

Moderator's Guide—Industry

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 settlement disclosure you provide to consumers when they 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 settlement 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.

We know that as a lender/broker or settlement agent, you interact with consumers using these forms and undoubtedly have important suggestions. We also want to get feedback from you about improving

the form's usability and to reduce burdens and ease implementation for industry. The CFPB is working to create a settlement disclosure that consumers, lenders/brokers, and settlement agents can all understand and use. 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 settlement disclosures, what eases implementation and the usability of the form for industry, and if these disclosures give you the format you need to disclose the transaction of purchasing a home or refinancing a 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 "I don't think consumers will understand this term" 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?

We're going to assume that you have been working with a buyer. After she completed a loan application and provided the needed documentation, you gave her this Loan Estimate. Will you go ahead and talk me through this estimate as you would if I were your client? Great! Thank you.

1. What problems do you foresee consumers having with this form?

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

Now we are going to assume that your client chose that loan and is getting ready to close on her home and loan. As you know, she will receive a Settlement Disclosure (or what has been called the HUD-1). The disclosure lists all of the costs associated with the loan and tells her how much money she will need to bring to closing. It is very similar to the Loan Estimate disclosure but instead of an estimate, this provides her actual final costs. She is closing tomorrow and received the final Settlement Disclosure. She has set up a meeting with you so you can talk her through the Settlement Disclosure and help her compare it to the Loan Estimate that she received earlier. You are getting ready for that meeting with her. In a moment, I will hand you the Settlement Disclosure and the same Loan Estimate that we just talked through. Please talk aloud as you prepare for the meeting. Tell me what you would be looking at and checking. The scenario is the same as we talked about initially.



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

Your client is going to closing tomorrow to finalize the purchase of house that costs \$120,000. She has made a down payment of a little over 10% or \$12,000, of which \$3,000 has already been given to the seller as a deposit. Your client planned to borrow \$108,000.

FIXED Scenario:

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

Her estimate of the cash needed to close was for \$14,222 from the bank when she 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 this closing disclosure to decide if it provides the right information to allow your client to understand the terms and costs of the 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 Settlement Disclosure and its relationship to the Loan Estimate. Tell me what you like about what you see and what you think would be confusing to consumers so we can improve the disclosure. Remember we want to hear your thoughts—both positive and negative—so we can improve implementation of the form and make sure consumers have clear information about the final loan terms and costs.

Please go through the disclosure the way you would if you were reviewing it to present to a consumer and trying to anticipate where you may have to explain things. 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, 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?

Okay, here are the disclosures.



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. You have received and reviewed this disclosure. What questions do you think your client might have for you?
2. On this form, where does it show how much this house cost? (*pages 1 and 2 on Design 1 and pages 1 and 3 on Design 2*)
3. According to the settlement disclosure, what items is the buyer/borrower paying for? (*page 3 on Design 1/page 2 on Design 2*)
4. Where is your client’s deposit or earnest money represented on the settlement disclosure? (*Design 1 page 2/Design 2 page 3*)
5. Where is her down payment represented on the settlement disclosure? (*Design 1 page 2/Design 2 page 3*)
6. How much did she pay for an appraisal of the new home? (*Design 1 page 3/Design 2 page 2*)
7. When was the appraisal paid for? (*Design 1 page 3/Design 2 page 2*)
8. Where are the 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*)
9. Where is her 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*)
10. Does she have an escrow account with this loan? (*Design 1 pages 1, 3, 4/Design 2 pages 1, 2, 4*)
11. If so, what items are being covered by the escrow account? (*page 3 on design 1/page 2 on design 2*)
12. How much is she putting into her 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*)
13. What is the seller paying for? (Structural inspection, recording fees and taxes for deed, commission (*Design 1 page 3/Design 2 page 2*))
14. What is the amount of closing costs she as the borrower financed? (*Page 2 both designs*)
15. What is the amount that the real estate broker will be paid? (*Design 1 page 3/Design 2 page 2*)
16. What title insurance-related fees are being paid? Who is paying them? (*Design 1 page 3/Design*

2 page 2)

17. 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)
18. For which services that were required to get the loan did she choose her own providers? (Design 2 page 3)
19. Is the seller paying any property taxes at closing? (Summary of Transaction sections - Design 1 page 2/Design 2 page 3)
20. Could you explain to me in your own words what the "Summary of Borrower's Transaction" is about? Design 1 page 2/Design 2 page 3)
21. Who is the originator for this loan? (Design 1 Page 5/Design 2 pages 2 and 3)
22. How much will you as 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)
23. Did any of the changes to the Loan Estimate exceed the legal limits on changes? (Design 1 page 2/Design 2 page 3)
24. What are the total closing costs for this loan? (Design 1 page 3/Design 2 page 2) What are the total closing costs your client will pay? (Design 1 page 3/Design 2 page 2)
25. According to the Loan Estimate, how much was the estimated cash to close? (pages 1 & 2)
26. 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 the cash to close? (Design 1 page 2/Design 2 page 3)
27. 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 the down payment represented on this form?
4. For which services that were required to get the loan did your client choose her 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 are the total closing costs your client will pay? (Design 1 page 3/Design 2 page 2)
7. What types of insurance is your client purchasing for the property? (Design 1 page 3/Design 2 page 2)
8. What makes up the cash to close? (Design 1 page 2/Design 2 page 3)
9. Which format do you think is easier to compare with the Loan Estimate? Why?
10. 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 final closing 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
2. Does this disclosure tell you anything about what happens if the lender forecloses on your client? Where did you find that information?
3. According to this form, can this loan be refinanced 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 you think should be MOST important to your clients. Why are they important?
5. Let's look at the "Loan Calculations" section, what is this section trying to tell your client?
6. What is the Total Interest Percentage? Is this information useful to your client? Why?
7. What is the Lender Cost of Funds? Is this information useful to your client? Why?
8. Please highlight the items in the "Loan Calculations" section that you think would be MOST important to your client. Why are they important? Which items in this section are the least useful to them?
9. In the "Other Disclosures" information, please highlight the items in that section that you think would be MOST important to your client. Why are they important?
10. What does it mean if your client signs this form?
11. What do you think would happen if she signed this form and then chose not to close on the

loan?

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

11. Now, let me put Design 1 in front of you. (*MODERATOR: Give the participant that he or she looked at first—whichever design it was.*)

On a scale of 1 to 5, with 1 being the least useful design you've ever seen, and 5 being the most useful design you've ever seen, how would you rate the Design 1? Can you explain why you gave it this rating?

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

13. Now, let me put Design 2 in front of you. (*MODERATOR: Give participant the design he or she looked at second.*)

On a scale of 1 to 5, with 1 being the least useful design you've ever seen, and 5 being the most useful design you've ever seen, how would you rate Design 2? 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. Do you have any other comments about these designs?

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.