

**Department of Treasury, Departmental Offices**  
**Consumer Financial Protection Bureau**  
**Qualitative Testing of Integrated Mortgage Loan Disclosure Forms**  
**Information Collection 3170-0003**  
**Description of Subsequent Iteration of Qualitative Testing**

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).

The CFPB received OMB approval of a generic clearance, No. 3170-0003 on November 14, 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 under this Generic Information Collection (Round 6) occurred November 8-10, 2011 in Des Moines, IA. This was the sixth in the series of qualitative testing of the integrated disclosures under this and the CFPB’s Emergency Clearance 1505-0233. 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 will conduct the next iteration of this qualitative testing (Round 7) on revised prototype designs in Birmingham, AL on December 13-15, 2011. As with the last round, the CFPB will post the disclosures on its website and give the public the opportunity to provide feedback on the two prototype designs presented. The CFPB anticipates conducting two additional iterations of this qualitative testing through February 2012.

This memorandum outlines the changes in the information collection tools between Round 6 and Round 7.

Changes to the Recruiting Materials:

No changes have been made to the recruiting materials.

Changes in the Prototype Forms:

The two prototype disclosures tested in Round 6 will be revised reflecting data obtained through qualitative testing and the public feedback obtained through the online tool. The first prototype design will have the same first page as in Round 6, but will incorporate the elements of pages 2-6 that worked best from each. This prototype will also revise the ordering of the information to enhance performance. The following outlines the changes to the first prototype design:

- **The second page** includes the material from the third and fifth and sixth pages of the previous prototype. The two Summary of Transaction sections have been moved to this page, along with closing costs summaries that appeared on the subsequent pages of the

previous prototypes. The comparison table from page 4 of the previous prototypes has been condensed and moved to page 2.

- **The third page** displays the details of closing costs. This was moved from page 2 of the previous prototypes so that the design generally flows from summarized information to the details. The page contains a level of detail and format similar to the previous prototypes, but includes two new subtotal rows.
- **The fourth and fifth pages** contain the Loan Disclosures, Loan Calculations, and Other Disclosures sections from the previous prototypes. This is information required by TILA, as amended by the Dodd-Frank Act. We are testing comprehension of these required statements and items. We are also testing the signature line.

The second prototype design will be essentially the same as the first prototype, except that it will display closing costs and transaction information on pages 2 and 3 in a format that is similar to the initial disclosure. Pages 2 and 3 will also be in a different order, with the closing cost details on page 2 and the summaries of the closing costs and transactions on page 3. This prototype's pages 1, 4, and 5 are essentially the same as the other prototype being tested.

In addition, we will also be testing a version of the initial disclosure with four consumers separately, in order to test certain revisions that aim to enhance understanding of interest-only loan products. The changes to this prototype of the initial disclosure include a revised explanation bullet next to the monthly payment amount and a revised table explaining adjustments to the payment amounts. In addition, we have designed two statements for placement on worksheets that lenders typically provide to consumers before receipt of the initial disclosure, which will inform consumers that the worksheet is not the initial disclosure.

#### Changes to the Moderator's Guide for Consumers

We understand that the closing disclosure will need to work with the initial disclosure. Accordingly, in Round 7 we will be providing participants with both the initial and closing disclosures and participants will be tasked with verifying whether the information on the closing disclosure is accurate, after viewing the initial disclosure. This is a critical task for actual consumers that are reviewing their closing disclosures, and the proposed disclosures should enable this comparison.

As did the Round 6 moderator guide, the Round 7 moderator guide involves three tasks. In the introduction section, the participant will be provided time to review the initial disclosure and the moderator will read a script that will explain the initial disclosure as a loan officer or mortgage loan broker. Then the moderator will provide the prototype of the closing disclosure. The first task will be a think-aloud and detail questions with the closing disclosure. The second task will present the second prototype design, and consumers will again be asked to verify information to gauge performance and about which design they prefer to use. The third task will involve comprehension questions about the statements and items on pages 4 and 5.

Round 7 will also involve a moderator guide for the testing of the revisions to the initial disclosure with four separate consumer participants. These sessions will only be sixty minutes

and only involve two tasks. The first task will be a think-aloud with the worksheet statement and the first page of the initial disclosure. The second task will be a think-aloud and detail questions with the full prototype of the initial disclosure without the worksheet statement.

#### Changes to the Moderator's Guide for Industry

The moderator guide for industry continues to be similar to versions used in earlier rounds of testing. The format will be essentially the same as the consumer moderator guide, except that the emphasis of questions will be on practical use and implementation issues. In the first task, the industry participant will be given the prototype disclosure and will perform a think-aloud, as well as answer detail questions about comprehension and implementation. The second task will involve a think-aloud and additional questions with the other prototype disclosure design. The third task will involve answering questions specific to pages 4 and 5.

#### Changes to the Scenario

The scenario card has been revised to reflect a purchase transaction and an appropriate sale price and loan amount for the Birmingham metropolitan area.

#### Changes to the Internet tool

The CFPB will use the same Internet tool as in Round 6, with the only change being the different prototype disclosure designs. The public will have the same number of comment boxes available, and the same opportunity to provide feedback via the online tool.