Consumer Financial Protection Bureau
1700 G Street NW
Washington, D.C. 20552

November 20, 2020

Memorandum

TO	The Record
FROM	The Office of Research
SUBJECT	Response to Academic Research Council Peer Review of the Debt Collection Quantitative Disclosure Testing Report

This memorandum responds to the Academic Research Council's (ARC) peer review of the Consumer Financial Protection Bureau's Debt Collection Quantitative Disclosure Testing report. The Bureau is placing this memorandum on the record to provide greater transparency as to what the Bureau has done to evaluate its own research that it may use to support determinations in rulemaking.

We thank the Academic Research Council members for their thoughtful review of the Bureau's Debt Collection Quantitative Disclosure Testing report. Below we reiterate the feedback the ARC provided on the data, research methods, and exposition below, and provide an item-by-item response. There were several points raised by the ARC that they acknowledge are policy issues that were beyond the scope of the research; we therefore do not respond to those comments.

Major Comments

1. There is no economic impact assessment of the disclosures.

We agree with this statement. The quantitative disclosure test was designed to examine consumer comprehension of different methods of disclosing time-barred debt and revival of time-barred debt. Assessing the economic impact was not within the scope of this particular study.

2. There are no definitions of what constitutes a successful disclosure nor what is considered a "mistake" on the part of the consumer making a decision about what to do in response to the disclosure.

We agree with this statement. Yet the ARC specifically flagged this issue as beyond the scientific scope of the report, which we also agree with.

3. There is no discussion of how disclosures were chosen.

The shape and wording of the disclosures was informed by cognitive testing with consumers, as well as insights from behavioral and communications experts. Specifically, from 2014 to 2016, the Bureau partnered with Fors Marsh Group to conduct multiple focus groups and rounds of cognitive interviews to inform the general design of the validation notices, and this included exploring different ways to explain time-barred debt and revival.[1] Additional cognitive testing was conducted in 2017 on behalf of the Bureau by ICF International, this time focusing on refinement of the time-barred debt and revival disclosures, as well as the survey being used to assess the effectiveness of those disclosures. These findings were not summarized in a report but allowed the Bureau to refine the disclosures and the survey. Another important consideration for which disclosures were tested was the inclusion of relevant comparison groups (for example, including a notice like those that were currently in use by some debt collectors and including a version of the notice without any time-barred debt or revival disclosure).

4. There is only a limited discussion of the sample, but it appears to be a blend of those with and without debt collection.

We thank the ARC for this comment; our description of the sample in the report could be clearer. The sample did indeed include both those with and those without previous debt collection experience. The methodological background information for the survey is summarized in a report from the contractor who fielded the survey, ICF International. To control the size and scope of the report on the findings, we did not repeat the information contained in the methodology report.

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[1] https://files.consumerfinance.gov/f/documents/cfpb_debt-collection_fmg-usability-report.pdf

That methodology report can be found here: https://www.consumerfinance.gov/policy-compliance/rulemaking/rules-under-development/debt-collection-practices-regulation-f-supplemental-proposal-time-barred-debt/. And we include some additional details here, for convenience. From Page 7 of the methodology report:

"The original target sample size of respondents completing the web survey was 8,000 with 5,667 (67%) having experienced debt collections, and 33% who have experienced debt collections in the past 12 months.... Panelists were oversampled based on their debt collections experience using the question in Exhibit 2. Of those screened, 32% have experienced debt collections with 12% having experienced debt collections in the past two years. Sixty-six percent of the respondents completing the survey have experienced debt collections with 31% experiencing debt collections within the past five years and 24% experience debt collections within the past two years."

5. The ARC discusses (1) how the effectiveness of the disclosures might vary for vulnerable populations and those who have (or don't have) debt collection experience, and (2) how the hypothetical nature of the scenarios might have influenced the relative differences between groups.

To summarize, the ARC is commenting on the important issue of generalizability of the findings of the report to different categories of consumers, especially vulnerable populations. We agree that this is an important concern. We balanced meeting this need against the methodological demands involved in recruiting the sample. While the sample is not nationally representative, it is diverse, and allowed us to examine whether the pattern of findings varied by education level, income, and, importantly, whether participants had debt collection experience. While we did not call out more specific vulnerable populations, it may be reasonable to expect that those populations would be represented in the group of participants with debt collection experience.

Under Minor Comment #2 we provide additional results broken out by age, which was not included in the report.

We also agree with the ARC's discussion on the pros and cons of methodological strategies like counterbalancing, and we will certainly consider those pros and cons in future research.

Minor comments

The ARC listed some "minor comments" as well, including some editorial comments on improving the readability of the report. We appreciate those comments, and they will inform how future reports are written. We do address the remaining minor comments on the content of the report, below:

1. To the comprehension questions, some types of incorrect answers may be "Worse" than others.

This is an interesting point. We analyzed the comprehension questions in a way that policy makers could consider the full spectrum of responses, both incorrect and correct, in their decision making.

2. It was interesting to see the results broken out by education and income. Were there interesting findings with age?

The results by age were not substantively different. Note the pattern of the relative performance of the notices is similar across age groups in the figure below. More details, not in the report, are provided in the table below.

FIGURE 1: DIFFERENCES IN PERFORMANCE (AVERAGE PERCENT CORRECT) AMONG NOTICE TYPES, BY AGE

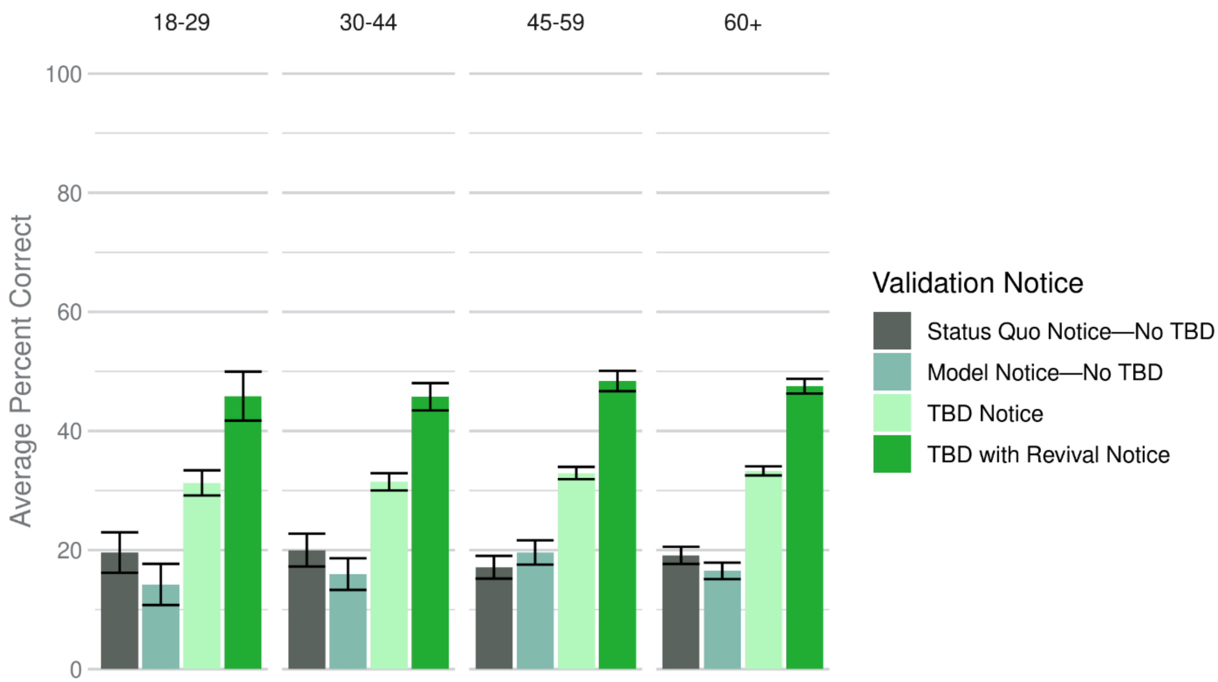

TABLE 1: DIFFERENCES IN PERFORMANCE (AVERAGE PERCENT CORRECT) AMONG NOTICE TYPES, BY AGE

Age	Validation Notice	Average Percent Correct	Standard Error
18-29	Status Quo Notice—No TBD	19.58	1.74
	Model Notice—No TBD	14.23	1.77
	TBD Notice	31.28	1.08
	TBD with Revival Notice	45.85	2.10
30-44	Status Quo Notice—No TBD	20.00	1.41
	Model Notice—No TBD	15.97	1.35
	TBD Notice	31.46	0.74
	TBD with Revival Notice	45.74	1.17
45-59	Status Quo Notice—No TBD	17.12	0.97
	Model Notice—No TBD	19.60	1.04
	TBD Notice	32.94	0.53
	TBD with Revival Notice	48.39	0.87
60+	Status Quo Notice—No TBD	19.11	0.73
	Model Notice—No TBD	16.50	0.70
	TBD Notice	33.30	0.39
	TBD with Revival Notice	47.51	0.63

3. It might have been interesting to explore the effects of consumers' beliefs about debts and debt collectors, if they had been measured before the manipulations.

Because the priority of the testing was comprehension, those questions were listed first. In the event of consumer drop-off, listing the comprehension questions would reduce missing data for those priority questions. This was the primary driver of how the questions were ordered. It is true that counterbalancing might have preserved the option to examine the ARC's research questions around beliefs, but this would have split the sample more, and with so many conditions and subgroups, and with limited time and resources, the team prioritized the analysis that would most directly inform the policy-makers decision making process.

4. In terms of the open-ended item asking participants to "Please list everything you were thinking about" when considering whether they would pay or ignore the validation notice, it seems like there might be much more to be explored.

True, there are many questions that might be tested with these responses. Ultimately the salience of the participants' credit score and credit report was the focus of this item. We did explore some additional response types, shown below. Figure 2 lists mentions of lawsuits, broken out by the notice type. It makes sense for lawsuits to be mentioned more often for the time-barred debt and revival disclosures because those disclosures specifically use the word "sued." Figure 3 shows all the responses classified quite broadly in terms of whether the response mentioned credit, lawsuits, both credit reporting and lawsuits, nothing, or something else.

FIGURE 2: PERCENTAGE OF RESPONSES MENTIONING LAWSUIT-RELATED TERMS

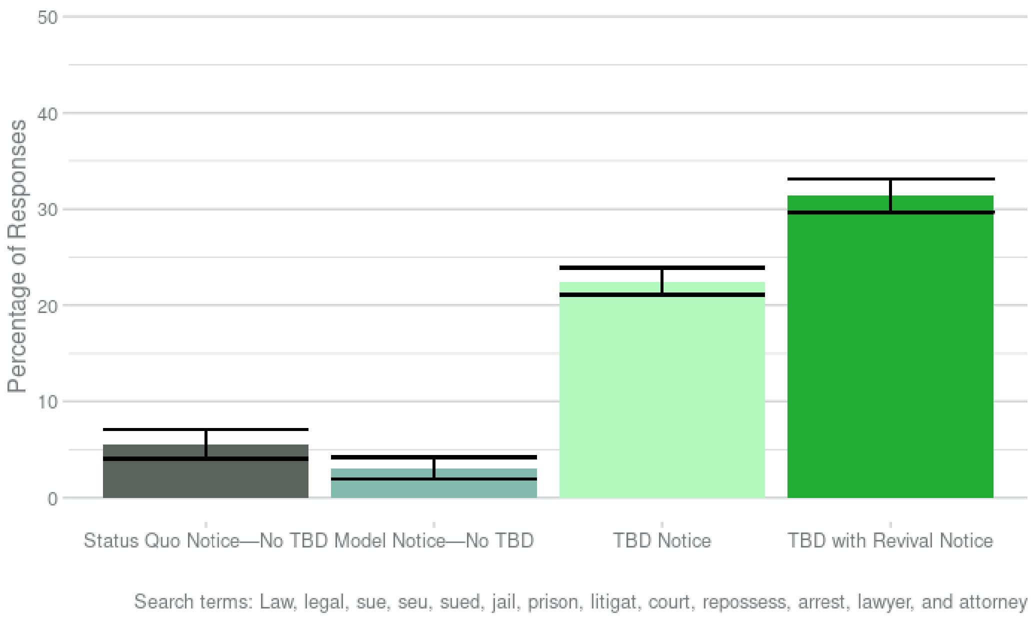

FIGURE 3: PERCENTAGE OF RESPONSES MENTIONING TERMS RELATED TO LAWSUITS AND CREDIT REPORTING