

**ICBA Disclosure Testing: Qualitative Pre-testing of Survey (Testing) Instrument and
Modified Disclosure Forms**

OMB CONTROL NO.: 3170-XXXX

Supporting Statement Part B

- 1. Describe (including a numerical estimate) the potential respondent universe and any sampling or other respondent selection method to be used. Data on the number of entities (e.g., establishments, State and local government units, households, or persons) in the universe covered by the collection and in the corresponding sample are to be provided in tabular form for the universe as a whole and for each of the strata in the proposed sample. Indicate expected response rates for the collection as a whole. If the collection has been conducted previously, include the actual response rate achieved during the last collection.**

The relevant population for this study would consist of consumers who are considering borrowing a construction loan. Unfortunately, because of data limitations, it is not possible for ICBA or its contractor to estimate the size or composition of this population.¹ Furthermore, because ICBA does not have any way to contact previous borrowers, this study cannot reasonably sample from past borrowers, and nor can it survey past borrowers to estimate demographic characteristics of the relevant population.

Given the difficulty in identifying a sample of potential construction loan borrowers, the approach this study takes is to draw a sample that closely matches the distributions of key demographics (age, income, and education) of community bank members.²³ Furthermore, the sample will mirror the distributions of race and ethnicity of the general U.S. population. Each of these demographics could reasonably correlate with a consumer's ability to read and understand disclosure forms, and therefore, although imperfect, this

¹ Neither construction loan volume nor characteristics of borrowers of construction loans are tracked by ICBA, and ICBA and its contractor are unaware of any sources for these data. For a rough estimate of the potential respondent universe, ICBA's contractor estimates that approximately 100,000 residential construction loans were originated for individual consumers in 2023. The estimate of total residential construction loan volume is based on FDIC Call Report data on outstanding 1-4 family residential construction and land development loans, as summarized in the FDIC Quarterly Banking Profile. National Association of Home Builders (NAHB) analysis of these Call Report data indicates that approximately \$42 billion of this volume reflects loans to large- or mid-sized builders, leaving an estimated \$43 billion attributable to individual consumers. The estimate of approximately 112,460 potential annual borrowers is a derived figure obtained by dividing this estimated consumer loan volume by the average mortgage loan size reported for U.S. home buyers (\$373,463 as of October 2024).

Sources: Federal Deposit Insurance Corporation, Quarterly Banking Profile (2023); National Association of Home Builders (2023), "Distribution of 1-4 Unit Residential Construction Loans Among Banks by Asset Size"; Zillow Research, "Average Mortgage Amount by State and Nationally" (2024).

² ICBA and its contractor believe that it is reasonable to assume that the demographics of borrowers of construction loans generally match the demographics of its broader customer base. Information on these demographics are taken from: *Understanding and finding your customers. New research reveals insights into demographics, media behaviors, and preferences of community bank customers*, ICBA (2021).

³ These demographic characteristics will be sampled independently and not jointly.

sampling methodology takes an important step toward representing the population of interest. If statistically significant differences are found between the treatment group (those in the sample that will receive the modified disclosures) and the control group (those in the sample that will receive old disclosures), it is possible similar, statistically meaningful differences may be found in the target population. The findings of ICBA's disclosure testing study will ultimately inform the next steps regarding the disclosure, potentially including an in-market randomized controlled trial, as allowed for under the trial disclosure policy.

ICBA's contractor will conduct an online survey using a national survey vendor, Veridata Insights. Veridata Insights will use a 200,000-participant convenience panel for the online survey. Demographic quotas will be used for the sample to match the distributions of key demographics (age, income, and education levels of ICBA members/customers; race/ethnicity of the general U.S. population). Demographics are known for all participants in advance, which allows targeted invitations. Targeting invitations minimizes the impact on response rates compared to, for example, sending untargeted invitations and only keeping responses that meet certain demographic criteria. Individuals who are part of Veridata Insight's national panel who fit the general demographic criteria will be sent an invitation to take the survey. Those who choose to take part will then answer a limited number of demographic questions to (i) ensure that they meet the requirements set by the study, and (ii) allows the contractor to balance the demographics to the quotas set. Respondents will answer two questions to screen out any individuals who work as loan originators or who work in market research. Respondents will be shown a statement describing the study and how information from the study will be used. They will then be asked if they would like to proceed with the study. Respondents who choose to proceed will then be randomly assigned to a loan type and to either see the new disclosure or the old disclosure. Every respondent will be asked to view their assigned disclosure and will answer the same multiple-choice questions about the loan described in the disclosure. They will be allowed to view the disclosure as much as they would like as they answer questions. Participants will be paid a small incentive for their time after completing the survey.

ICBA's contractor expects a response rate of 35% for this targeted sampling plan, which is in line with typical online surveys.⁴

No data collection of this type has been conducted previously.

⁴ The invitations will be highly targeted to minimize impact on response rate.

Power Analysis

ICBA's contractor intends to test disclosures across five construction loan types. Assuming the new disclosure forms improve participant performance by 10 percentage points, this implies that ICBA's contractor would need a total sample 575 participants (see Table 1).⁵ The contractor will add an approximate 10% cushion for non-compliance and an "inferential cushion" of additional subjects to ensure that the study maintains statistical rigor and stronger validity. Considering the above estimate of a 35% response rate, ICBA's contractor plans to contact about 1,650 people.⁶

Table 1. Sample Size

Sub-Test	Base Sample	Non-Compliance Cushion	"Inferential Cushion"	Subtotal
Loan Type 1	82	8	25	115
Loan Type 2	82	8	25	115
Loan Type 3	82	8	25	115
Loan Type 4	82	8	25	115
Loan Type 5	82	8	25	115
TOTAL N				575

Demographics of ICBA Members' Customers, 2021

Age

	Percentage of participants
18-36	18%
37-51	25%
52-70	50%
71+	7%

Income

	Percentage of participants
65,000 – 99,999	58%

⁵ To arrive at this number, we assume that analysis will consist of one-sided t-tests comparing means of performance across participants who used the new disclosure forms and those who used the old forms. For these calculations, we used the sample-size calculator function in R, `pwrss.t.2means()` from the `pwrss` library. See: <https://cran.r-project.org/web/packages/pwrss/index.html>. Our calculations assume: $sd1 = 18$, $sd2 = 18$, $kappa = 1$, $power = .80$, $alpha = 0.05$, $alternative = "greater"$, and $delta = 0.10 = \mu1 - \mu2$.

⁶ $1643 \approx 575/0.35$

100,000 or higher	42%
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Education

	Percentage of participants
High school or some college	45%
College degree or higher	55%

Source: ICBA (2021), *Understanding and finding your customers. New research reveals insights into demographics, media behaviors, and preferences of community bank customers*

Race/Ethnicity of Adult Americans, 2022

	Percentage of participants
White	60%
Hispanic/Latino	19%
Black	13%
Asian	6%
Native American or Alaska Native	2%

Source:

USAFacts. (2023). U.S. population by year, race, age, ethnicity, and more.

Retrieved from <https://usafacts.org/data/topics/people-society/population-and-demographics/>

- 2. Describe methods to maximize response rates and to deal with issues of non-response. The accuracy and reliability of information collected must be shown to be adequate for intended uses. For collections based on sampling a special justification must be provided for any collection that will not yield “reliable” data that can be generalized to the universe studied.**

To maximize response rates, ICBA’s contractor will use the following methods:

- Provide incentives: The contractor will provide incentives to promote a healthy response rate.
- Conducting pre-testing: The contractor will conduct a pre-test with a representative sample of 36 consumers to identify any issues with the survey flow and wording that could impede survey respondents.

- Keeping survey to a manageable size: The contractor will minimize the number questions to reduce respondent fatigue.
- Using accessible question and answer formats: The contractor will use easy-to-answer, plain language questions with yes/no or multiple-choice answers to increase accessibility and ease of use.

3. Describe any tests of procedures or methods to be undertaken.

To increase the validity of the survey, pre-testing of both the survey instrument and the modified disclosure forms will be conducted to ensure that these materials can be understood by participants. This testing will be comprised of one-on-one, one-hour interviews with 36 consumers who vary in age, income, education and race/ethnicity, similar to the broader participant pool of community bank members. Targeted revisions will be made to the survey instrument based on the data gathered.

Once the survey is conducted, data will be collected and housed in a secure, password protected database. For data analysis, the contractor will adopt the standard confidence level and power within the social sciences — i.e., a confidence level of 95% and a power of 80%. The contractor seeks to reliably detect a 10-percentage point improvement in performance between subjects exposed to the new disclosures and those who are exposed to the old disclosures. Therefore, the contractor will perform one-sided independent sample t-tests to test whether the data reliably indicates the falsehood of the hypothesis that subjects exposed to the new disclosures did no better than subjects exposed to the old disclosures. This procedure will be used to test the new disclosures for each loan type. The contractor will also use the same procedure to test the same hypothesis within sub-samples. Additionally, the contractor will report descriptive statistics for each of the loan types and sub-samples.

4. Provide the name and telephone number of individuals consulted on statistical aspects of the design and the name of the agency unit, contractor(s), grantee(s), or other person(s) who will actually collect and/or analyze the information for the agency. The name and telephone numbers of these individuals will be provided in the clearance request for each specific data collection.

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