

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 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 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/>

(Include link if there is one to where on the site it talks about this project)

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.

Okay? Any questions?

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, ensure 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 if you agreed to videotaping) 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. We're testing the disclosure.

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 mind 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 this disclosure 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 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 this technique of thinking aloud. 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 (10 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.

Scenario-Purchase

You have been shopping for a new home and have found a house that you would like to buy. The house costs \$240,000 and you are planning on putting 10% down, so you want to borrow \$216,000.

Purchase Price of home: \$240,000

Down payment: \$24,000 (10%)

Amount you want to borrow for the purchase price of the house: \$216,000

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 purchasing this home. 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 this disclosure?
3. Remember that you want to borrow \$216,000 to buy a house. Would you be interested in this loan? (PROBE: Why or why not?)
4. Can you explain to me what about this disclosure helped you to decide?



Note to Moderator: Hand participant Highlighter.

5. Take this highlighter and highlight parts of the disclosure that you think are the most important and useful information in this disclosure.
6. Can you explain to me, in your own words, why you selected the information you did?

7. Of the pieces that you highlighted, can you mark the five most important pieces of information (in order)?

Ok, thanks for doing that. Let me ask you a few more questions.

8. On a scale of 1-5 with 5 being very risky and 1 being a little risky, how would you rate this loan offer? What about this loan do you think is risky?

Task Two: Comparison with 2 offers (10 minutes)

[This task involves a disclosure for the same loan product with a pricing feature changed]

Thank you for working with that disclosure. Now, let's go comparison shopping. You go to another lender or broker and ask for a loan quote. You are given this disclosure. Please look at this disclosure and then tell me if you are more interested in this loan compared to the first one. You may look back at the first disclosure as well.

Give the participant time to read and then ask:

1. Which loan would you prefer, loan 1 or loan 2? (moderator restate choice out loud for recording)
2. Why did you choose this loan?
3. What factors influenced your decision? Why these factors?
4. In your own words, can you summarize how you used the two disclosures to compare? (Probe: if not mentioned, ask them specifically to look at the information in Comparisons and if that information is helpful?)
5. What made you *not* choose this loan?

Task Three: Details Probe (15 minutes)

Thank you. Let's look back at the first disclosure I showed you. I want to ask you a series of questions to see how clear or unclear the information on the disclosure is. You may look back at it as much as you like. Remember that we are trying to understand how well this disclosure is working.

1. What type of loan is this loan? PROBE: What does that mean to you?
2. How much will you have to pay each month for your loan? (Probe for whether they respond with monthly loan amount or monthly payment.)
3. What is included in the amount you pay each month for your loan?
4. Can the monthly payment change? Why can it change?
5. What is the interest rate on this loan?
6. Can the interest rate change? (If yes, can you explain why or when it can change?)
7. What is the maximum the interest rate can go to?
8. Does this loan require you to make a large payment (larger than your monthly payment) at any time during your loan term?
9. If yes, where did you look to find that information?
10. If yes, what is that payment called?
11. In your own words, what do you think "balloon payment" means? Is there a different way you would phrase this?
12. If you pay this loan off early, would you have to pay a fee? If yes, how much would that fee be?
13. In your own words, what do you think "pre-payment penalty" means? Is there a different way you would phrase this?
14. Why is this set of information labeled "Cautions"? Does that seem like the right word? Would you use a different label?
15. What will your estimated total closing costs be?

16. What is included in your estimated total closing costs? Where did you get the information from?
17. What is the estimated amount you will pay at closing?
18. Are the estimated total closing costs and the estimated amount you will pay at closing the same?
If no, why is there a difference?
19. Can your closing costs change before the closing?
20. How much cash will you need to bring to closing?
21. Looking at the "Projected Payments" section, how often does it suggest that your payments will change? Can you explain why your payments change each time?
22. Included in your payment are monthly taxes and insurance, can these change over time? Why?
23. What is the (if Option 1) "Annual Percentage Rate" / (if Option 2) "APR"?
24. How is (if Option 1) "Annual Percentage Rate" / (if Option 2) "APR" different from the interest rate of your loan?
25. What do these 2 numbers in "In 5 Years" tell you?
26. Do you think that this is useful information? Why?
27. What is the charge for the title services? Can this amount change? Can you choose who provides the title services?
28. Which of the services can you shop for?
29. For FIXED ONLY, why are the numbers different between lines F and line I?
30. Does this loan require mortgage insurance? How do you know that?
31. If you had any questions or didn't understand something about this estimate, where would you go or who would you ask?
32. Are you under any obligation to accept this loan? Why do you think that?
33. Is there anything else you would like to comment about?



Let's go ahead and take a short break for you and so I can set up for the next part. You can sit in the waiting room, get a drink, and I will come and get you when we are ready to start again.

Break (5 minutes)

Task Four: Comparison with 3 offers (20 minutes)



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

Let's assume you have gone to yet another lender. Please take a look at this disclosure and compare it to the first one you chose.

1. When I say compare, I want you to let me know the differences that you notice between the loans. (If participant asks what we mean say "differences between costs, features, loan terms, etc.")

Thank you for working with that disclosure. I want to follow up with a few questions.

Please look at this disclosure and then tell me if you would choose this loan over the other two. You may look back at the other disclosures.

Give the participant time to read and then ask:

2. Which loan would you prefer 1, 2 or 3 (moderator restate choice out loud for recording)
3. Why did you choose this loan?
4. What factors influenced your decision?
5. What made you *not* choose this loan?

Now, look at all 3 of these different loan disclosures/estimates. (Moderator sets out 1, 2, 3, in front of participant)

Please put these in order according to which you would most likely choose to the least likely to choose.

Moderator state order out loud for recording – referring to each by Letter or Code Name.

6. Why did you put them in that order?
7. Are there any of these loan products that you would *not* be interested in for yourself? (PROBE: Why? Which product do you think is riskiest? Why? What do you mean by “risk”?)

Task Five: Design Questions (15 minutes)



Note to Moderator: Place Loan 1 in front of participant.

You probably noticed that these three different loan estimates were all in roughly the same format. I'd like to ask you some specific questions about the design aspects. We'll look at loan 1, the first disclosure you saw.

1. What is your overall impression of this form?
2. On a scale of 1 to 5, with 1 being 'the worst form I have ever seen' and 5 being 'best form I have ever seen', how would you rate this form?
3. Is the font or typeface easy to read? Is it large enough?



Note to Moderator: Place Design 2 in front of participant.

Here is one other design. We're almost finished.

4. In this disclosure, what information do you notice first?
5. Which format do you prefer? Why? (State choice out loud for recording)
6. When you glance at each format, which looks like it will be easiest to understand? (Why?) (State

choice out loud for recording)

7. When you glance at each format, which looks like it will be easiest to compare? Why? (State choice out loud for recording)
8. Which format is easier for you to use? Why? (State choice out loud for recording)
9. Where do you prefer the placement of the Projected Payments information? Why?

Option 1 question:

1. Did you read the information after the “Yes” or “No” buttons? Do these attract your attention?
2. Is there anything else you would comment on about this design?

Option 2 question:

1. Do you prefer the numerals being bolded?
2. Is there anything else you would comment on about this design?

Closing Remarks (5 minutes)

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?

_____ at the front desk will sign you out and take care of your payment. And just let me know if you want to meet any of the observers. Again, thanks for coming in today!