Department of Treasury, Departmental Offices
Consumer Financial Protection Bureau
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).

The first round of testing occurred May 19-May 24, 2011 in Baltimore, MD. The second round of testing was conducted June 27-June 30, 2011 in Los Angeles, CA.
The CFPB is now preparing for the third round of testing, which will be conducted in Chicago, IL. As before, the CFPB 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 2 and Round 3.

Changes to the Recruiting Materials:

No changes have been made to the recruiting materials.

Changes in the Prototype Forms:

The new prototypes are identical to each other on the first page "shopping sheet." On the second page, each prototype provides different levels of detail regarding closing costs.

- **The revised first page** has a revised "Loan Terms" section to better communicate when the loan contains a feature that can cause higher or additional payments in the future. We have replaced the yes/no buttons with simple "yes" or "no." The Projected Payments table has been revised to more clearly explain taxes and insurance payments and the potential to have these amounts escrowed and collected with the monthly loan payment.

- **The second pages** continue to differ based on the closing cost details. In Round 2, we examined different levels of detail regarding the closing costs. Because the closing cost disclosures had too many differences – in logic, in terminology, and in design, we did not obtain conclusive results. Therefore, we are continuing to focus on the degree of itemization to determine what works best for consumers in understanding and comparing loans. This means that Round 3 will be very similar to Round 2. The first (Azalea Savings Bank) is similar to the Round 2 "Dogwood" form and provides closing costs in a "bundled" format. The second (Camellia Savings Bank) provides detailed information about fees, similar to the "Redbud" form.

Changes to the Moderator's Guide for Consumers

Because the Round 3 testing is focused on the same items as the Round 2 testing – understanding how different levels of closing cost details relate to consumer understanding and decision-making – the moderator guide is quite similar to that used in Round 2. The primary change in the guide is the addition of a task to examine consumers' understanding of specific statements required by the Truth in Lending Act. To allow time for this task, the second comparison task (in which the consumer is asked to compare a third loan estimate to the two already reviewed) has been removed for this round of testing. In addition, the scenario has been revised to reflect an appropriate purchase price for the Chicago metropolitan area and to clarify that the consumer has paid a deposit on the house, which was causing some confusion when discussing the down payment and cash needed to close.

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 only difference between Round 2 and Round 3 is that participants are allowed to click on four items on the entire form (as was the case in Round 1) to provide comments rather than only three items, which was the maximum for Round 2.

Spanish Materials

We will not be conducting any Spanish testing in this round.