

Moderator's Guide—Consumer

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 you to 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 consumer study about the disclosure you receive when you apply for a loan to buy or refinance a home. The study is being conducted by the Consumer Financial Protection Bureau, a government agency that is also known as the CFPB.



Note to Moderator: Hand participant piece of paper with the CFPB website address:

<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.

The CFPB is working to create a disclosure that will help consumers better understand their loan terms when they apply for a loan to purchase a home or refinance an existing loan. 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. Any questions so far?

Confidentiality

I have a few questions to ask you about the paperwork you filled out when you arrived. Can you 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 video is optional). 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. 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—even if at times it may feel like we are. We're testing the disclosures and any information you give us is good information.

We want to learn from you what works best for consumers to help them understand mortgage loan disclosures and if these disclosures give you the information you need to decide if you are interested in the loan.

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 "What does this word mean?" 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 reacting. This may seem a little odd, but we really want to hear everything that you are thinking as you interact with these disclosures for the first time, so we can improve it further.



Note to Moderator: If needed

To learn from you, it is important that you:

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

Talking out loud is very important because our notetaker will be recording what you say as you go through the disclosure. 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 (15 minutes)

Okay, in a moment I am going to hand you a mortgage loan disclosure.



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

You want to refinance your current mortgage loan. You believe your current home is worth \$135,000 and your current mortgage loan has an outstanding balance of \$121,000. You are not looking to take any cash out, so you want to borrow \$121,000.

Market value of home: \$135,000

Outstanding balance of current loan: \$121,000 (90% of market value)

Amount you want to borrow: \$121,000 (no cash out)

In reviewing the mortgage loan disclosure, I'd like you to imagine that *you have contacted a mortgage broker or lender because you are interested in refinancing your loan. After giving the broker or lender information about you and the house, you have received this disclosure which contains information about the loan. Your task is to look at this disclosure to decide if you are interested in this loan.*

When I hand you the disclosure, I want to hear what you are noticing and thinking about as you look through it as well as your thoughts, questions, and ideas about the mortgage disclosure. Tell me what you like about what you see and what is confusing so we can improve the disclosure. Remember we want to hear your thoughts—both positive and negative--so we can make sure consumers have clear information about the loan terms.

Please go through the disclosure exactly as you would if you received this from a lender or broker. 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 loan 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. You have received and reviewed this disclosure. What would you do next? (If participant says they would get another disclosure, PROBE: Why? How many, etc? From a different lender or the same? If participant does not say, do not ask them if they would get information on another loan.)
2. What do you think is the purpose of page 1 of this disclosure?
3. What do you think is the purpose of page 2 of this disclosure?
4. Remember that you want to borrow \$121,000 to refinance your current loan. Would you be interested in this loan? (PROBE: Why or why not?)
5. Can you explain to me what about this disclosure helped you to decide?
6. After looking at this disclosure, are there any additional questions you would have for your lender or broker?

Task Two: Comparison with 2 similar offers

Think Aloud (20 minutes)

[This task involves two disclosures for a different loan product than in Task 1 (fixed or adjustable rate loan) with a pricing feature changed in each one]

Thank you for working with that disclosure. Now, let’s go comparison shopping. Let’s imagine that you have contacted two additional mortgage lenders to ask for a loan quote. You are given these two disclosures. Your task is to look at these disclosures to decide if you are interested in either of these loans. As you review them, I’d like you to tell me about the differences you notice between the loans, and whether you would choose one over the other and why.

When I hand you the disclosures, I want to hear what you are noticing and thinking about as you look through them as well as your thoughts, questions, and ideas about the disclosures. Again, tell me what is

clear about what you see and what is confusing so we can improve the disclosures. Please speak aloud so I can hear what you are thinking just as we did with the menu and the previous disclosure. Any questions?

Okay, here are the disclosures.

Give the participant time to read and then ask:

1. Now that you have reviewed these two disclosures, what would you do next? (If participant says he would get another disclosure, PROBE: Why? How many, etc? From a different lender or the same? If participant does not say, do not ask him if he would get information on another loan).
2. What questions would you ask each of the lenders? Let's start with Lender 1. What 2 or 3 questions would you ask Lender 1 about the loan offer?
3. What 2 or 3 questions would you ask Lender 2 about the loan offer?
4. Remember that you want to refinance your \$121,000 loan, would you be interested in either of these loans? Which one and why? (If participant says no, wouldn't be interested in either, say we will note that but force a choice)

[MODERATOR NOTE: if participant wants loan from Task 1 or says he/she would prefer the one from Task 1, say we will put that in the notes but ask them to focus on these two loans for this task]

5. (If Q4 wasn't answered to address the process used or how they compared ask:) In your own words, can you summarize the process you used and the trade-offs you made when you selected one over the other. (What areas did you compare on, what was most important to you in selecting one over the other?)
6. Of the two loans, you selected this loan [remove other disclosure]. At closing you have to write a check. How much would that check be for? What does it include? Could the amount of the check change? If so, why? Where did you get that information?
7. And if you were to write a check to the mortgage company for your regular payment during Year 1, how much would that check be for? What does that include? Where did you get that information?

8. How much would you write the check to the mortgage company for if you were making a payment in Year 9? What does that include? Where did you get that information?
9. Can the payment amount change? If Yes: Why can it change?
10. **For ARM**-Can you describe to me in your own words what you think the minimum and maximum refers to? How do they relate to what your payment will be? [If not yet addressed: can your payment be a different amount than either of these? What does it depend on?]
11. **For ARM**-Why do you think an exact loan payment amount is provided for year 1 but not for the additional years?
12. You see the section that says “plus taxes and insurance,” How will you be paying your taxes and insurance? Where did you get that information?
13. How often will you pay taxes and insurance? Where did you get that information?
14. Can the amount you pay for taxes and insurance change? If yes, what does it depend on? Where did you get that information?
15. For how long do you have to pay taxes & insurance? Where did you get that information?
16. Looking at the Comparison section, can you explain to me in your own words how you think you would use or not use that section?
17. What do you think the “In 5 Years” section is trying to show you?
18. How could you use the “In 5 Years” information to compare loans?
19. How does the APR relate to the interest rate of your loan? How could you use APR information to compare loans?
20. What do you think the Total Interest Percentage (TIP) is trying to show you?
21. How could you use that information to compare loans?
22. Of these three items in the Comparison section, which ones would be most useful in helping you to compare across loan offers?

Now I'm going to ask you some questions about page 2.

[MODERATOR NOTE: Keep consumer focused on page 2 when asking these questions. Remind them to look only at page 2 when necessary.]

23. If you were interested in lowering your costs, what would you do?
24. Are any of the fees or costs of this loan negotiable? Which ones? How do you know?

25. Can you shop for any of these items? Which ones? How do you know?
26. Are there any fees or services that you cannot shop for or negotiate? How do you know?
27. You see the section on Prepaids and Escrow, In your own words how would you describe what these items are? Who is the money going to? What is it paying for?
28. Each item has a number of months next to it. What do you think those represent?
29. What is the difference between Estimated Settlement Costs and Estimated Cash to Close?
30. **For ARM**-Look at the Adjustable Interest Rate Information, can you explain to me in your own words what this table is trying to show you?
31. **For ARM**-How does this information connect to the information on the front of the disclosure?
32. Is the level of detail on page 2 about right, too much, not enough? Why?
33. Are there any areas where you would prefer more detail?
34. Are there any additional questions you would have for the lender or broker about any of the items listed on page 2?

Now, I'm going to give you back the disclosure you didn't choose and ask you just a few comparison questions. You may look back at each of the disclosures to answer my questions.



Note to Moderator: Hand participant other mortgage loan disclosure.

35. Looking at both offers, which has the lower taxes and insurance? Why do you think the amounts differ between the two offers? Is one offering you a better deal on taxes and insurance?
- 36.
37. Which of the two loan offers has the lower settlement costs? Why do you think that loan has lower settlement costs?
38. On page 2, in the prepaids and escrow section, why do you think the number of months in the bottom section are different on the two forms?
39. For which of the two loan offers do you have to bring less cash to close? Why?



We're more than half way finished. Let's go ahead and take a short break for you and so I can set up for the next part. You can go get a drink, or use the restroom and I will come get you from the waiting room in just a few minutes.

Break (5 minutes)

Task Three: Introduce Design 2 Think Aloud (20 minutes)

Now I would like to show you another design for these disclosures. I am going to give you the same loan offer you saw first but in a different design. You'll notice that page 1 is similar to the first one but the back page design is pretty different. Let's go through it the same way we have been going through each of the other tasks where you think aloud and tell me what you like about what you see, what you don't like, what's clear, what's not clear. Then, I will ask you a few questions.

When participant seems finished ask:

1. What is your overall impression of this design?
2. At closing you have to write a check. How much would that check be for? What does it include? Could the amount of the check change? If so, why? Where did you get that information?
3. And if you were to write a check to the mortgage company for your regular payment during Year 1, how much would that check be for? What does that include? Where did you get that information?
4. How much would you write the check to the mortgage company for if you were making a payment in Year 9? What does that include? Where did you get that information?
5. Can it change? If Yes: Why can it change?
6. **For ARM**-Can you describe to me in your own words what you think the minimum and maximum refers to? How do they relate to what your payment will be? [If not yet addressed: can your payment be a different amount than either of these? What does it depend on?]
7. **For ARM**-Why do you think an exact loan payment amount is provided for year 1 but not for the additional years?
8. You see the section that says "plus taxes and insurance," How will you be paying your taxes and insurance? Where did you get that information?
9. How often will you pay taxes and insurance? Where did you get that information?

10. Can the amount you pay for taxes and insurance change? If yes, what does it depend on? Where did you get that information?

11. For how long do you have to pay taxes & insurance? Where did you get that information?

Now I'm going to ask you some questions about page 2.

12. Looking only at Page 2, if you were interested in lowering your costs, what would you do?

13. Are any of the fees or costs of this loan negotiable? Which ones? How do you know?

14. Can you shop for any of these items? Which ones? How do you know?

15. Are there any fees or services that you cannot shop for or negotiate? How do you know?

16. **For ARM**-Look at the Adjustable Interest Rate Information, can you explain to me in your own words what this table is trying to show you?

17. **For ARM**-How does this information connect to the information on the front of the disclosure?

18. Is the level of detail on page 2 about right, too much, not enough? Why?

19. Are there any areas where you would prefer more detail?

20. Are there any additional questions you would have for the lender or broker about any of the items listed on page 2?

Now, I am going to give you the first loan offer you looked at in the first think aloud so you can look at the two designs and then I will ask you a few questions about the design aspects.

When participant seems finished ask:

1. If you want to know how much cash you need to bring to closing, which disclosure makes it easier to find that information? Why?

2. When you look on Page 2 to see how that number was calculated, which disclosure makes it easier to see how the lender or broker arrived at the Cash to Close amount?

3. Which design makes it easier for you to make a choice among loans? Why?

4. Which design makes it easier for you to understand the loan being offered? Why?

5. D1- On a scale of 1 to 5, with 1 being the worst design you've ever seen, and 5 being the best design you've ever seen, how would you rate this design?

6. D2- On a scale of 1 to 5, with 1 being the worst design you've ever seen, and 5 being the best design you've ever seen, how would you rate this design?

7. If you received these two designs from two different lenders, would you feel more comfortable with one lender? Why?



Note to Moderator: Remind participant about the Scenario Card and read out loud.

Task Four: Page 3 Think Aloud (19 minutes)

We're almost done. Now I would like to show you a separate page that would be given to the 2 page disclosure you reviewed. Let's go through it the same way we have been going through each of the other tasks where you think aloud and tell me what you like about what you see, what's clear, what's not clear. Then, I will have a few questions to ask you.



Note to Moderator: Place Page 3 in front of participant.

When participant seems finished ask:

1. What is the purpose of this page?
2. Will you please read each item and tell me, in your own words, what you think it means.
3. Here are 5 green dots, use up to 5 of these to mark those statements that you think are CRITICAL to have when you are trying to decide among loans from lenders and brokers?
4. You have received a lot of information from your lender or broker at this point. Here are 5 red dots, use up to 5 of these to mark those statements you prefer having presented to you when you close on your loan rather than getting the information when you are deciding among loans? If you want to, you may change any of the statements you marked in green to red.
5. What does it mean if you sign this form?
6. Would you sign this form?
7. What do you think would happen if you sign this form and then choose to go with another lender or broker?

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 and answer? Are you interested in meeting any of the observers?

Ok. Thanks again for coming in today, you can head back to the front desk to collect your payment.