**OMB No. 3170-0003**

Moderator’s Guide— Spanish Consumer (LE-Fixed- w/ balloon and CD-5 Year I/O ARM)

*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 (5 minutes)**

Welcome, and thank you for coming today. My name is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and this is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. I am 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. I am talking with a number of people this week, and I want to be sure I say the same things in the same way to everyone.

MCj02460370000[1]The material we are testing today is part of a consumer study about the mortgage disclosures you receive when you 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/**](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 mortgage disclosures that will help consumers understand their loan terms and costs when they purchase a home or refinance an existing loan. What you say to us today will help us do that.

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. Please remember there are no right or wrong answers. We aren’t testing you—even if at times it may feel like we are. These disclosures have been tested in English. Now we are focused on translating them to make sure they will work well for Spanish-speaking consumers.

We want to learn from you and find out 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 understand what this is trying to tell me”, say those things out loud. Or maybe you think “What does this word mean?” Say that out loud. 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.

MCj02460370000[1]***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.**

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?

MCPE01933_0000[1]***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?

MCj02460370000[1]***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.

**Task One: Loan Estimate 30 Year Fixed with Balloon (20 minutes)**

Next, I am going to show you some information about the home buying process to help us with our next tasks. Homebuyers go through a number of steps 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**. (Show they are at #5 in Column 2 of Process.) You have

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

The mortgage broker gives you a document, which is called the Loan Estimate disclosure.

MCPE01933_0000[1]***Note to Moderator:* Hand participant *Scenario Card* and read out loud.**

**You are interested in purchasing a home that costs $190,000. You are planning to make a down payment of about 10% or $19,000, of which $9,000 you've already paid as a deposit. You planned to borrow $176,000.**

**Cost of home: $190,000**

**Down payment: $19,000 (10% down) but already gave $9,000 deposit to seller**

**Loan Amount applied for: $171,000**

***Your task is to look at the disclosure and tell me what you are thinking and noticing. I want you to think aloud on page 1 of the disclosure and then I will have some questions to ask you.***

Remember, I want to hear what you are noticing and thinking about as you look at page 1 of the Loan Estimate. 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.

Please go through the disclosures exactly as you would if you received this from a mortgage broker. As you go through them, please 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?

MCPE01933_0000[1]***Note to Moderator:* Hand participant LE.**

Okay, here is the Loan Estimate. To help get you started, what is the first thing you notice?

**After page 1 think-aloud is complete:**

**I have some questions to ask you, but you may look back at page 1 of the disclosure to answer my questions.**

1. What type of loan product is this? Where did you get that information?
2. Can you tell me what you think “RATE LOCK” means?
3. What is the interest rate for this loan?
4. You have to write a check (or make an electronic payment) to the bank for your regular payment. During Year 1, for how much would that check be?
5. What does that include? Where did you get that information?
6. How often would you make a payment to the bank?
7. How much is the last payment that you would make? In what year would that be?
8. At closing you have to write a check. How much would that check be for? What does it include? Could the amount of the check change before closing? If so, why? Where did you get that information?
9. Can you tell me what you think a balloon payment is?
10. (If participant still does not seem to understand what balloon payment is, explain to them that “A balloon payment is a required loan payment that is much larger than your regular monthly payment. Typically it is a final loan payment that pays off the remaining loan balance much earlier than usual 30 or 15 year term, usually at 5 or 7 years.” What word or words might you use instead?
11. Do any of these options for balloon payment make it more clear? Cuota extraordinaria/Pago extraordinario
12. Another option that we are exploring is that because “balloon payment” is a term that the mortgage industry uses, , we are considering leaving the English term “balloon payment.” Can you tell me what you think about that?
13. Are there any other words on page 1 of the disclosure that you think might be unfamiliar or unclear to other people?

Thank you!

Now I want you to go through and look through page 2 of the Loan Estimate. Please point out any words that you do not understand or that you think might be difficult for other people to understand. After you finish going through that page, I will have some more questions to ask, but again, you will be able to look at the disclosure to answer any of my questions.

MCPE01933_0000[1]***Note to Moderator:* Let participant go through page 2. Probe further on any words the participant brings up to assess why they are confusing. Remember we want to differentiate between an issue of not understanding the concept vs. a translation issue.**

Thank you. Now I have some questions to ask you, but you may look back at any pages of the disclosure to answer my questions.

**Page 2 Questions**

1. What is the purpose of page 2 of the Loan Estimate?
2. If you wanted to lower your **loan costs**, what would you do?
3. If you wanted to lower your **other costs**, what would you do?
4. What does the word “origination charges” mean to you?
5. Is there another word that is more familiar?
6. You see the section on Initial Escrow Payment at Closing (Section G)? In your own words, how does this information relate to the escrow information on page 1?
7. Are there any other words on page 2 of the disclosure that you think might be unfamiliar or unclear to other people?

Thank you! Now I want you to go through and look through page 3 of the Loan Estimate. Please point out any words that you do not understand or that you think might be difficult for other people to understand. After you finish going through that page, I will have some more questions to ask, but again, you will be able to look at the form to answer any of my questions.

MCPE01933_0000[1]***Note to Moderator:* Let participant go through the page 3. Probe further on any words the participant brings up to assess why they are confusing. Remember we want to differentiate between an issue of not understanding the concept vs. a translation issue.**

Now I have some questions to ask you, but you may look back at any pages of the disclosure to answer my questions.

**Page 3 Questions**

1. What do you think the “In 5 Years” section is trying to show you?
2. In your own words, what is the Annual Percentage Rate (APR)?
3. In your own words, what is the Total Interest Percentage (TIP)?
4. Please look at the “Other Considerations” section. Can you read through the “Appraisal” section and then tell me in your own words what you think it is trying to tell you?
5. Can you tell me what you think “appraisal” means?
6. Do any of these options make appraisal clearer? Avalúo de la vivienda, Valoración de la vivienda?
7. Can you tell me what you think “assumption” means?
8. Is there another word that you think is more familiar?
9. Can you tell me in your own words what the refinance section is trying to tell you?
10. Do you have a suggestion for a better more understandable word to use for “refinance”?
11. Are there any other words on page 3 of the disclosure that you think might be unfamiliar or unclear to other people?

Thank you for answering all of my questions. Now, just a few questions about the overall Loan Estimate.

1. Looking back at the whole document, does the size of the font seem readable? Would you say it is “too small, just right, or too large.” (Must select one)
2. Are there any other words on the disclosure that you think might be unfamiliar to other people?
3. Now, let me give you all of the pages of the Loan Estimate, so you can see what the entire Loan Estimate 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?

MCPE01933_0000[1]**We’re about 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: 5 Year I/O ARM Closing Disclosure (35 minutes)**

Now, for the next part, I’m going to show you a closing disclosure. Just to let you know, the loan on the Closing Disclosure is different than the loan you saw on the Loan Estimate and that’s because we are testing the forms with all different types of loans. I wanted to let you know that upfront so you weren’t confused by that big change.

That said, for this next part, I want you to assume you are getting ready to close on your home and your “new” loan. When you close on the loan, one of the many documents you receive is a Closing 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.** (Show they are at #5 in Column 3 of Process)

You are closing tomorrow and you received the final Closing Disclosure. Remember that the loan estimate you looked at first was **NOT** based on these assumptions. Here are the new assumptions:

MCPE01933_0000[1]***Note to Moderator:* Hand participant *Scenario Card* and read out loud.**

**You are interested in purchasing a home that costs $240,000. You are planning to make a down payment of about 12% or $29,000, of which $5,000 you've already paid as a deposit. You planned to borrow $216,500.**

**Cost of home: $240,000**

**Down payment: $29,000 (12% down) but already gave $5,000 deposit to seller**

**Loan Amount applied for: $216,500**

**Estimated Cash to Close: $29,826.23**

MCPE01933_0000[1]***Note to Moderator:* Point to Scenario Card again.**

***Your task is to look at the Closing Disclosure and to tell me what you are thinking and noticing.***

When I hand you the disclosure, I want to hear what you are noticing and thinking about as you look through the pages of the Closing 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 bank the day before closing. Just so you know the first 3 pages are very similar to the pages you saw in the Loan Estimate so you can skim through those and mainly let me know if there are any words you think might be confusing. As you go through the pages of the disclosure one by one, 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?

MCPE01933_0000[1]***Note to Moderator:* Hand participant closing mortgage loan disclosure.**

Okay, here is the final Closing Disclosure. Let’s have your first look at page 1. To help get you started, what is the first thing you notice?

MCj02460370000[1]***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 with page 1 think aloud, ask the participant:**

Now, I have a number of questions to ask you. Remember you can look back as much as you want to answer any of these questions.

1. What are the estimated taxes and insurance for the property? How often do you pay that?
2. Do you have an escrow account with this loan? Where do you see escrow information?
3. If so, what items are being covered by your escrow account? Where did you get that information?
4. How much are you putting into your escrow account each month?
5. Are there any other words on page 1 of the disclosure that you think might be unfamiliar or unclear to other people?

Thanks for answering those, now go ahead and look at page 2.

**When the participant seems to be finished with page 2, ask the participant:**

1. Can you tell me what the word “borrower” means to you? Is there another word or term that is more familiar? Deudor?
2. Are there any other words on page 2 of the disclosure that you think might be unfamiliar or unclear to other people?

Thanks for answering those, now go ahead and look at page 3.

**When the participant seems to be finished with page 3, ask the participant:**

1. Looking at the “Calculating Cash to Close” table. Can you tell me what this table is trying to show you?
2. What is the amount of closing costs you (the borrower) financed?
3. Other than Closing Costs, what else are you paying at closing?
4. Are there any other words on page 3 of the disclosure that you think might be unfamiliar or unclear to other people?

Thanks for answering those, now go ahead and look at page 4.

**When the participant seems to be finished with page 4, ask the participant:**

1. Looking at page 4, Looking at the “Loan Disclosures” section, would you please read through the section on Escrow Account Information? Does this give you any information that you did not have earlier in the document? What new information is this giving you?
2. Can you tell me what you think escrow means?
3. Do any of these options for escrow make it more clear? Depósito para impuestos y seguros de la vivienda , Reserva para impuestos y seguros de la vivienda, Escrow para impuestos y seguros de la vivienda. Of these, which do you prefer and why?
4. Another option that we are exploring is that because “escrow” is a term that the mortgage industry uses, we are considering leaving the English term “escrow.” Can you tell me what you think about that?
5. Look at the Adjustable Interest Rate (AIR) table. 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. Look at the Adjustable Payment (AP) table on page 2. Can you explain to me in your own words what this table is trying to show you?
8. How does this information connect to the information on page 1 of the disclosure?
9. Are there any other words on page 4 of the disclosure that you think might be unfamiliar or unclear to other people?

Thanks for answering those, now go ahead and look at page 5.

**When the participant seems to be finished with page 5, ask the participant:**

1. Let’s look at the “Loan Calculations” section. Go ahead and read the Amount Financed section, what does this mean in your own words? Is this information useful to provide to you? Why?
2. Let’s look at the “Loan Calculations” section. What is the Total Interest Percentage? What does this mean in your own words? Is this information useful to provide to you? Why?
3. Please look at the “Other Disclosures” section. According to this form, can you try to refinance this loan in the future?
4. Does the Contact Information table have the basic information that you would need?
5. Are there any other words on page 5 of the disclosure that you think might be unfamiliar or unclear to other people?

Thank you for answering all of my questions. Now, just a few questions about the overall Closing Disclosure.

1. Looking back at the whole document, does the size of the font seem readable? Would you say it is “too small, just right, or too large.” (Must select one)
2. Are there any words on the disclosure that you think might be unfamiliar to other people?
3. Now, let me give you all of the pages of the Closing Disclosure, 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? Can you explain why you gave it this rating? What about the Loan Estimate?

**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? You do not have to speak to them in English and I will translate the observer responses back to you in Spanish.

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