

Department of Treasury, Departmental Offices
Consumer Financial Protection Bureau Implementation Team
Qualitative Testing of Integrated Mortgage Loan Disclosure Forms
Information Collection 1505-0233
Submission of Non-Substantive Changes

The Consumer Financial Protection Bureau (CFPB) is required by the Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law No. 111-203, Title X (the Dodd-Frank Act), to “publish a single, integrated disclosure for mortgage loan transactions” that satisfies requirements of the Truth in Lending Act (TILA) and the Real Estate Settlement Procedures Act (RESPA) by July 21, 2012 (Dodd-Frank Act, §§ 1032(f), 1098, 1100A). Under section 1032(b) (3), model forms must be validated through consumer testing.

The CFPB implementation team received OMB approval of its Information Collection, 1505-0233. As set forth in the supplemental statement, the CFPB implementation team is involved in an iterative process of designing and testing the disclosure form. The first round of testing occurred May 19-May 24, 2011 in Baltimore, MD. In addition to the qualitative testing, the CFPB implementation team posted the disclosures on its website and gave the public the opportunity to provide feedback on the two prototype designs that were presented.

The CFPB implementation team is now preparing for the second round of testing, which will be conducted in Los Angeles, CA. As before, the CFPB implementation team will be posting the revised disclosures on its website and enabling the public to provide feedback. This memorandum outlines the changes in the information collection tools between Round 1 and Round 2. We previously provided you with the revised Participant Recruiting Script (which added a question about participating in financial decision-making for the household) and the Consent Forms (which were revised to clarify the videos would not be placed on You Tube in response to concerns from some participants).

Changes in the Prototype Forms:

The new prototypes are identical to each other on the first page “shopping sheet,” but provide different levels of detail regarding closing costs on the back. (This is the opposite of the first round, where the front pages differed and the back pages were the same.) Specifically:

- **The revised first page** is based primarily on the Ficus Bank prototype from Round 1, which had darker tabs and yes/no buttons to highlight potential changes in key terms. Both of the Round 1 forms generally performed well in qualitative testing, but lower income and less educated consumers tended to find the Ficus Bank format easier to use. In the new prototype, we have kept many of the Ficus design elements but have reorganized the information to reflect lessons learned from the testing and Internet feedback.
- **The second pages** of the Round 2 forms provide alternative approaches to showing closing cost details. The first (Dogwood Credit Union) is similar to the Round 1

prototypes and the existing Good Faith Estimate (GFE) in that it provides closing costs in a “bundled” format, though the Dogwood version has significant refinements as to the layout, descriptions, and organization. The second (Redbud Credit Union) provides detailed information about fees in a format that facilitates understanding and shopping. One of the issues with old Good Faith Estimate forms was that fees were not clearly delineated, and consumers couldn't rely on the original estimates. This form is delineated so that consumers understand why these fees are grouped differently. This form also includes both the tolerances and the emphasis on shopping present in the current Good Faith Estimate.

We believe testing the detailed version will be extremely helpful in addressing an ongoing debate over the level of itemization that consumers prefer and need regarding closing costs. Housing counselors and industry have given us conflicting views on this issue.

Changes to the Moderator's Guide for Consumers

The main difference between the two prototype forms that are being tested in Round 2 is the different treatment of the fees on the back page. Because of this focus, Task 3 of the moderator's guide, which involves asking questions to probe details, has been revised. Many questions were deleted to allow the addition of questions about the closing costs without adding to the burden to the participant. Additional questions have been added in the comparison tasks (Task 2 and Task 4) to see how consumers use the detailed information about closing costs to make decisions about loans.

Changes to the Internet tool

The Internet tool contains the same activities as before, with participants being presented with two forms, asked to choose one, then given the opportunity to select areas of the form and provide comments. The primary difference in Round 2 is that consumers are directed to the back page and their opportunities to select and comment are limited to the information about closing costs on the back page.