

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 closing disclosure you receive when you are closing on 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 closing disclosure that will help consumers understand their loan terms and costs when they close on 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 3170-0003. Any questions so far?

Privacy

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 private 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 disclosure 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 closing disclosures and if these disclosures give you the information you need to understand the transaction of purchasing a home or refinancing your mortgage 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: Part 1 Loan Term Summary Think Aloud (15 minutes)

When you close on a loan, one of the many documents you receive is a mortgage loan closing disclosure. This document has several parts and we'll be looking separately at the three parts that comprise it. We will be looking at the disclosure in parts but you will see all parts. Okay, in a moment I am going to hand you Part 1 of a mortgage loan closing disclosure.



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

You are going to closing tomorrow to finalize the purchase of house that costs \$135,000. You are making a down payment of a little over 10% or \$14,000, of which \$4,000 you've already given to the seller as a deposit. You planned to borrow \$121,000.

ARM Scenario:

You applied for a 30 year adjustable rate loan (an ARM), with a 5 year initial fixed rate, meaning it will adjust after 5 years, and planned to borrow \$121,000.

FIXED Scenario:

You applied for a 30 year fixed rate loan, and planned to borrow \$121,000.

You received an estimate of the cash needed to close for \$16,450.00 from the bank when you applied for the loan.

Cost of home: \$135,000

Down payment: \$14,000 (about 10% down) but already gave \$4000 deposit to seller

Amount borrowed: \$121,000

Estimated Cash to Close (at application): \$16,450

In reviewing the mortgage loan closing disclosure, I'd like you to imagine that *you are closing on your loan tomorrow and the bank sent over this disclosure for you to review. **Your task is to look at this closing disclosure to determine if you would accept the terms and costs or if you would have questions.***

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 closing 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 and costs before closing.

Please go through the disclosure exactly as you would if you received this from the bank or settlement agent. 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 closing 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. Now that you have received and reviewed Part 1 of the disclosure, what would you do next?
2. What questions might you have for the bank or settlement agent, the person conducting your closing?
3. What do you think is the purpose of Part 1 of this disclosure?
4. On a scale of 1-5 with 1 being very dissatisfied and 5 being very satisfied, how satisfied are you with the level of detail if you were only provided with Part 1 the day before closing? Why?
5. If this was the only piece of paper you received one day before closing, what additional information would you want to have on the day before closing? Why?
6. What would you do with this information? Why would you not be able to do this with just the information on this page?
7. In your own words, if you were describing this to your friend, what would you say are the basic characteristics of the loan? (What type of loan is it? (fixed or adjustable) How many years will you have it if you don’t sell your home or refinance?)
8. What is the interest rate? Can it change? When?

9. Obviously, there are costs associated with this loan, can you summarize what kind of payments you have to make, to whom, and how often, according to this disclosure?
10. During Year 1, how much would you write a check for your total monthly payment? What does that include? Where did you get that information? Would you have to make any other types of payments? For what? Who would you have to pay? How often?
11. Can the total monthly payment amount change? If Yes: Why can it change?
12. Does your total monthly payment include taxes and insurance? How do you know?
13. How much are your taxes and insurance?
14. Who do you pay those to?
15. Can your estimated taxes and insurance amount change? Why?
16. At the closing tomorrow you have to write a check. How much would that check be for? What does it include?
17. What was your initial closing cost estimate? (If they don't know, remind them that it was \$16,450 from scenario) Is there a difference between the initial estimate and the amount you need to bring to closing tomorrow? Is it more or less
18. So, if your closing is tomorrow, and there was this discrepancy, what would you do? Why?

Task Two: Part 2 Transaction Summary Think Aloud (30 minutes)

This task involves showing the participant Parts 1 & 2 with the focus on Part 2 which lists the summary of the transaction (page 2), the closing costs (page 3) and a tolerance comparison and AIR Table for ARM (page 4).

Thank you for working with that part of the disclosure. Now, I'm going to show you part 2 of the disclosure which has some additional information about the loan.

When I hand you this part of 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 it. Again, tell me what is clear

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

Okay, here is Part 2, you may look back at Part 1 as much as you like.

(Give the participant time to read and then ask:)

I have some questions to ask and remember, you may look back at the disclosure as much as you like.

1. Now you have seen Part 1 and Part 2, what would you do next? Why?
2. What additional questions might you have for the bank or settlement agent after seeing Part 2? Remember the scenario.
3. What is the purpose of Part 2 of the disclosure?
4. On a scale of 1-5 with 1 being very dissatisfied and 5 being very satisfied, how satisfied are you with the **level of detail** (NOT THE SCENARIO) provided in Parts 1 and 2, if you received this the day before closing? Why?
5. If these were the only pieces of paper (Parts 1 and 2) you received one day before closing, what additional information would you want to have on the day before closing? Why? What would you do with this information?
6. What is the price of the house? Where did you find that information in Part 2?
7. How much cash is due to the seller? Where do you find this information?
8. What is the appraisal fee that you have paid? When did you pay this amount? Where did you find this information?
9. In Design 1 (on page 3) Design 2 (on page 4), why do you think that they use the column "When"? What do you think of the answers given? Why are there no dates given?
10. Where is your deposit represented? Where do you find that information?
11. What is the seller paying for or the total amount the seller is paying? Where do you find this information?

12. How much are you putting into escrow? Where do you find that?
13. For ARM, how many months of escrow have you paid for each item?
14. Let's look at page 4 in the Limits on Increases, in the section on "Combined Charges Cannot Increase by more than 10%", do the loan estimates and finals show any changes? Which items, state the line numbers? What is the increase percentage?
15. It says "\$0 over limit," what do you think that means? What do you think the limit is?
16. So let me tell you that the limit is 10%. On page 4, what would you do if there was a change of more than 10%?
17. In that same section, what do the line numbers refer to? Do you see them listed in another place in Part 2?
18. For ARM, can you explain to me in your own words, what the AIR Table is showing you? How does that table connect back to page 1, Part 1?
19. Here is a highlighter, can you highlight the 5 most important areas in Part 2 for you? Why did you select those pieces of information?

Now I have a slightly different format to show you of Part 2. The numbers are all the same, only the format is different. Let me give you a few minutes to look it over and point out any key differences you notice to me. Page 2 is exactly the same, and you may look back at the first format as well.

20. What do you think about the alternate overall format?
21. Which overall format do you prefer? Why?
22. When you look at page 3, you see that the way the columns are laid out are slightly different and Design 2 breaks out additional details on page 4 in a table called "Paid Outside of Closing," which format do you prefer? Why?
23. If you could get rid of some of the details that are included on all of these pages in Part 2, which ones would be willing to omit? Which details seem less important to you than others? You can go ahead and cross out any that you think aren't needed. 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: Part 3 Federal Disclosures Think Aloud (30 minutes)

This task involves showing the participant Parts 1, 2, & 3. We focus on Part 3-which includes mandated Truth-in-Lending disclosures and additional disclosures required by the Dodd-Frank Act. Design 1 has a page 5 only is 3 columns, has embedded check boxes, and is all prose, Design 2 has a page 5 and 6, is 2 columns, has stacked check boxes, and has the Loan Calculation section in a table format.

Now I would like to focus on Part 3 of the disclosure. Again, you may look back at Parts 1 and 2 as much as you like, if you need to. 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.



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

When participant seems finished ask:

1. Now you have seen Parts 1, 2 and 3, what would you do next? Why?
2. What questions would you have for the bank or settlement agent?
3. What is the purpose of Part 3 of the disclosure?
4. On a scale of 1-5 with 1 being very dissatisfied and 5 being very satisfied, how satisfied are you

with the **level of detail** (NOT THE SCENARIO) provided to you now in Parts 1 and 2 and 3, if you received all 3 parts the day before closing? Why?

5. If these were the only pieces of paper (Parts 1 and 2 and 3) you received one day before closing, what additional information would you want to have on the day before closing? Why? What would you do with this information?
6. Is your loan assumable? Where did you find that information?
7. What is this lender's partial payment policy? Where did you find that information?
8. Does this disclosure tell you anything about what happens if your lender foreclosed on you? Where did you find that information?
9. Looking at the "Loan Disclosures" section, you will see that a number of items are in that section, including "Assumption," through "Security Interest," please highlight the sections that are MOST important to you. Why are they important?
10. Let's look at the "Loan Calculations" section, what is this section trying to tell you?
11. Please highlight the items in the "Loan Calculations" section that are MOST important to you. Why are they important?
12. What is the Total Interest Percentage? Is this information useful to you? Why?
13. What is the Lender Cost of Funds? Is this information useful to you? Why?
14. Which items in this section are the least useful to you?
15. In the "Other Disclosures" information, please highlight the items in that section that are MOST important to you. Why are they important?
16. Looking in the In the Confirm Receipt section, would you sign this form?
17. What does it mean if you sign this form?
18. What do you think would happen if you sign this form and then chose not to close on the loan?

19. Is there any information on these pages that you think could be deleted?

Now I have a slightly different format to show you of Part 3. The information is essentially the same, but the format is different. Let me give you a few minutes to look it over and point out any key differences you notice to me. You may look back at the first format as well.

After reviewing both formats, you probably noticed that Design 1 uses a three column, 1 page format and Design 2 uses a two column, 2 page format (Design 2).

24. Which format looks easier to read? Why?

25. Specifically, let's look at the Loan Calculations section. Design 1 has the information in a prose format, Design 2 has it in a table format. Which design presentation makes it easier for you to understand what this section is telling you? Why?

26. Design 1 uses embedded check boxes to tell you the information that is relevant to your loan, while Design 2 uses stacked check boxes. Which design presentation makes it easier to see the information relevant to your loan? Why?

27. When you look at these two designs overall, does one make the relationship of the information clearer to you? Which one? Why?

28. Overall, do you prefer the one page, three column (D1) or two page, two column (D2) version? Why?

29. Now, let me put all of the parts of Design 1 in front of you, so you can see what the entire closing disclosure will look like. 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 the Design 1? Can you explain why you gave it this rating?

30. What would we have to change on this disclosure to make you rate it higher?

31. Now, let me put all of the parts of Design 2 in front of you, so you can see what the entire closing disclosure will look like. 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 the Design 2? Can you explain why you gave it this rating?

32. What would we have to change on this disclosure to make you rate it higher?

33. Now you can choose which designs you like for both Parts 2 and 3 and make your own disclosure. You may also suggest changes to the ordering. Part 1 only has one design. Please choose which design you prefer for Part 2 and then Part 3. So, your ideally designed disclosure would have... (Moderator to state Design 1 or Design 2 for Part 2 and 3).

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?

Do you have any questions for or are you interested in meeting the observers?

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