

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 (5 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 (5 minutes)

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.

Next, I am going to show you some information about the home buying process to help us with our next tasks. There are a number of steps that homebuyers go through when they begin the home buying process. Let's take a look at this visual. For the next task, we are going to assume you are HERE in the process. You have

- found a house that you are interested in,
- contacted a mortgage broker about borrowing the money to purchase the home, and
- have asked the broker to give you a write up of the loan terms you've talked about and agreed on.

The broker gives you this document, which is called the Loan Estimate. I am going to run through the disclosure with you as if I were your broker and we were reviewing the basics together.

Loan Estimate Script Draft (5 minutes)

[We will discuss the loan estimate after we show them a visual of where they are in the overall home buying process. We will show the visual again before we show them the closing disclosure.]

Let's start on page 1. Up here (Top Info and Loan Terms) we have the broker's information as well as your basic information, name, and the property address. You are interested in a 30 year fixed loan, which means the interest rate will not adjust. It is a conventional loan meaning that it is not insured by and subject to the requirements of a government program.

Moving to the **Loan Terms** section-you are planning on buying a home that costs \$120,000 and are planning on putting 10% down, which is \$12,000. So, you are looking to borrow or finance \$108,000.00. You already paid the seller a \$3,000 deposit. Additionally, the interest rate is 4.125% and your monthly principal and interest amount is \$523.42. This loan has no prepayment penalty, which means you can pay it off or refinance without paying a penalty. It also has no balloon payment, which means there is no large amount due during or at the end of the loan term.

Going on to the **Projected Payments** section, here we have broken down your payment amount for you over the life of the loan, 30 years. The first line shows the principal and interest amount of \$523.42. Because you are not putting down 20%, your loan will have mortgage insurance in your payment. The mortgage insurance amount is \$55. As it stands now, mortgage insurance will eventually go away after Year 7, because you'll have more equity in the home. This loan has an escrow account, which means that the bank will make your payments for the taxes and insurance when they are due. Your estimated taxes and insurance for property taxes and homeowner's insurance is \$127. This brings your total monthly payment to \$705.

Now, let's move to the **Closing Costs** section. The estimated amount of cash you will need to bring to closing is \$14,222, which includes the fees and costs for obtaining the loan as well as your down payment. Specifically, this amount includes \$4,125 in estimated Settlement Fees.

Page 2 helps you to see what our estimates are for the specific fees and costs that make up your closing costs.

Calculating Settlement Fees lists out the fees for getting this loan, including our Origination Charges.

You can see here you're paying 1 point to lower your interest rate.

- In Services you cannot shop for, we have listed our estimates for costs that you have to pay and that we will find the vendors for.
- In Services you can shop for, we've listed the items that you can choose to shop for. You can shop for all, some, or none of these. If you use the vendors we've identified, these are the estimates for costs.
- The Calculation section lists your total Estimated Settlement Fees.

Calculating Settlement Costs lists the other payments you will need to pay for the loan and the house.

- Taxes and Other Government Fees are standard and determined by the government.
- The Prepays section includes the Homeowner's Insurance you can choose to have and the Prepaid Interest you have to pay if we close on December 17.
- The Initial Escrow Payment at Closing is a deposit you make into your escrow account.
- This Limits on Increases section tells you that some of these fees cannot change and some cannot change more than 10%.

Here is the **Calculation** for your Cash to Close. This includes the sum of these two columns. It also shows what your down payment is and the deposit you've already paid the seller. This is a purchase, so you're not getting any cash out and you are not doing any of the rest of these things. So here is the total for your Estimated Cash to Close.

On page 3, this section (**Comparisons**) provides some additional measures to see if this loan is a good fit for you.

- The In 5 Years section show you how much of your payments will have gone to paying off the principal amount of your loan.

- Your APR expresses your costs over the loan term.
- The TIP is the total amount of interest that you will pay over the loan term.
- Finally, the LCF is the rate this bank pays to borrow money to lend to you.

In this section (**Other Considerations**), we provide some other information about the loan. For instance, if you make a payment that is more than 15 days late, we will charge a late fee.

Okay, now that we've gone through the disclosure, we ask that you sign it to confirm you have received this disclosure. Would you go ahead and sign the form?

Do you have any questions?

Task One: Part 1 Loan Term Summary Think Aloud (15 minutes)

Now we are going to assume you chose that loan and are getting ready to close on your home and loan. When you close on the loan, one of the many documents you receive is a Settlement Disclosure. The disclosure lists all of the costs associated with the loan and tells you how much money you will need to bring to closing. It is very similar to the Loan Estimate disclosure but instead of an estimate, this provides your actual final costs. Let's look back at the home buying process visual. According to the process, you are now here. You are closing tomorrow and you received the final Settlement Disclosure for you to review. Your broker suggested that you compare the Loan Estimate disclosure (the one I went over with you as if I were your broker) to the Settlement Disclosure to verify it is accurate and to see if you have any questions. The scenario is the same as we talked about initially.



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 \$120,000. You are making a down payment of a little over 10% or \$12,000, of which \$3,000 you've already given to the seller as a deposit. You planned to borrow \$108,000.

FIXED Scenario:

You applied for a 30 year fixed rate loan, and planned to borrow \$108,000.

You received an estimate of the cash needed to close for \$14,222 from the bank when you applied for the loan.

Cost of home: \$120,000

Down payment: \$12,000 (about 10% down) but already gave \$3,000 deposit to seller

Amount borrowed: \$108,000

Estimated Cash to Close (at application): \$14,222

Your task is to look at Settlement Disclosure and compare it to the Loan Estimate disclosure to determine if you would accept the terms and costs and if you would have any questions.

When I hand you the two 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 Settlement Disclosure. Tell me what is clear about what you see and what is confusing so we can improve the disclosures. 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 disclosures exactly as you would if you received this from the broker the day before closing. As you go through them, 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 disclosures, not a test of you.

Do you have any questions before we get started?

Okay, one question to ask you before you get started, and you may look at the Loan Estimate to answer this question.

1. What information would you be looking to verify based on the Loan Estimate?



Note to Moderator: Hand participant closing mortgage loan disclosure.

Okay, here is the final Settlement Disclosure. Remember you can look back at the Loan Estimate disclosure as much as you want. 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 the Loan Estimate and the Settlement Disclosure, what would you do next?
2. What questions might you have for the broker?

Now, I have a number of questions to ask you about the Settlement Disclosure. Remember you can look back at both disclosures as much as you want to answer any of these questions.

3. Is your basic information, such as your name and address correct according to the settlement disclosure? (*page 1*)
4. Are the basic loan terms the same between the estimate and the settlement disclosure? a) loan amount, b) interest rate, c) monthly payment (*page 1*)
5. Does the loan have the same answers about prepayment penalty or balloon payment as the Loan Estimate? (*page 1*)
6. Will the loan amount increase? (*pages 1 and 4*) Where did you find that information on the settlement disclosure?
7. On the settlement disclosure, where does it show you how much this house cost? (*pages 1 and 2 on Design 1 and pages 1 and 3 on Design 2*)

8. According to the settlement disclosure, what items are you (the buyer/borrower) paying for?
(page 3 on Design 1/page 2 on Design 2)
9. Where is your deposit or earnest money represented? (Design 1 page 2/Design 2 page 3)
10. Where is your down payment represented? (Design 1 page 2/Design 2 page 3)
11. How much did you pay for an appraisal of the new home? (Design 1 page 3/Design 2 page 2)
12. When was the appraisal paid for? (Design 1 page 3/Design 2 page 2)
13. Where are your settlement costs represented? (Design 1 pages 2 and 3/Design 2 page 2) How much is that? (Design 1 pages 2 and 3/Design 2 page 2)
14. Where is your total cash to close represented? (Design 1 pages 1 and 2/Design 2 pages 1 and 3) How much is that? (Design 1 pages 1 and 2/Design 2 pages 1 and 3)
15. Do you have an escrow account with this loan? (Design 1 pages 1, 3, 4/Design 2 pages 1, 2, 4)
16. If so, what items are being covered by your escrow account? (page 3 on design 1/page 2 on design 2)
17. How much are you putting into your escrow account each month? (Design 1 pages 1, 3, 4/Design 2 pages 1, 2, 4) At closing? (Design 1 pages 3, 4/Design 2 pages 2, 4)
18. What is the seller paying for? (Structural inspection, recording fees and taxes for deed, commission (Design 1 page 3/Design 2 page 2)
19. What is the amount of closing costs you (the borrower) financed? (Page 2 both designs)
20. What is the amount that the real estate broker will be paid? (Design 1 page 3/Design 2 page 2)
21. What title insurance-related fees are being paid? Who is paying them? (Design 1 page 3/Design 2 page 2)
22. Who is receiving the fees for the title insurance policies? What do the numbers next to the names mean? (Design 1 page 3/Design 2 page 2)
23. For which services that were required to get the loan did you choose your own providers?
(Design 2 page 3)
24. Is the seller paying any property taxes at closing? (Summary of Transaction sections - Design 1 page 2/Design 2 page 3)
25. Could you explain to me in your own words what the "Summary of Borrower's Transaction" is telling you? Design 1 page 2/Design 2 page 3)
26. What is an "originator"? (Design 1 page 2/ Design 2 page 3) Who is the originator for this loan?
(Design 1 Page 5/Design 2 pages 2 and 3)
27. How much will the mortgage broker be paid? (Design 1 page 2 and 3/Design 2 page 5) Who will

- pay this amount according to the form? (Design 1 page 2 and 3/Design 2 page 5)
28. Did any of the changes to the Loan Estimate exceed the legal limits on changes? (Design 1 page 2/Design 2 page 3)
29. What are the total closing costs for this loan? (Design 1 page 3/Design 2 page 2) What does this number mean to you? What are the total closing costs you will pay? (Design 1 page 3/Design 2 page 2)
30. According to the Loan Estimate, how much was the estimated cash to close? (*pages 1 & 2*)
31. According to the settlement disclosure, what is the amount needed for cash to close? (Design 1 pages 1 and 2/Design 2 pages 1 and 3) What makes up your cash to close? (Design 1 page 2/Design 2 page 3)
32. What accounts for the difference between the Loan Estimate and the Settlement disclosure?



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 Two: Design 2 Think Aloud (30 minutes)

Thank you for working through those disclosures. Now, I'm going to show you a slightly different format of the final settlement disclosure. This disclosure has the same basic information and numbers as the one you just reviewed, only the format is different. Let me give you a few minutes to look it over. You may look back at the first format as well.

Give the participant time to read and then ask:

1. What do you think about the alternate overall format?

2. What do you see as the key differences to this format?
3. Where is your down payment represented on this form?
4. For which services that were required to get the loan did you choose your own providers?
(Design 2 page 3)
5. How much will the mortgage broker be paid? (Design 1 page 2 and 3/Design 2 page 5) Who will pay this amount according to the form? (Design 1 page 2 and 3/Design 2 page 5)
6. What are the total closing costs for this loan? (Design 1 page 3/Design 2 page 2) What does this number mean to you? What are the total closing costs you will pay? (Design 1 page 3/Design 2 page 2)
7. What types of insurance are you purchasing for the property? (Design 1 page 3/Design 2 page 2)
8. Could you explain to me in your own words what the “Summary of Borrower’s Transaction” is telling you? Design 1 page 2/Design 2 page 3)
9. What makes up your cash to close? (Design 1 page 2/Design 2 page 3)
10. What is your opinion of each of these differences? Why do you think that?
11. Which format do you think is easier to compare with the Loan Estimate? Why?
12. Which overall format do you prefer? Why?

Task Three: Part 3 Federal Disclosures Think Aloud (30 minutes)

Now I would like to focus on the last two pages of the settlement disclosure.



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

When participant seems finished ask:

1. What is this lender's partial payment policy? Where did you find that information? What is a "partial payment"?
2. Does this disclosure tell you anything about what happens if your lender foreclosed on you? Where did you find that information?
3. According to this form, can you refinance this loan in the future? (*page 5*)
4. 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?
5. Let's look at the "Loan Calculations" section, what is this section trying to tell you?
6. What is the Total Interest Percentage? Is this information useful to you? Why?
7. What is the Lender Cost of Funds? Is this information useful to you? Why?
8. Please highlight the items in the "Loan Calculations" section that are MOST important to you. Why are they important? Which items in this section are the least useful to you?
9. In the "Other Disclosures" information, please highlight the items in that section that are MOST important to you. Why are they important?
10. Looking in the In the Confirm Receipt section, would you sign this form?
11. What does it mean if you sign this form?
12. What do you think would happen if you sign this form and then chose not to close on the loan?
13. Is there any information on these pages that you think could be deleted?
13. 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?

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

15. 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?

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

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 to 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.

Moderator's Guide—Consumer (Initial Disclosure)

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 60 minutes, and please just let me know if you need a break. 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 60 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:
 5. the appearance—color, font, layout
 6. symbols and graphic elements, such as pictures or symbols
 7. details, such as why some items have descriptions and others don't
 8. 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 Page 1(20 minutes)

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



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

You have found a house that you are interested in buying in Birmingham, AL. The house costs \$180,000 and you are planning to put 10% down (\$18,000), so you want to borrow \$162,000. You have already paid \$10,000 of the \$18,000 as a deposit to the seller.

Purchase price of home: \$180,000
Down payment: \$18,000 (10% down)
Amount you want to borrow: \$162,000

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

When I hand you the form, 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 form. Tell me what you like about what you see and what is confusing so we can improve the form. 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 form 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 form, not a test of you. Do you have any questions before we get started?

Okay, here is the form.



Note to Moderator: Hand participant mortgage loan form. To help get you started, what is the first thing you notice?



Note to Moderator:

- Allow participant time to review the form and comment on it.
- Ask participant to put form 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.**

1. Notetaker: note if participant reads or notices the “Warning” label and any comments made during Think Aloud portion.

When the participant seems to be finished, ask the participant:

2. You have received and reviewed this form. What would you do next? (If participant says they would get another form, PROBE: Why? How many, etc? From a different bank or the same? If participant does not say, do not ask them if they would get information on another loan.)
3. Remember that you want to borrow \$162,000 to buy this house. Would you be interested in this loan? (PROBE: Why or why not?)
4. Can you explain to me what about this form helped you to decide if you were interested or not?
5. After looking at this form, are there any additional questions you would have for the bank?
6. What is the interest rate? Can it change? When?
7. 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?
8. 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?
9. Can the total monthly payment amount change? If Yes: Why can it change?
10. Does your total monthly payment include taxes and insurance?
11. How much are your taxes and insurance?
12. Who do you pay those to?

13. Can your estimated taxes and insurance amount change? Why?
14. How much would you write the check to the bank for if you were making a payment in Year 17? What does that include? Where did you get that information?
15. Let's look back at the top, I noticed that you commented on this or did not notice this during your think aloud. Can you tell me what this language means to you?
16. So, when you first are shopping for a loan, lenders and brokers can provide a worksheet that may look a lot like the official loan estimate. Here is what the official loan estimate looks like (Hand consumer official page 1). Do you think that this worksheet looks different enough that you would notice the language? What suggestions do you have to ensure consumers would notice the language?
17. We are also testing this wording to see if it makes sense to consumers. I have an alternate version that I would like for you to look at. MODERATOR, place alternate wording in front of participant) Which do you prefer and why?

Option 1

Your actual rate, payment, and costs could be higher. Get a Loan Estimate before choosing a loan.

Option 2

This worksheet is only an example to assist you. Your actual rate, payments, and costs could be different. Ask for your official Loan Estimate (which protects you from some changes) before selecting any loan offer.

Task Two: Think Aloud Pages 2 and 3 (30 minutes)

Okay, so as I told you before, lenders and brokers can provide a worksheet that looks very similar to the official loan estimate. The official loan estimate includes Page 1, without that warning language. So, now I am going to give you your official Loan Estimate disclosure.

You may look back at page 1 as much as you like as it goes with pages 2 and 3 and has the same information that you worked with before. The same scenario applies.



Note to Moderator: Remind participant of Scenario Card and highlight.

You have found a house that you are interested in buying in Birmingham, AL. The house costs \$180,000 and you are planning to put 10% down (\$18,000), so you want to borrow \$162,000. You have already paid \$10,000 of the \$18,000 as a deposit to the seller.

**Purchase price of home: \$180,000
Down payment: \$18,000 (10% down)
Amount you want to borrow: \$162,000**

In reviewing the mortgage loan disclosure, again, I'd like you to imagine that *you have contacted a bank because you are interested in buying a house. After giving the bank information about you and the house, you have received this 3 page 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, again 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. Since you have already reviewed the information on page 1, you can focus more on pages 2 and 3. 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.

Remember to speak aloud so I can hear what you are thinking just as we did with the menu.

Do you have any questions before we get started?

Okay, here is the full 3 page official disclosure.



Note to Moderator: Hand participant full mortgage loan disclosure.

To help get you started, what is the first thing you notice?

When participant seems finished:

Now I'm going to ask you some questions about page 2. Remember that you may look back at the disclosure as much as you want.

[MODERATOR NOTE: Keep consumer focused on page 2 when asking these questions.]

1. You have received and reviewed this form. What would you do next? (If participant says they would get another form, PROBE: Why? How many, etc? From a different bank 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 2 of this form?
3. You see the section on Initial Escrow Payment at Closing? In your own words, how does this information relate to the escrow information on page 1?
4. Each item has a number of months next to it. What do you think those represent?
5. **Please** look at the Adjustable Payment Information table on page 2, can you explain to me in your own words what this table is trying to show you?
6. How does this information connect to the information on page 1 of the disclosure?
7. Does this information change your opinion of this loan? If so, how?
8. Can the total monthly payment amount change? If Yes: Why can it change?
9. What does your total monthly payment include in Year 4?
10. What does your total monthly payment include in Year 7?
11. Is the level of detail on page 2 about right, too much, not enough? Why?
12. Are there any areas where you would prefer more detail?
13. Are there any additional questions you would have for the lender or broker about any of the items listed on page 2?

Let's look at Page 3.

1. What do you think is the purpose of page 3 of this form?
2. What is your overall impression of the top of Page 3?
3. Looking at the Comparison section at the top of the page, can you explain to me in your own words how you think you would use or not use that section?
4. What do you think the "In 5 Years" section is trying to show you?
5. How could you use the "In 5 Years" information to compare loans?
6. What do you think the Total Interest Percentage (TIP) is trying to show you?
7. How could you use the TIP information to compare loans? [NOTE: if they do not understand what the TIP is, state: "this shows how much interest you will have paid over the term of the loan (15 or 30 years) in relation to the amount of principal, the loan amount. How could you use this information when evaluating a loan and comparing it to others?"]
8. What do you think Lender Cost of Funds is trying to show you?
9. How could you use the LCF to compare loans?
10. Of these four items in the Comparison section, which ones would be most useful in helping you to compare across loan offers? Why?
11. Of these four items in the Comparison section, which ones would be least useful in helping you to compare across loan offers? Why?
12. Do any of these 4 items affect your level of comfort with the bank providing the offer? Which ones? Why? What do you mean by level of comfort?

Now let's look at the bottom of Page 3.

13. Looking at the "Other Considerations" section, will you please read each item and tell me, in your own words, what you think it means.
14. Can you refinance this loan with this lender or another lender? How do you know?
15. Would you sign this form?
16. What does it mean if you sign this form?
17. What do you think would happen if you sign this form and then choose to go with another lender or broker?

18. One last question, 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?

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.