

**CONSUMER FINANCIAL PROTECTION BUREAU
INFORMATION COLLECTION REQUEST – SUPPORTING STATEMENT
QUALITATIVE TESTING OF MORTGAGE SERVICING RELATED MODEL FORMS
AND DISCLOSURES
(OMB CONTROL NUMBER: 3170-0018)**

The CFPB will begin its second round of testing under this emergency clearance on Wednesday March 29, 2011. The following describe the changes submitted to OMB from the testing materials used in the previous round.

Changes to Part B of the Supporting Statement

Part B – We originally expected that the three rounds of testing will take place approximately one month apart from January through March 2012. Due to scheduling issues unforeseen at the time of our original submission, we have to move the third round of testing to approximately 5 weeks after the second round of testing is completed, putting the end of testing sometime in early April.

Changes to the Interview Protocol

As discussed in the originally-submitted Part B of the supporting statement, the CFPB expected to use data gathered from testing to revised the mortgage servicing related model forms and disclosures. Based on data gathered from the first round of testing, we have made revisions to the model forms and updated the interview protocol accordingly. In particular:

- Periodic Statement:
 - In the first round of testing, we tested a sample periodic statement that would be provided to a borrower who was current with his mortgage payments. In the second round of testing, we are planning to test a sample periodic statement that would be provided to a distressed borrower. Accordingly, we revised Questions 8 and 13 in the originally-submitted protocol to reflect this change. Question 8 is now relabeled as Question 7 in the revised protocol. Question 13 has been incorporated into Question 12 in the revised protocol.
 - In addition, the following questions have been redrafted or eliminated based on results from the first round of testing:
 - We redrafted Question 12 in the originally-submitted protocol because we found that a majority of participants did not understand that the question “how much money is left on your mortgage” was asking them to tell us the amount of principal balance that was outstanding on the loan. We think the redrafted Question 12 provides greater clarity.
 - We redrafted Question 14 in the originally-submitted protocol (now Question 13 in the revised protocol) because we found most participants were confused about whether a prepayment penalty applied in cases of refinancing or selling the house. We expect that participants in subsequent rounds may be similarly confused about when a prepayment penalty applies and that there is little benefit to prolonging confusion. We think

that the redrafted Question 14 will provide us with better insight on any participant confusion about prepayment penalties.

- We eliminated Question 16 in the originally-submitted protocol. Question 16 was intended to probe whether participants could quickly locate the contact information for the mortgage company we put in the sample periodic statement. All participants were able to do that. We think participants in subsequent rounds are likely to react similarly.
- Hybrid ARM Notice
 - We eliminated Question 21 in the original-submitted protocol because testing results showed that participants reacted to the question so generally that the question was unhelpful in assisting us in gathering useful data.
 - Participants were consistently confused about why the interest rate on their mortgage was changing, when the change would take place, how often the rate was going to change, the amount of their new mortgage payment and how the new interest rate would be determined. Accordingly, we revised the sample hybrid ARM notice to provide greater clarity and drafted Questions 20-24 in the revised interview protocol to test the effectiveness of the revisions in providing clarity.
 - We eliminated Question 25(a) in the originally-submitted protocol because it seemed unnecessary. All of the testing participants indicated that they would use the information about mortgage counseling that we put on the sample hybrid ARM notice without the interviewer having to ask them Question 25(a).
- Force-Placed Insurance: During the first round of consumer testing, participants consistently demonstrated confusion about when the servicer would obtain a force-placed insurance policy on their behalf and when they would be charged for the policy. In an effort to reduce confusion in subsequent rounds, we created two sample model force-placed insurance notices. One model notice informs a consumer that the force-placed insurance has already been obtained. We have identified this model as the AP (already-placed) Version in the revised protocol. The alternative notice informs that the force-placed insurance may be obtained. We have identify this model as the WP (will-placed) Version in the revised protocol. Consequently, questions related to force-placed insurance in the protocol have been revised accordingly.
- Miscellaneous: We redrafted Question 2 in the originally-submitted protocol. Question 2(a) was a warm-up question we used to help get the interview started. Over the course of testing, we concluded that there were enough warm-up questions, making Question 2(a) unnecessary.