

# Moderator's Guide—Lender/Broker


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*Greet participant and thank him or her for coming. Ask participant to take a seat and if he or she had any trouble finding the site or if he or she has been there before.*

## Introduction of Moderator and Notetaker (10 minutes)

Welcome, and thank you for coming today. My name is \_\_\_\_\_ and this is \_\_\_\_\_. We are from the Kleimann Communication Group, a design and research firm in Washington, DC. Before we get started, I want to let you know that I will be reading from a script. We are talking with a number of people this week, and we want to be sure we say the same things in the same way to everyone.

The material we are testing today is part of a study about the disclosure you provide when a consumer applies for a mortgage loan to buy or refinance a home. The study is being conducted by the Consumer Financial Protection Bureau, a government agency, also known as the CFPB.

 **Note to Moderator: Hand participant piece of paper with the CFPB website address: [www.consumerfinance.gov/knowbeforeyouowe/](http://www.consumerfinance.gov/knowbeforeyouowe/)**

Representatives from the CFPB are observing today. They are very interested in hearing your thoughts. Let me know at the end of the session if you would like to meet them.

We know that as a lender or broker you interact with consumers using these forms and undoubtedly have important suggestions. We also want to get feedback from you about improving the form's usability, reducing burdens, and easing implementation for industry. The CFPB is working to create a disclosure that consumers, lenders, and brokers can all understand and use. What you say to us today will help us do that.

I will be leading today's session and \_\_\_\_\_ will be taking notes to help us remember what you say. We will be audio- and/or video- taping this session, based on what you agreed to, to ensure that we collect complete information. The entire session will take no more than 90 minutes, and we will take a break about half way through the session. The questions we will be asking have been approved by the Office of Management and Budget and have been assigned OMB Control Number 1505-0233.

Okay? Any questions?

## Confidentiality

I have a few questions to ask you about the paperwork you filled out when you arrived. Please answer either yes or no to each of the questions that I will ask you. (If participant nods or shakes head, ask him or her to say the answer out loud for our tape)

- Did you fill out a questionnaire when you arrived today?
- Were you given consent forms to participate in this session and for us to audiotape and videotape your session today?
- Did you read and sign those forms?
- Did you give permission for both audiotape and videotape? (If did not give permission for video, say, "One of my colleagues in back will make sure that the video is off. ")

**NOTE TO MODERATOR: Do not proceed with the session unless the participant answers "yes" to each of the first three questions. Participant must agree to audio but not to video.**

Do you have any questions?

All of the information we collect today will be kept confidential to the extent permitted by law, and we will not identify you by name when we compile our results. In addition, we will not use your full name, address, or any other personal identifying information other than your image in reports, papers, or videos based on this research. In addition, I want to remind you that you may end the interview at any time.

## About the Session

Over the next 90 minutes, I am going to ask you to do a couple of things and to respond to a series of questions. As I go through these questions, and you give me your responses, please remember there are no right or wrong answers. We aren't testing you. We're testing the disclosure and any information you give us is good information.

## Introduction to Think-Aloud Technique

One of the best ways to learn about a disclosure is by watching someone interact with it for the very first time. Once I give you the disclosure, I'm going to ask you to talk **out loud** about what you are thinking as you read it. You might be reading out loud and thinking, "Wow! This is great!" or "I don't like this!", say those things out loud. Or maybe you think "This doesn't work." Say it out loud. We want to hear that inner voice in your head that comments on things you read. Talking out loud is the only way we can hear what you are thinking and how you are interacting. This may seem a little odd, but we really want to hear everything that you are thinking as you work with this disclosure for the first time, so we can improve it.



*Note to Moderator: If needed*

To learn from you, it is important that you:

- Tell us out loud where you are in the disclosure.
- Tell us what you are reading, skimming, skipping in the disclosure.
- Tell us any questions, suggestions, or confusion that you might have about any part of the disclosure.

Talking out loud is very important because our notetaker will be recording what you say as you go through the disclosure for the first time. What you are thinking is more important than what you are reading.

I know this technique of thinking aloud might seem unusual. So, I'd like to let you practice. I'm going to give you a menu from a restaurant and I'd like you to "think aloud" and tell me how you would go through this menu and decide what you'd want to eat. Again, I want to hear what you are thinking, reading, skimming, skipping, how you react to the menu, and how you go about making a decision. Any questions?



*Note to Moderator: Hand participant Menu.*

Now, here is the menu. Remember, that you are reading to decide what to order. To get you started, what is the first thing you see or notice?



*Note to Moderator:*

- Give the participant the menu and get him or her comfortable with talking about what he or she is looking at or reading, and with voicing questions, confusion, and decisions.
- Coach the participant to use the technique. Be sure that he or she has looked at and commented on the following:
  1. the appearance—color, font, layout
  2. symbols and graphic elements, such as pictures or symbols
  3. details, such as why some items have descriptions and others don't
  4. order in which he or she reads the information
- Ask the participant what he or she is reading, where he or she is looking, and when a decision can be made. The task should take no more than 5 minutes.
- *Important:* This task sets the stage for how well the participant will "talk aloud" in Task One.

Great! You understand exactly what we are looking for. Do you have any questions before we get started?

# Task One: Think Aloud (14 minutes)

Okay, I'm going to give you a scenario.



*Note to Moderator: Hand participant Scenario Card and read out loud.*

## Industry Scenario- Purchase

You are contacted by an individual who has found a house she wants to buy. She was given your name by her realtor and is hoping you can help her get a loan to buy the house. The house costs \$350,000 and she is planning on putting 10% down so wants to borrow \$315,000.

Purchase Price of home: \$350,000

Down payment: \$35,000 (10%)

Amount consumer wants to borrow for the purchase price of the house: \$315,000

In a moment I am going to hand you a mortgage loan disclosure. In reviewing the mortgage loan disclosure, I'd like you to imagine that *you are reviewing this disclosure in preparation to explain it to this individual who has not purchased a home before.* **Your task is to look at this disclosure to decide what areas of the disclosure you think are important to effectively advise the consumer on her loan options.**

When I hand you the disclosure, I want to hear what you are noticing and thinking about as you look through the disclosure as well as your thoughts, questions, and ideas about the mortgage disclosure. Tell me what you like about what you see, what you don't like, and what you think might be confusing to consumers. Remember we want to hear your thoughts—both positive and negative, so we can improve the disclosure to make sure consumers have clear information about the loan terms and can use the disclosures to compare loans.

Please go through the disclosure the way you would if you were reviewing it to present to a consumer and trying to anticipate where you may have to explain things. As you go through it, please speak aloud so I can hear what you are thinking just as we did with the menu. Remember this is a test of the disclosure, not a test of you. Do you have any questions before we get started?

Okay, here is the disclosure.



*Note to Moderator: Hand participant mortgage disclosure.*

To help get you started, what is the first thing you notice?



*Note to Moderator:*

- Allow participant time to review the disclosure and comment on it.
- Ask participant to put disclosure on table.
- State aloud whenever the participant moves to another section or page.
- Ask participant what he or she is looking at.
- If participant looks confused, ask “is there something that is confusing there?”
- Remind the participant to tell you what he or she is thinking, what he or she likes and dislikes, and what he or she understands and doesn’t understand.

When the participant seems to be finished, ask the participant:

1. Do you think a consumer would have trouble understanding the overall disclosure? PROBE:  
Why? Why not?
2. What items do you think would confuse consumers?
3. What information do you think is most useful? Why do you think that?
4. What information do you think is least useful? Why do you think that?
5. What information do you think should be included on the integrated disclosure that is not now included? Why?
6. How critical do you think it is to include this information? Why?
7. Would you take a minute or two and show me how you would explain this disclosure to a consumer? Pretend I’m your customer.
8. In your work now, what aspects of the disclosures have you seen consumers have trouble understanding or what aspects of this information do you regularly have to explain? Are there aspects of the disclosure that you always make sure to draw a consumer’s attention to?

## Task Two: Loan Product Comparison 2 (20 minutes)

Thank you for working with that disclosure. Now, I'd like to show you the same disclosure format but for a different loan.



**Note to Moderator:** Hand participant disclosure 2 (the same loan design and the same product with different pricing).

Give the participant time to read and then ask:

1. What differences do you notice between the loans? (If participant asks what we mean say “differences between costs, features, loan terms, etc”)
2. Do you think it would be easy for a consumer to compare these two loan disclosures and easily notice or identify the differences?
3. For any areas you identified that you think a consumer would have trouble noticing differences, do you have any suggestions on how to make that information stand out more?
4. If a consumer were provided with these 2 options, on a scale from 1-5, with 1 being really easy and 5 being very difficult, how easy or difficult do you think it would be for your consumer to **understand** the differences between the loans? PROBE: Why? Is there anything else you would like to comment about related to the disclosure?
5. In comparing these two loans, which do you think is more risky for a consumer? Why? (Moderator, state which one is more risky)
6. How effective do you think the “Yes/No” buttons are for consumers? What do you think are the strengths and weaknesses of this approach? Can you think of an alternative indicator that might be more effective?
7. Please look at the Projected Payment Section, how helpful do you think that will be for your customers? What suggestions for improvement do you have?

Let's look at the back page of Disclosure 2. I have a number of questions to ask you.

**For Lenders/Brokers looking at Design 1 ask:**

8. Overall, does the listing from A to H provide the critical loan estimate details to your consumer?

**For Lenders/Brokers looking at Design 2 ask:**

9. Overall, does the listing from A to F provide the critical loan estimate details to your consumer?

**For both designs, ask:**

10. Would you say the level of detail provided on page 2 is too little, just right, or too much for the consumer to understand the costs of the loan?
11. Is there any information missing? How important is that information for a consumer to make an informed choice between loans?
12. Is there any information you think is unnecessary?
13. Which of these items do you think that you would have to explain to your consumer? Why?
14. When you look at the information related to “Cash Needed to Close,” do you think that this provides the right detail for consumers to understand the cash they will need for closing? If no, what is missing?
15. How well does this connect to the information on the front of the disclosure?
16. If not well, can you suggest a way to better connect it?
17. Finally, let’s look at this **last section** that includes the information on Escrow, Important Dates, and Adjustable Interest Rate Information. What is your overall impression of this section?
18. Could any of this information be eliminated? Why?
19. Is any information missing? Why would this be important to add?
20. In this last section, which information do you think that you would need to explain to a consumer?
21. As a mortgage lender or broker, do you have any additional concerns with these loan disclosures?
22. Do you have any additional suggestions to improve the integrated disclosure for consumers?



## Break (5 minutes)



We are just about half way finished. Let's go ahead and take a short break. I'll take you back to the waiting room and you can get a drink or use the restroom, and I will come and get you in a few minutes. Thanks.

## Task Three: Back Page Design Comparison (30 minutes)

Thank you for working with that last disclosure. Now, I'd like to show you a disclosure with a different back page format. It is for the same loan product as the first disclosure you worked with, but page 2 has a different design.



*Note to Moderator:* Hand participant disclosure 3.

If the participant has answered one of the following questions during the discussions of Tasks 1 or 2, skip that question.

Go ahead and take a minute to review the back page of this disclosure. You may look back at disclosure 2 to compare.

(Give the participant time to read. )

As you can see, these designs look rather different. We have been referring to the first design you looked at as Design 1. We will refer to the other design as Design 2.

1. What is your first impression of the second design?
2. Which of these two designs would you prefer to give to your customer? Why?
3. For Design 1, do you think the shaded boxes are the right headers for that information?
4. For Design 1, which of these sections do you think your customers would have questions about? Why?
5. For Design 2, the loan costs are categorized into groups. What do you think about ths

organization? Is there a more effective way to organize the fees?

6. For Design 2, can you think of better names for the two headers “Costs and Taxes” and “Services You May Shop For”?
7. For Design 2, should any of these subcategories be expanded to allow more fee detail? How do you think that will help consumers?
8. For Design 2, which of these sections do you think your customers would have questions about? Why?
9. Design 2 provides more detail about the estimated costs, how would you suggest that we mark the items that are really important for consumers to know so that they would see those?
10. In your current work, what fees have you seen consumers focus on? Do you have any suggestions for how we can let consumers know which fees are the most important to focus on? One of the goals of the disclosure is to let consumers know which services they can shop for vs. the ones they can't. Which of these disclosures do you think does a better job conveying that information? Why?
11. Which format do you think makes it easier to understand how the Cash Needed to Close is calculated? Why? How is that number calculated?
12. Consumers have told us that they are confused by all of the different kinds of insurance they have to pay. Which form do you think makes it easier to understand the insurance costs? Why?
13. Which of these designs do you think consumers would say that they would find easier to understand?
14. Overall, which of these two designs would you say provides the right level of detail for your customer? Why?
15. Many lenders provide fee worksheets to consumers prior to the GFE. Which fees do you think a consumer needs to know to make an informed decision?

## **Task Four (10 minutes): Industry Implementation**

Now, I want to ask you some questions about industry implementation of these disclosures.

1. How do you see this disclosure fitting into your current loan process, given that it would replace

the GFE and initial Truth in Lending disclosure?

2. What (if anything) would you have to do differently when working with a consumer?
3. What specific difficulties (if any) can you foresee in implementing this disclosure?
4. Do you think you would need to give or develop a worksheet or some other explanatory materials to help your consumers understand the offer?
5. Do you have any other overall comment about these disclosures or the effort to combine the GFE and Truth in Lending documents?

## **Closing Remarks (1 minute)**

Thanks so much for sharing your thoughts and impressions with us today. Your feedback and suggestions have been very helpful. Do you have any questions I can try to answer? Are you interested in meeting any of the observers? Ok. Thanks again for coming in today, you can return to the front desk to pick up your payment.