

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 (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 received OMB approval of its Information Collection, 1505-0233 on May 17, 2011. As set forth in the Supporting Statement, the CFPB 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. The second round of testing was conducted June 27-June 30, 2011 in Los Angeles, CA. The third round of testing was conducted August 1-August 3, 2011 in Chicago, IL. In addition to the qualitative testing, the CFPB posted the disclosures on its website for each round and gave the public the opportunity to provide feedback on the two prototype designs that were presented.

The CFPB is now preparing for the fourth round of testing, which will be conducted in Enfield, CT, using participants from the Springfield, MA metropolitan area. Round 4 is scheduled to begin on Monday, September 12. The CFPB will again use its website to gather feedback. This memorandum outlines the changes in the information collection tools between Round 3 and Round 4.

Changes to the Recruiting Materials:

No changes have been made to the recruiting materials.

Changes in the Prototype Forms:

The new prototypes have changes to both the first page and the second page. A new third page has been added to present information required by the Truth in Lending Act.

- **The first page** tries two different treatments for Cash to Close. We are interested in learning which design best helps the consumer notice the estimated closing costs and most clearly communicates the regular payments made to the lender. The prototypes for this round use a new method for explaining taxes and insurance. The new design within Projected Payments is being tested to see if consumers identify the two different amounts (principal and interest compared to principal, interest, taxes and insurance) and can determine if taxes and insurance are being escrowed.

- **The second pages** are identical in terms of content but use different designs to disclose closing cost details. The level of detail used in this Round is based on findings from Rounds 2 and 3.
- **The third page** is new. In Round 3, we tested several statements required by the Truth in Lending Act, presenting them on individual cards. In this round, we put the required disclosures on a single page and add two of the disclosures that were tested in Round 1.

Changes to the Moderator’s Guide for Consumers

Because the Round 4 testing is focused on understanding and use of the core loan terms as well as the closing cost details, the moderator guide continues to be similar to versions used in earlier rounds of testing. 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, which are presented at the end on a separate page of the disclosure. The other main change is that in prior testing rounds, consumers were presented with a single disclosure, then given a second disclosure with the same product but different terms, and later given a third disclosure of a different product. At each point, the consumer talked about the form and made choices among the different loans.

As structured for this round, consumers are given a single disclosure in the first task and perform a think-aloud. This provides important information about how the consumer engages with the form. The second task presents two disclosures of a second product with different pricing and asks the consumer to choose which of the two loans he or she is most interested in. This task enables us to learn how the consumer uses the form to compare among two disclosures as we work on improving the content and presentation within a well-developed design. The third task presents the first disclosure the consumer received but in the second design and asks some specific questions to see if one design is more effective. The fourth task involves the consumer examining and discussing the new third page.

Changes to the Scenario

The scenario card has been revised to reflect a refinance transaction rather than a purchase transaction and to use an appropriate loan amount for the Springfield, MA metropolitan area.

Changes to the Internet tool

The Internet tool uses the same structure as in the prior rounds. In Round 4, the choice is two different loans using the same design (Design 2). Participants will be given the opportunity to choose the loan in which they are most interested. They will then be able to select areas of the form by “clicking” and typing in a box how the information was useful to them. They can click to indicate the form was missing information and type in the box what information is missing. Last, they can click on items about which they have questions and type in the box what they would ask a lender or broker.

The content of the activity (choosing a loan rather than a design) will require users to interact with the form in a performing a specific task rather than choosing between two designs in the

abstract. This change in activity helps to emphasize that much of the design work is now done and to focus in more detail on how the content is working: can the form be used to make choices and is information expressed clearly.