRA, 44 U.S.C. 3501 et seq. The discussion immediately below details the nature of and justification for the information collection requirements of Regulation O for which the FTC, as a co-enforcer, seeks OMB clearance for its share of the estimated PRA burden.

### Disclosure Requirements

In commercial communications for a general audience, MARS providers are required to make the following disclosure:

(1) "(Name of company) is not associated with the government and our service is not approved by the government or your lender"; and  
(2) In some instances, that "[e]ven if you accept this offer and use our service, your lender may not agree to change your loan."

In addition, MARS providers must disclose to consumers, in any subsequent commercial communication directed to a specific consumer, the following information:

(1) That "You may stop doing business with us at any time. You may accept or reject the offer of mortgage assistance we obtain from your lender [or servicer]. If you reject the offer, you do not have to pay us. If you accept the offer, you will have to pay us (insert amount or method for calculating the amount) for our services";

(2) That "(Name of company) is not associated with the government and our service is not approved by the government or your lender"; and

(3) In some instances, that "[e]ven if you accept this offer and use our service, your lender may not agree to change your loan."

Furthermore, MARS providers are required to disclose to consumers in all communications in which the provider represents that the consumer should

temporarily or permanently discontinue payments, in whole or in part, the following information:

"If you stop paying your mortgage, you could lose your home and damage your credit rating."

Finally, after a provider has obtained an offer of mortgage assistance relief from the lender or servicer and presented the consumer with a written agreement incorporating the offer, the MARS provider must disclose the following:

(1) "This is an offer of mortgage assistance relief service from your lender [or servicer]. You may accept or reject the offer. If you accept the offer, you will have to pay us [same amount as disclosed pursuant to § 1015.4(b)(1)] for our services"; and

(2) A description of all "material differences" between the terms, conditions, and limitations of the consumer's current mortgage and those associated with the offer for mortgage relief, provided in a written notice from the consumer's lender or servicer.

Regulation O also requires that the disclosures be "clear and prominent," as defined specific to the media used.<sup>6</sup>

The FTC and CFPB ("Agencies") believe the above-noted disclosures are necessary for the following reasons:

Federal and state law enforcement officials have brought numerous law enforcement actions against MARS providers who have misrepresented their affiliation with government agencies or programs, lenders, or servicers, in connection with offering MARS. These providers have used a variety of techniques to create such misimpressions, including advertising under trade names that resemble the names of legitimate government programs. Given that the government, for-profit entities, and nonprofit entities assist financially distressed consumers with their mortgages, and the frequency of deceptive affiliation claims, the requirement that MARS providers disclose their nonaffiliation with the government or with consumers' lenders or servicers is reasonably related to the goal of preventing deception.

The FTC's rulemaking record for the former MARS Rule demonstrated that MARS providers frequently encourage consumers, often through deception, to stop paying their mortgages and instead pay providers. Consumers who rely on these deceptive statements frequently suffer grave financial harm. Requiring MARS providers who encourage consumers not to pay their mortgages to

disclose the risks of following this advice is necessary to prevent deception.

The total cost of MARS is perhaps most material to consumers in making well-informed decisions on whether to purchase those services. Requiring the clear and prominent disclosure of total cost information in every communication directed at a specific consumer before the consumer enters into an agreement would decrease the likelihood that MARS providers will deceive prospective customers with incomplete, inaccurate, or confusing cost information. Requiring MARS providers to disclose total cost information clearly and prominently is reasonably related to the prevention of deception.

To effectuate fully the advance fee ban under 12 CFR 1015.5, which prohibits providers from collecting fees until the consumer has accepted the results obtained by the provider, it also is necessary for a MARS provider to inform consumers that they may withdraw from the service and may accept or reject the result delivered by the provider. This disclosure is reasonably related to preventing unfair and deceptive acts and practices by MARS providers.

The FTC's rulemaking record revealed that MARS providers often misrepresent their likelihood of success in obtaining a significant loan modification for consumers. These deceptive success claims lead consumers to overestimate MARS providers' abilities to obtain substantial loan modifications or other relief. Requiring MARS providers to inform consumers that lenders might not agree to change consumers' loans, even if those consumers purchase the services that the MARS provider offers, is reasonably related to the goal of preventing deception.

Based on law enforcement experience and the rulemaking record, the Agencies believe that providing the

<sup>1</sup> Public Law 111-8, section 626, 123 Stat. 524 (Mar. 11, 2009).

<sup>2</sup> Dodd-Frank Act, § 1061, 12 U.S.C. 5581 (2010).

<sup>3</sup> 76 FR 78130.

<sup>4</sup> 77 FR 22200 (April 13, 2012).

<sup>5</sup> Dodd-Frank Act, § 1061(b)(5), 12 U.S.C. 5581(b)(5).

<sup>6</sup> 12 CFR 1015.2, 1015.5.

reasonably related to the goal of protecting consumers from deception.

### Recordkeeping Requirements

In some instances, Regulation O's recordkeeping requirements pertain to records that are customarily kept in the ordinary course of business, such as copies of contracts and consumer files containing the name and address of the borrower and materially different versions of sales scripts and related promotional materials. Thus, the retention of these documents does not constitute a "collection of information," as defined by OMB's regulations that implement the PRA.<sup>7</sup>

In other instances, Regulation O requires providers to create and retain documents demonstrating their compliance with specific rule requirements. These include the requirement that providers document the following activities:

- (1) Performing MARS and retaining documentation provided to the consumer;
- (2) Monitoring sales presentations by recording and testing oral representations if engaged in telemarketing of services;
- (3) Establishing a procedure for receiving and responding to consumer complaints;
- (4) Ascertaining, in some instances, the number and nature of consumer complaints; and
- (5) Taking corrective action if sales persons fail to comply with Regulation O, including training and disciplining sales persons.

At the time it submitted the FTC Final Rule for OMB review, the FTC determined that the information obtained from the rulemaking record established the need for these recordkeeping requirements. The FTC concluded that there appeared to be widespread deception and unfair practices in the MARS industry, targeting financially vulnerable consumers. Accordingly, the Agencies believe that strong recordkeeping requirements are needed to ensure effective and efficient enforcement of Regulation O and to identify injured consumers.

### Burden Statement

Because the FTC and CFPB share enforcement authority for this rule, the FTC is seeking clearance for one-half of the following estimated PRA burden that the FTC attributes to the disclosure and recordkeeping requirements under Regulation O. The potential entities providing MARS services are varied,

and there are no ways to formally track them. By extension, there is no clear path to track how many affected individual entities have newly entered and departed from one year to the next or from one triennial PRA clearance cycle to the next. For simplicity, the FTC analysis will continue to treat covered entities as newly undergoing the previously assumed learning curve cycle, although this would effectively overstate estimated burden for unidentified covered entities that have remained in existence since OMB's most recently issued PRA clearance for the FTC Rule. Based on law enforcement experiences and information in the rulemaking record, the FTC estimates that Regulation O affects roughly 500 MARS providers.<sup>8</sup> This estimate and the corollary assumption stated above inform the additional estimates detailed below.

65,000 hours, pre-split.

The above hours estimate is based on the following assumptions:

- (1) Disclosures required incremental to Government-supplied language: 500 MARS providers × 2 hours each (1,000 hours).
- (2) Initial setup: creating procedures to monitor compliance: 500 MARS providers × 25 hours each (12,500 hours).
- (3) Documenting compliance, monitoring sales presentations, related training: 500 MARS providers × 100 hours each (50,000 hours).
- (4) Retaining and filing records of compliance: 500 MARS providers × 3 hours each (1,500 hours).

\$3,733,950, pre-split.

Commission staff assumes that management personnel will prepare the required disclosures and implement and monitor compliance procedures at an hourly rate of \$58.47.<sup>9</sup> Thus, the estimated labor cost to prepare the required disclosures is \$58,470 (1,000 hours × \$58.47) and to institute and document compliance procedures (tasks (2) and (3) listed above) is \$3,654,375 (62,500 hours × \$58.47). Additionally, FTC staff estimates that related recordkeeping will be performed by office support file clerks at an hourly rate of \$14.07<sup>10</sup> Thus, labor costs for

<sup>7</sup> 75 FR 75091, 75095 (Dec. 1, 2010) (FTC final rule).

<sup>9</sup> This estimate is based on an averaging of the mean hourly wages for sales and financial managers provided by the Bureau of Labor Statistics. OCCUPATIONAL EMPLOYMENT AND WAGES—MAY 2012, Table 1 (National employment and wage data from the Occupational Employment Statistics survey by occupation, May 2012).

<sup>10</sup> (for office clerks).

recordkeeping will be \$21,105 (1,500 hours × \$14.07), for a total estimated labor cost (pre-split) of \$3,733,950.

The FTC assumes that each of the estimated 500 MARS providers will make required disclosures in writing to approximately 1,000 consumers annually. Under these assumptions, non-labor costs will be limited mostly to printing and distribution costs. At an estimated \$1 per disclosure, total non-labor costs would be \$1,000 per provider or, cumulatively for all providers, \$500,000. Associated costs would be reduced if the disclosures are made electronically.

Accounting for half of the above totals, the FTC's share of burden hours is 32,500 hours, \$1,866,975 for labor costs, and \$250,000 for non-labor costs.

### Request for Comment

Under the PRA, 44 U.S.C. 3501–3521, federal agencies must obtain approval from OMB for each collection of information they conduct or sponsor. "Collection of information" means agency requests or requirements that members of the public submit reports, keep records, or provide information to a third party. 44 U.S.C. 3502(3); 5 CFR 1320.3(c). As required by section 3506(c)(2)(A) of the PRA, the FTC is providing this opportunity for public comment before requesting that OMB extend the existing paperwork clearance for the regulations noted herein.

Pursuant to Section 3506(c)(2)(A) of the PRA, the FTC invites comments on: (1) Whether the disclosure and recordkeeping requirements are necessary, including whether the information will be practically useful; (2) the accuracy of our burden estimates, including whether the methodology and assumptions used are valid; (3) ways to enhance the quality, utility, and clarity of the information to be collected; and (4) ways to minimize the burden of the collection of information. All comments should be filed as prescribed in the ADDRESSES section above, and must be received on or before October 28, 2013.

You can file a comment online or on paper. For the Commission to consider your comment, we must receive it on or before October 28, 2013. Write "Regulation O PRA Comment, FTC File No. P134812" on your comment. Your comment—including your name and your state—will be placed on the public record of this proceeding, including, to the extent practicable, on the public Commission Web site, at <http://www.ftc.gov>.

As a matter of discretion, the Commission tries to remove individuals' home contact information from

<sup>7</sup> 5 CFR 1320.3(b)(2).

comments before placing them on the Commission Web site.

Because your comment will be made public, you are solely responsible for making sure that your comment does not include any sensitive personal information, like anyone's Social Security number, date of birth, driver's license number or other state identification number or foreign country equivalent, passport number, financial account number, or credit or debit card number. You are also solely responsible for making sure that your comment does not include any sensitive health information, like medical records or other individually identifiable health information. In addition, do not include any "[t]rade secret or any commercial or financial information which is obtained from any person and which is privileged or confidential," as provided in Section 6(f) of the FTC Act, 15 U.S.C. 46(f), and FTC Rule 4.10(a)(2), 16 CFR 4.10(a)(2). In particular, do not include competitively sensitive information such as costs, sales statistics, inventories, formulas, patterns, devices, manufacturing processes, or customer names.

If you want the Commission to give

<sup>11</sup> In particular, the written request for confidential treatment that accompanies the comment must include the factual and legal basis for the request, and must identify the specific portions of the comment to be withheld from the public record. See FTC Rule 4.9(c), 16 CFR 4.9(c).

<sup>1</sup> Public Law 111–203, 124 Stat. 1376 (2010).

<sup>2</sup> 15 U.S.C. 1681 *et seq.*

<sup>3</sup> Dodd-Frank Act, at section 1061. This date was the "designated transfer date" established by the Treasury Department under the Dodd-Frank Act. See Dep't of the Treasury, *Consumer Protection*, 75 FR 57252, 57253 (Sept. 20, 2010); *et seq.* Dodd-Frank Act, at section 1062.

<sup>4</sup> The Dodd-Frank Act does not transfer to the CFPB rulemaking authority for FCRA sections 615(e) ("Red Flag Guidelines and Regulations Required") and 628 ("Disposal of Records"). See 15 U.S.C. 1681s(e); Public Law 111–203, section 1088(a)(10)(E). Accordingly, the Commission retains full rulemaking authority for its "Identity Theft Rules," 16 CFR part 681, and its rules governing "Disposal of Consumer Report Information and Records," 16 CFR part 682. See 15 U.S.C. 1681m, 1681w.

<sup>5</sup> See Dodd-Frank Act, at section 1029 (a), (c).

<sup>6</sup> 76 FR 79308. Subpart C of the interim final rule became effective on December 30, 2011. Subpart C is codified at 12 CFR 1022.20 *et seq.* Except for certain motor vehicle dealers (see note 5 and accompanying text), the disclosure and opt-out provisions described in the "Background" discussion below also pertain to Subpart C of Regulation V and the FTC's associated co-enforcement jurisdiction.