

Design and Testing of Mortgage Servicing Disclosures: Protocol for In-Depth Cognitive Interviews

Introduction (2 minutes)

My name is _____ and I work for a company called ICF International. We are a research company that conducts interviews and focus groups on behalf of different organizations across the country. For this specific project, we are working on behalf of the Consumer Financial Protection Bureau. The Consumer Financial Protection Bureau is a new agency of the Federal government whose role is to make markets for consumer financial products and services work for Americans — whether they are applying for a mortgage, choosing among credit cards, or using any number of other consumer financial products. Today, we are going to be talking about several topics related to mortgages, and I'm going to ask you to review a few documents. I want to be clear up front that I am not an expert in this topic—you can ask me questions, but I may not be able to answer them. This interview will take no more than 60 minutes, and you may take a break and step out or end the interview at any time.

Before we begin, have you had an opportunity to read and sign the informed consent? Do you have any questions about it?

I'd like to remind you of a few things that were on that document.

- We will be videotaping this discussion, to make sure we don't miss anything that you say.
- Behind the glass, there are people observing this interview from both the Consumer Financial Protection Bureau and my company, ICF International.
- Everything that you say in this discussion will be private. Your name will never be used in any of our reports.

Do you have any questions before we begin?

Section I: Background Information (5 minutes)

Let's begin by talking for a few minutes about your experience with mortgages.

1. Do you have a mortgage?
 - a. If Yes: How long have you had it?
 - b. How close are you to paying it off?
2. Tell me a little about the terms of your mortgage.

- a. How many years of payments does it include?
 - b. Is your interest rate fixed, or can it change?
3. Is this your first mortgage?
- a. *If no:* Tell me a little about your other mortgages. Were they different from your current mortgage loan in any way? If so, how?
4. Do you get statements about your mortgage payment? Do you get them by mail or do you get them delivered electronically?
- a. What do you do with those statements when you get them?
 - b. How closely do you read those statements? If you don't read them, did you used to read them when you first got the mortgage?
 - c. What information do you look at on the statement?

Section II: Periodic Statement (18 minutes)

At this point I would like you to imagine that you have a mortgage with a company called "Springside Mortgage." I'd like you to imagine that you just received your mortgage statement for this month in the mail. I would like you to review this document just like you do your actual statement. As you are reading, I want you to "think aloud." By that, I mean that I would like you to describe what you are thinking as you read. In particular, let me know if you read anything that you find surprising, interesting, or confusing.

Give participant the periodic statement. Give him or her a few minutes to read while thinking aloud. When he or she is finished, continue.

5. If this were your statement, is there any information that would catch your attention or be particularly important to you?
6. Is there anything you found confusing or unclear about this monthly statement?
 - a. Are there any questions you would have if this were your statement?

Now I'd like to ask you some specific questions about the information presented in this document. But before I do, I want to make sure you understand that I'm not testing you or your knowledge. The reason I'm asking the questions is because I want to see how easy the statement is to read and understand. So you are free to look at the statement when you're answering the questions.

Based on the information in this monthly statement:

7. Were you charged any fees in the past month?

- a. If so, why were those fees charged?
8. How much is Springside Mortgage expecting you to pay this month?
 - a. Why do you owe this amount?
 - b. When is this payment due?
9. What is the interest rate on your mortgage?
10. Is that interest rate going to stay the same, or might it change in the future?
 - a. Why? What makes you say that?
 - b. *[If participant indicates that the rate could change]* When is the soonest your interest rate could change?
11. How much money is left on your mortgage?
12. Did you make last month's payment? How do you know?
 - a. *[If respondent does not realize that he or she made a payment, point out that row in the Transaction Activity box]* When you made last month's payment, did it decrease the amount that you owe? If so, by how much? How do you know?
 - b. *Point out the section of the Transaction Box showing how the last payment was applied.* What is this section of the statement telling you?
 - c. *Point out the reference to "Partial Payment (Unapplied)".* If there was a dollar amount here, what would it mean?
13. Imagine that you won the lottery and wanted to pay off your mortgage entirely this month. Would Springside Mortgage charge you any fee for doing so?
 - a. How do you know? What would be the size of that fee?
 - b. Would you have to pay this fee if you refinanced and got a new mortgage?
 - c. Would you have to pay this fee if you sold the house?
14. How much money have you paid in interest so far this year?
15. If you wanted more information about this mortgage, how would you get that information?
 - a. Is there anything on this statement that tells you what to do?
16. Imagine that you were having trouble paying your mortgage. What would you do?
 - a. Are there organizations that could give you advice on what to do?
 - b. How could you contact these organizations?

- c. *[If necessary]* Is there any information on this statement about how you could contact an organization to get advice?

The Consumer Financial Protection Bureau is responsible for making rules that tell mortgage companies what information they have to put on monthly statements.

17. Is there any additional information that you think should be included on monthly statements because it would be helpful for borrowers to know?
18. With that in mind, do you have any suggestions for how they could make this document clearer or more useful?

Section III: Hybrid ARM Reset Notice (15 minutes)

[Take away periodic statement.] Now I'd like you to assume that you had a mortgage loan through Springside Mortgage. Imagine that you have had that mortgage for about two and a half years. Imagine also that the interest rate on your mortgage has so far been fixed at 4.25%, and has never changed. One day, you receive an envelope from Springside Mortgage with a document in it. As we did before, I'd like you to review this document just as you would if you had received it in the mail, and to "think aloud" as you go through it.

Give participant the hybrid ARM rate reset notice. Give him or her a few minutes to read while thinking aloud. When he or she is finished, continue.

19. In a couple of sentences, explain what this document is telling you.
 - a. What is going to happen?
 - b. When is it going to happen?
20. What would be your reaction to this document if you received it?
21. Is there anything you found confusing or unclear about the document?

Again, I'd like to now ask you some specific questions about the information in this document.

22. What does it mean that your interest rate is going to become an "adjustable rate"?

If participant does not understand that the document is indicating that their rate will begin changing in six months, explain this fact to them at this point.

23. Based on the information in this document, what do you think your interest rate and payment are going to be in six months?
 - a. *[If participant identifies the estimated rate and payment]* Will this definitely be your interest rate and payment in six months, or might they be different?
 - i. Why?

- ii. Is the new interest rate permanent? If not, how long will the new interest rate last and what happens after that?
 - iii. When is your first new payment due?
- 24. *[If participant indicates that rate will change]* How will Springside Mortgage decide what your interest rate is?
 - a. *[If necessary, direct participant's attention to the text that describes how the rate will be determined.]* Could you explain in your own words what these sentences mean?
- 25. If you felt that you might not be able to make your future mortgage payments, what would you do?
 - a. Is there any information on the document about what you could do?
- 26. *[If necessary]* Imagine that you decided you wanted to talk to a counselor about your financial situation. Who would you contact?
 - a. Is there any information on this document about who you could contact to get help, and how you could contact them?
 - b. Which of the organizations on this list would you contact?
 - i. What kinds of help do you think these organizations could provide?
- 27. Imagine that you got this document and decided that you did not want to have this mortgage if the rate was going to start changing. What could you do?
 - a. *If participant does not mention the list of alternatives:* Is there anything else you could do?
 - b. *If participant still has not noticed the list of alternatives, point it out to him or her. For each alternative on the list provided by the document, ask:*
 - i. In your own words, what does this mean? What would happen if you pursued this alternative?

The purpose of this document is to inform a mortgage borrower that his or her mortgage interest rate is going to become adjustable. The Consumer Financial Protection Bureau is going to require that mortgage companies send this document to alert borrowers when this is going to happen for the first time. To help consumers, the Consumer Financial Protection Bureau wants to make sure that the information is clear and easy to understand.

- 28. Is there any additional information that should be included on this document because it would be helpful for borrowers to know?

29. Do you have any suggestions for how they could make this document clearer or more useful?

Section IV: Force-Placed Insurance (FPI) Notice (10 minutes)

[Take away previous documents.] Now I'd like you to imagine that you again had a loan with Springside Mortgage, and again one day you received an envelope that said "Springside Mortgage" on it, and inside it was a document. As we did before, I'd like you to read this document as you would if you had received it in the mail, and to "think aloud" as you go through it.

Hand participant the FPI notice. Give him or her a few minutes to read while thinking aloud. When he or she is finished, continue.

30. What would be your reaction to this document if you received it?
31. In a few sentences, explain what this document is telling you.
32. Is there anything you found confusing or unclear about the document?
33. What would you do if you received this document in the mail?
- Why would you do that?
 - Do you think it would make any difference how quickly you did it? Why?
34. According to this document, if you don't do anything what will happen?
- When would this happen?
 - What impact would it have on you?
35. In your opinion, would it be good or bad for you if Springside Mortgage purchased insurance for you, as described here?
- Why?
36. [If necessary] If you did not want Springside Mortgage to purchase insurance for you, what could you do?
37. Imagine that the same day you got this letter you called your insurance company, and it turned out that your policy had been expired for two weeks. You immediately renewed the policy, and then a week later you sent evidence of coverage to Springside Mortgage. That evidence showed that you now had coverage, and that except for those two weeks when your policy was expired, you always had coverage. Do you think you could be charged anything? Why or why not? If so, for what would you be charged?

The purpose of this document is to inform the mortgage holder that Springside Mortgage has no evidence that there is homeowners' insurance on the property, and that if they do not receive that evidence they will go ahead and get their own insurance. Because this is important information for mortgage holders, the Consumer Financial Protection Bureau wants to make sure that it is clear and easy to understand.

38. Is there any additional information that you think should be included in the document because it would be helpful for borrowers to know?

39. With that in mind, do you have any suggestions for how they could make this document clearer or more useful?

False Close and Conclusion (10 minutes)

Interviewer will excuse him or herself and tell the participant that he or she is going to speak with the observers to see whether they have any follow-up questions. If observers have follow-up questions or topics to revisit, the remainder of the interview should be spent addressing those questions or topics. At the conclusion of the interview, thank the participant for their assistance and lead them to the front desk.