

Consumer Financial Protection Bureau
Qualitative Testing of Integrated Mortgage Loan Disclosure Forms
Information Collection 3170-0003
Description of Subsequent Iteration of Qualitative Testing

The Consumer Financial Protection Bureau (CFPB) is required by the Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law No. 111-203, Title X (Dodd-Frank Act), to “publish a single, integrated disclosure for mortgage loan transactions” that satisfies requirements of the Truth in Lending Act (TILA) and the Real Estate Settlement Procedures Act (RESPA) by July 21, 2012 (Dodd-Frank Act, §§ 1032(f), 1098, 1100A).

The CFPB received OMB approval of its generic information collection request on November 04, 2011. The OMB control number is 3170-0003. As set forth in the Supporting Statement, the CFPB is involved in an iterative process of designing and testing the disclosure form. The first round of testing under this Information Collection (Round 6) occurred November 8-10, 2011 in Des Moines, IA. The second round of testing under this Information Collection (Round 7) occurred December 13-15, 2011 in Birmingham, AL. This was the seventh in the series of qualitative testing of the integrated disclosures under this and the CFPB’s Emergency Clearance 1505-0233. In addition to the qualitative testing for Rounds 6 and 7, the CFPB posted the disclosures on its website and gave the public the opportunity to provide feedback on the two prototype designs that were presented.

The CFPB will conduct the next round of qualitative testing under this Generic Clearance (Round 8) on revised prototype designs in Philadelphia, PA on January 23-26, 2012. In this round, the CFPB will not use an online tool to gather the feedback from the public on the prototype designs. However, the CFPB will still post the prototype designs on its website and allow the public to submit feedback by email. The CFPB anticipates conducting one more round of this qualitative testing in February 2012 before proposing the disclosures for formal notice and comment in July 2012.

This memorandum outlines the changes in the information collection tools between Round 7 and Round 8.

Changes to the Recruiting Materials:

No changes have been made to the recruiting materials.

Changes in the Prototype Forms:

The two prototype disclosures tested in Round 7 will be revised reflecting data obtained through qualitative testing and the public feedback obtained through the online tool. The two prototypes will have the same page length and will have essentially the same first page as in Round 7. For pages two and three, based on performance results from qualitative testing, the two prototypes will use a format for closing costs details that is similar to the prototype application disclosure that the Bureau has been testing. The two prototypes will have a different order of pages 2 and

3, the inclusion or omission of line numbers for closing cost details, and more or less detail for summary sections. The two prototype designs will have essentially the same pages 4 and 5 as in Round 7. The following generally outlines the differences in the prototypes between Rounds 7 and 8, and the differences between the two prototype designs that will be tested:

- **The first page** is essentially the same as Round 7, except that the escrow checkboxes in the Projected Payments have been revised to address the potential for partial escrow accounts, which do not escrow all of the consumer’s taxes and insurance. The two prototypes have different revisions to test understanding of partial escrow accounts.
- **The second and third pages** include a new summary section titled “What Changed?,” which will display the differences in closing costs and other loan terms between the application disclosure and the closing disclosure. This section restates the “calculating cash to close” table from the application disclosure, to compare the estimated and final information. This section will also include the comparison table that indicates whether there were any increases that exceeded legal limits. The two Summary of Transaction sections have been merged into one “Summaries of Transactions” section. The page that sets forth closing costs details has been given a single header entitled “Closing Costs Details,” and the buyer and seller-paid columns are organized to segregate these costs more clearly. The two prototypes transpose the order of each of these pages, and one prototype includes more detail in “calculating cash to close” table.
- **The fourth and fifth pages** contain the Loan Disclosures, Loan Calculations, and Other Disclosures sections from the previous prototypes. This is information required by TILA, as amended by the Dodd-Frank Act. We are testing comprehension of these required statements and items. The statements have been slightly modified to either address readability or visibility. We are also testing the signature line.

In addition, we will also be testing a version of the application disclosure, in order to test whether the application and closing disclosures work together. This prototype has been slightly revised to ensure the format of the closing costs details works with the closing disclosure. In addition, a statement has been added to the application disclosure to instruct consumers to maintain a copy of the disclosure for comparison with the closing disclosure.

Changes to the Moderator’s Guide for Consumers

As we did in Round 7, in Round 8 we will be providing participants with both the application and closing disclosures and participants will be tasked with verifying whether the information on the closing disclosure is accurate, after viewing the initial disclosure. This is a critical task for actual consumers that are reviewing their closing disclosures, and the proposed disclosures should enable this comparison. However, to ensure that the closing disclosure also enables understanding by consumers who do not have their application disclosure with them, we will also be testing the closing disclosure alone with some participants.

As in Round 7, the Round 8 moderator guide involves three tasks. In the introduction section, the participant will be provided with the basic scenario. Half of the participants will be provided the application disclosure before beginning the think-aloud, as in Round 7, but half will only be

provided with the scenario. This is done to test whether the closing disclosure designs work for consumers who do not have their application disclosure with them. For the participants that are provided the application disclosure, as in Round 7, the moderator will read a script that will explain the application disclosure as would a loan officer or mortgage loan broker. The first task will be a think-aloud and detail questions with one of the prototype closing disclosures. The second task will present the other prototype design, and consumers will again be asked to verify information to gauge performance and about which design they prefer to use. The third task will involve comprehension questions about the statements and items on pages 4 and 5.

Changes to the Moderator's Guide for Industry

The moderator guide for industry continues to be similar to versions used in earlier rounds of testing. The format will be essentially the same as the consumer moderator guide, except that there will be a separate emphasis on the application disclosure, before turning to the closing disclosure. As in previous rounds, the emphasis of questions will be on practical use and implementation issues. In the first task, the industry participant will be given the prototype application disclosure and will perform a think-aloud, as well as answer detail questions about comprehension and implementation. The second task will involve a think-aloud and additional questions with one of the prototype closing disclosure designs. The third task will involve a think-aloud and additional questions with the other prototype closing disclosure design. The fourth task will involve answering questions specific to pages 4 and 5.

Changes to the Scenario

The scenario card has been revised to reflect a purchase transaction and an appropriate sale price and loan amount for the Philadelphia, PA metropolitan area.

Changes to the Internet tool

The CFPB will not use the Internet tool in Round 8. The CFPB will publish the prototype designs for the application and closing disclosures on its website, and the public will be permitted to provide feedback via email.