

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. 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.

Before you start reviewing the periodic statement, I want to let you know that last month you were a little short on money, so you didn't make your full mortgage payment.

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. How much is Springside Mortgage expecting you to pay this month?
 - a. What is your regular monthly payment—that is, the amount that you are normally expected to pay each month?
 - b. Why are you being asked to pay more this month? (*Probe to see if participant is aware that (a) they were charged fees; and (b) they have to pay the remainder from last month.*)
8. When is this payment due?
9. Were you charged any fees in the past month?
 - a. If so, why were those fees charged?
10. What is the interest rate on your mortgage?
11. 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?
12. What is the total amount of money that you owe Springside Mortgage?
 - a. Did the bank receive your payment last month? How do you know? How much did you pay last month?
 - b. What did Springside Mortgage do with the money that you paid last month?
 - i. Did they use it to pay down the amount of your loan?
 - ii. [*If participant is unsure*] What do you think they did with the money, based on what you see here?
 - c. *Point out the fact that last month's payment is listed in a row labeled "Partial Payment (Unapplied)".* What do you think this means?
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 owe a fee if you paid off your mortgage in the year 2015? Why or why not?
14. How much money have you paid in interest so far this year?
15. 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.

16. Is there any additional information that you think should be included on monthly statements because it would be helpful for borrowers to know?
17. 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 different 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.

18. 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?
19. 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.

20. What does this notice tell you about the terms of the mortgage you originally signed up for?
 - a. *If participant merely responds that they signed up for an "adjustable rate mortgage," probe to see if they understand what that means—i.e., that their rate was fixed for the first three years, and then becomes adjustable.*
21. According to this letter, when are your rate and payment scheduled to change?

If participant does not know that their rate could change in six months, point this out to them at this point.

22. Do you think your rate could change before August 20? How do you know?
- a. Do you think your rate could change again after August 20? How do you know?
 - i. *[If participant understands that rate will continue to change]* How often will your rate change after August 20?
23. What do you think your interest rate and payment are going to become on August 20?
- a. *[If participant identifies the estimated rate and payment]* Will this definitely be your interest rate and payment, or might your rate and payment actually be different on that date? How do you know?
24. Does Springside Mortgage decide what your interest rate will become on August 20? Why or why not?
- a. *[If yes]* If they wanted to, could Springside Mortgage decide to make your interest rate 6.00% on that date, instead of 5.75%? Why or why not?
 - b. *[If no]* If Springside Mortgage doesn't decide what your rate becomes, what does determine what your rate will be?
 - c. *[If respondent indicates that their interest rate is based on an index]* Does Springside Mortgage control what the index/LIBOR rate will be? If not, what does determine what the index/LIBOR rate will be?
 - d. *If participant does not understand that their interest rate is based on an index, ask them to re-read the Interest Rate section of the notice.* Please explain what this is saying in your own words.
 - i. According to this, how is your interest rate determined?
 - ii. *[If not already asked]* Does Springside Mortgage control what the index/LIBOR rate will be? If not, what does determine what the index/LIBOR rate will be?
25. If you felt that you might not be able to make your future mortgage payments, what would you 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. In a few sentences, explain what this document is telling you.
31. What would be your reaction to this document if you received it? Why?
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?
- a. Why would you do that?
 - b. Do you think it would make any difference how quickly you did it? Why?

34. [WP Version Only] According to this document, if you don't do anything what could happen?
- When could this happen?
 - What impact could it have on you?
 - If you did not want Springside Mortgage to purchase insurance for you, what could you do?
35. [AP Version Only] If you wanted Springside Mortgage to cancel the insurance it took out for you, what could you do?
36. Imagine that after you got this letter you called your insurance company and learned that your insurance really had expired. What would you do?
- [If participant indicates that he or she would renew policy, or would get another policy]* Why would you want to get your own policy, if the letter already says that Springside Mortgage [purchased (AP version)/may purchase (WP version)] insurance on your behalf?
37. Again, imagine that after you got this letter you called your insurance company, and it turned out that your policy had expired. You then renewed your policy, but not before there was a one-week period during which you didn't have your own insurance. You then sent proof of insurance to Springside Mortgage. Assuming that Springside Mortgage had taken out insurance for you during that one week that you didn't have your own insurance, could they charge you for that week? How do you know?
- Now imagine that there was a week of overlap, during which both you and Springside Mortgage had insurance policies on your house. Could they charge you for that week of coverage? How do you know?

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.