

Summary of Findings: Design and Testing of Escrow Disclosures

January 28, 2011

Submitted to:
Board of Governors of the
Federal Reserve System

Submitted by:

ICF **MACRO**

an ICF International Company

Macro International Inc.
11785 Beltsville Drive
Calverton, Maryland 20705

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TABLE OF CONTENTS

Executive Summary	i
Chapter I: Background	1
Chapter II: Development of Disclosure Forms	2
Chapter III: Testing of Disclosure Forms	4
Research Methodology	4
Key Interview Findings.....	5
Subsequent Revisions to Notices	7

Appendices

- Appendix A: Escrow Disclosures
- Appendix B: Recruitment Screener
- Appendix C: Participant Demographic Information

EXECUTIVE SUMMARY

Background

The Dodd-Frank Act of 2010 established a new Section 129D of the Truth in Lending Act (TILA) that imposes requirements on creditors regarding escrow accounts on certain mortgage loans. These requirements include the provision of new disclosures to mortgage borrowers. The new disclosures indicate whether or not the consumer will have an escrow account, along with other information. Because these requirements are new, the Board of Governors of the Federal Reserve System (the “Board”), which implements TILA, faced a need to develop new model disclosures showing how this information could be presented to consumers in a clear and usable manner.

In October 2010, the Board contracted with ICF Macro to assist it in the development and testing of new disclosure forms that address the requirements in Section 129D. This report describes ICF Macro’s work on this project, which produced model forms that will be proposed by the Board.

Design and Testing Methodologies

ICF Macro worked with Board staff to develop two model disclosure forms that met the new TILA requirements:

One notice (Form A) indicated that a borrower’s new mortgage would have an escrow account. It described what an escrow account was, and provided an estimate of home-related costs over the first year of the loan. It also indicated that if a borrower did not have an escrow account, he or she would have to make “large annual or semi-annual payments.” In addition, it stated the dollar amount that would be paid at closing to set up the escrow account, and the dollar amount that would be paid into the escrow account as part of the regular mortgage payment.

The other notice (Form B) indicated that the new mortgage would not have an escrow account. It described what an escrow account was and stated that the reason the mortgage would not have one was that the borrower had informed the lender that he or she did not want one. It informed the borrower that he or she would be charged a fee for not having an escrow account. The notice indicated that the risk of not having an escrow account was that the borrower would be responsible for paying home-related costs directly and would have to make “large semi-annual or annual payments.” It described the potential consequences if the borrower did not pay home-related costs. Finally, it indicated that the borrower could opt to set up an escrow account, and provided a toll-free telephone number and a deadline for doing so.

Both forms were designed using a tabular “question-and-answer” format; questions that consumers might ask about escrow accounts were listed in the left-hand column in bold font (for example, “What is an escrow account?”), and answers were provided in the right-hand column.

Once the disclosure forms were drafted, the next phase of the project was to test the extent to which they communicated information to consumers in a clear and usable way. Testing was conducted through a round of eight cognitive interviews with consumers in Bethesda, MD on November 3, 2010. The interviews were approximately 45 minutes long, and were based on a protocol developed collaboratively by ICF Macro and Board staff. Participants were first asked a series of questions about their home ownership history and whether or not they had ever had an escrow account. They were then shown either Form A or B and asked to imagine that they had received it a few days before they were planning to close on a new mortgage with a lender called Solar Bank. They were asked to review the notice just as they would if they were actually in the process of getting a mortgage. Respondents were asked to “think aloud” while they read the document, and to let the interviewer know if they had any questions or saw anything that they found particularly confusing, surprising, or interesting. Once participants had responded to questions about the first notice, they were shown the second notice. Again, they were asked to think aloud while they read the document, and were then asked a set of follow-up questions. The order in which participants were shown Forms A and B was varied between interviews to control for possible learning effects.

Key Interview Findings

- After reading the forms, participants generally understood that the escrow account referenced on the form would be used to pay “home-related costs.” However, two initially did not understand that these “home-related costs” would include taxes and insurance.
- All participants understood that borrowers with an escrow account would pay money into it over time, and all but one understood that the lender would take money out of the account to pay for home-related costs.
- After reading Form A, participants understood that they would have an escrow account on their new mortgage. Likewise, all participants understood after reading Form B that they would not have an escrow account on their mortgage.
- All participants understood from Form B that they could request to have an escrow account if they wished, and how they could contact the bank to do so.
- All but one of the participants understood from Form A that they would make an initial payment into their escrow account at closing, and all understood that they would make a monthly payment into their account. One participant mistakenly thought that the money he would pay at closing to “set up” his escrow account was a fee to the bank.
- Regardless of which notice they were looking at, all participants understood that if they did not have an escrow account they would have to make large annual or semi-annual payments. However, two participants did not understand that the large payments they would face would be their property taxes and insurance premiums.
- All participants understood from Form B that they would be charged a fee for choosing not to have an escrow account. Most were surprised and concerned by the fact that they would be charged a fee as a result of this decision.

- Form B warned that if the reader did not make home-related payments, he or she could be required to pay for “force-placed insurance.” None of the participants had heard of this product, and most did not understand what it was based on the description provided on the form. However, all participants commented that it sounded like something they would want to avoid—mainly because the notice indicated that it would be expensive.
- When reading the section of Form B that describes consequences of not paying home-related costs, most participants focused exclusively on the mention of force-placed insurance. As a result, many did not notice the information in the preceding sentence, which indicated that if the borrower did not pay home-related costs the lender could require an escrow account or add the home-related costs to the loan balance.
- After reading the notices, all participants indicated that they would want an escrow account with their mortgage. Participants explained this preference in a variety of ways, including that an escrow account offers “convenience,” that it “takes care of things for you,” and that it serves as “a safety net” to pay for home-related costs.

Subsequent Revisions to Notices

Following the interviews, ICF Macro and Board staff made revisions to the notices to address apparent comprehension issues. The main changes that were made to the notices were the following:

- The references to “large semi-annual and annual payments” that borrowers without escrow accounts would face were reworded to clarify that these payments would represent direct payment of home-related costs like taxes and insurance.
- In Form A, the reference to the escrow payment the borrower would make at closing was changed to make clear that this was an initial deposit into the account, not a fee the lender charged to set up the account.
- A statement was added to Form A indicating that the monthly escrow payment could change in the future.
- The term “force-placed insurance” was removed from Form B, and replaced with a description of the product.
- In Form B, the wording of the question about fees was changed because of concerns that the original question combined with an answer of “no” could be misleading to some consumers.

CHAPTER I: BACKGROUND

The Dodd-Frank Act of 2010 established a new Section 129D of the Truth in Lending Act (TILA) that imposes requirements on creditors regarding escrow accounts on certain mortgage loans. These requirements include the provision of new disclosures to mortgage borrowers. The new disclosures indicate whether or not the consumer will have an escrow account and, as applicable, the amounts required to fund and maintain the account, the consequences of not having an escrow account, and the consequences of not paying non-escrowed items, along with other information. Because these requirements are new, the Board of Governors of the Federal Reserve System (the “Board”), which implements TILA, faced a need to develop new model disclosures showing how this information could be presented to consumers in a clear and usable manner.

In October 2010, the Board contracted with ICF Macro to assist it in the development and testing of new disclosure forms that address the requirements in Section 129D. This report describes ICF Macro’s work on this project, which produced model forms that will be proposed by the Board.

CHAPTER II: DEVELOPMENT OF DISCLOSURE FORMS

The first phase of the project was the collaborative development of draft disclosure forms by ICF Macro and Board staff. These forms were designed to satisfy the requirements of the Dodd-Frank Act, and to provide required information in a way that would be clear and usable to consumers. The development of draft forms took place in October 2010.

Two different disclosure forms were developed:

- One notice (Form A) indicated that a borrower's new mortgage would have an escrow account. It described what an escrow account was, and provided an estimate of home-related costs over the first year of the loan. It also indicated that if a borrower did not have an escrow account, he or she would have to make "large annual or semi-annual payments." In addition, it stated the dollar amount that would be paid at closing to set up the escrow account and the dollar amount that would be paid into the escrow account as part of the regular mortgage payment.
- The other notice (Form B) indicated that the new mortgage would *not* have an escrow account. It described what an escrow account was and stated that the mortgage would not have one because the borrower had informed the lender that he or she did not want one. It informed the borrower that he or she would be charged a fee for not having an escrow account. The notice indicated that the risk of not having an escrow account was that the borrower would be responsible for paying home-related costs directly and making "large semi-annual or annual payments." It described the potential consequences if the borrower did not pay home-related costs. Finally, it indicated that the borrower could opt to set up an escrow account, and provided a toll-free telephone number and a deadline for doing so.

While most of the information on the forms was required by the new TILA Section 129D, both forms also included additional information that the Board deemed necessary to protect consumers. For example, both forms included an explanation of what an escrow account is, for consumers who were unfamiliar with the term. Form B included an explanation of *why* the new mortgage would not have an escrow account, because Board staff believed this would be important context for consumers to know. Form B also included a description of how to contact the lender to set up an escrow account, since this information would be useful to a consumer who decided after reading the form that he or she wanted one.

Both forms were designed using a tabular "question-and-answer" format; questions that consumers might ask about escrow accounts were listed in the left-hand column (for example, "What is an escrow account?"), and answers were provided in the right-hand column. Questions were printed in bold font, to emphasize the difference between the two columns and make it easy for readers to identify what information was contained in each row. All dollar figures in both forms were also printed in bold font, to preserve consistency with other disclosures developed by the Board. Forms A and B are provided in Appendix A to this report.

When drafting disclosure forms or other communication products, there are a number of principles that ICF Macro uses to guide its work. Principles that were most relevant for this project include the following:

- **Use plain language.** Jargon and technical language should be avoided whenever possible, and replaced with words that are more easily understood by consumers. The use of simple language is particularly important in the context of disclosures, because consumers that are at the greatest risk of being taken advantage of are often those with lower literacy levels. While readability metrics (such as the “grade level” of the writing) can be useful in this respect, the best way to determine whether language is truly understandable is through direct consumer testing.
- **Prioritize information, and structure disclosures so that the most important information for consumers is easiest for them to find.** Consumers frequently do not read disclosures carefully; they often skim them quickly to look for a few key pieces of information. If consumers cannot quickly find the information they are looking for, they are likely to become frustrated and give up. Therefore, before any design work can begin there must be some discussion to identify the most important pieces of information on the form. Those should be located most prominently on the disclosure, to increase the likelihood that even consumers who skim the form quickly can find and understand that information. For example, on Forms A and B, ICF Macro felt it was important for consumers to easily identify the purpose of the notices. As a result, the purpose of each notice is summarized at the top of both forms.
- **Use headings and titles to make documents more navigable, and to help consumers find the information they are looking for.** When large amounts of text are included, plain language headings should be used to distinguish sections on different topics. In tables, rows and columns should have short, easy-to-read titles that accurately describe the information that is provided. This allows consumers to find information that they are looking for quickly and efficiently, and decreases the likelihood that they will become distracted by unrelated text. The “question-and-answer” format selected for these notices was designed to serve this purpose. As noted above, questions in the left-hand column were printed in bold font to make the structure of the document even clearer.
- **Use prior consumer research to inform design whenever possible.** While each type of disclosure is different, findings from cognitive testing can often translate between different documents. The applicability of a disclosure format in a new context should always be confirmed through cognitive testing, but previous research often provides a useful starting point. For example, ICF Macro tested “question-and-answer” style disclosures for the Board on the topics of credit life insurance and overdraft protection, and in both cases the use of this format made it easier for consumers to navigate the forms. Therefore, the decision was made to use a similar format in this context.

CHAPTER III: TESTING OF DISCLOSURE FORMS

Research Methodology

Once the disclosure forms were drafted, the next phase of the project was to test the extent to which they communicated information to consumers in a clear and usable way. Testing was conducted through a round of eight cognitive interviews with consumers in Bethesda, MD on November 3, 2010. Interview participants were recruited by telephone using a structured screening instrument developed collaboratively by ICF Macro and Board staff. Two categories of participants were recruited: a) people who had owned one home in their lifetime; and b) people who had never owned a home but had “seriously thought about” buying a home in the past two years. Participation was limited to people who were financial decision-makers in their households, and who had never worked for a bank or credit union or in the real estate or mortgage industry. Other screening questions ensured the recruitment of participants with a range of ethnicities, ages, and education levels. The recruiting screener used for the interviews is provided as Appendix B; Appendix C provides detailed information about the characteristics of participants.

Interviews were approximately 45 minutes long, and were based on an interview guide developed collaboratively by ICF Macro and Board staff. Participants were first asked a series of questions about their home ownership history and whether or not they had ever had an escrow account. They were then shown either Form A or B and asked to imagine that they had received it a few days before they were planning to close on a new mortgage with a lender called Solar Bank. They were asked to review the notice just as they would if they were actually in the process of getting a mortgage. Respondents were asked to “think aloud” while they read the document, and to let the interviewer know if they had any questions or saw anything that they found particularly confusing, surprising, or interesting.

Once participants completed their initial review of each document, they were asked two types of follow-up questions:

- *Comprehension questions* to test their understanding of the disclosure content (such as, “Based on what this form says, are you going to have an escrow account on your new mortgage?”)
- *Attitudinal and preference questions* to collect information about how consumers felt about having an escrow account and what choices they would make in real life (such as, “If you were getting a mortgage today, would you want to have an escrow account?”)

Once participants had responded to questions about the first notice, they were shown the second notice. Again, they were asked to think aloud while they read the document, and were then asked a set of follow-up questions. The order in which participants were shown Forms A and B was varied between interviews to control for possible learning effects.

Key Interview Findings

Prior Understanding of Escrow Accounts

- Three of the eight participants owned a home, and all three had an escrow account.
- Of the five participants that had not owned a home, two understood that an escrow account could be used to pay for home-related expenses like taxes and insurance. Both understood that borrowers would pay into the account and the bank would use the funds to pay charges when necessary. Of the other three, one was familiar with escrow accounts that were used to save money for a home purchase but not with accounts to pay for taxes and insurance.

General Understanding of Escrow Accounts

- After reading either Form A or B, all participants understood that the escrow account referenced on the form would be used to pay “home-related costs.” However, two initially did not understand that these “home-related costs” would include taxes and insurance.
- All participants understood that borrowers with an escrow account would pay money into it over time, and all but one understood that the lender would take money out of the account to pay for home-related costs. The remaining participant mistakenly thought that he would be responsible for withdrawing money from the account and paying for expenses himself.

Understanding of the Purpose of the Notices

- All participants understood that based on Form A, they would have an escrow account on their new mortgage.
- Likewise, all participants understood after reading Form B that they would not have an escrow account on their mortgage. All also understood that the reason they would not have an escrow account was because they had told their lender they did not want one.
- All participants understood from Form B that they could choose to have an escrow account if they wished. All also understood that if they wanted to set up an escrow account they could do so by contacting the lender at the phone number provided by the date and time given on the form. One participant suggested that the deadline for calling to set up an account should be made more prominent on the form, because otherwise readers might not realize that there was a deadline.

Understanding of How Money will be Deposited Into and Taken Out of Escrow Account (Form A only)

- All but one of the participants understood from Form A that they would make an initial payment of \$1,042 into their escrow account at closing. One participant mistakenly thought that the money he would pay at closing to “set up” his escrow account was a fee payable to the bank.

- All participants understood after reading Form A that they would have to make a payment of \$131 into their escrow account each month, and that this amount would be added to their mortgage payment. One participant suggested that Form A should explain that the monthly escrow payments might increase in the future. The same participant also thought that the notice should explain that a refund might be issued to the borrower if their home-related costs turned out to be lower than expected.
- In addition to the amounts that the borrower would pay into the escrow account, Form A also provided an estimate of home-related costs for the first year. This estimate was \$1,572, or 12 times the monthly escrow payment of \$131. When reviewing Form A for the first time, only one of the participants commented on the fact that their monthly escrow payments for the first year combined with their initial deposit of \$1,042 exceeded their estimated costs. When this was pointed out to them, however, none of the participants were concerned with this discrepancy. Most assumed that the reason they were paying more was because the lender wanted an additional “cushion” in the escrow account to cover any unexpected costs.
- Several participants commented that it was unclear to them how the dollar figures on Form A were calculated; three thought that the notice should provide more explanation. However, the absence of this information did not impact their overall comprehension of the notice.

Understanding of the Risks of Not Having an Escrow Account

- Regardless of which notice they were looking at, all participants understood that if they did not have an escrow account they would have to make large annual or semi-annual payments. However, two participants did not understand that the large payments they would face would be their property taxes and insurance premiums. For example, one of them mistakenly thought that the large payments might be related to a balloon payment for their mortgage.
- After reading Form B, all participants understood that they would be charged a fee of \$450 for choosing not to have an escrow account. Most were surprised and concerned by the fact that they would be charged a fee as a result of this decision.

Understanding Potential Consequences of Not Paying Home-Related Costs (Form B only)

- Form B warned that if the reader did not make home-related payments, he or she could be required to pay for “force-placed insurance.” None of the participants had heard of this product, and most did not understand what it was based on the description provided on the form. A few understood from its context in the form that force-placed insurance was something that would be used by the bank to, as one participant put it, “protect its own interests.”
- Even if they did not understand force-placed insurance, all participants commented that it sounded like something they would want to avoid. Most understood from the form that this insurance would be expensive for them.

- When reading this row in Form B, most participants focused exclusively on the mention of force-placed insurance. As a result, many did not notice the information in the preceding sentence, which indicated that if the borrower did not pay home-related costs the lender could require an escrow account or add the home-related costs to the loan balance.

Preference Regarding Escrow Accounts

- After reading the notices, all participants indicated that they would want an escrow account with their mortgage. Their response did not depend on whether they had read Form A or Form B first. Participants explained this preference in a variety of ways, including that an escrow account offers “convenience,” that it “takes care of things for you,” and that it serves as “a safety net” to pay for home-related costs. After reading Form B, all participants indicated that they would want an escrow account even if there was no fee for choosing not to have one.

Subsequent Revisions to Notices

Following the interviews, ICF Macro and Board staff made revisions to the notices to address apparent comprehension issues. The main changes that were made to the notices were the following:

- While participants understood that they would have to make “large semi-annual and annual payments” if they did not have an escrow account, at least two did not understand that these payments would be their property taxes and homeowners insurance premiums. To more clearly specify why borrowers would face these large payments, the two sentences were combined into a single sentence that stated that the borrower “would be responsible for directly paying your home-related costs through potentially large semi-annual or annual payments.”
- After reading Form A, at least one participant mistakenly thought that the money they paid at closing to “set up” their escrow account was an administrative fee they would pay to their lender. To address this misconception, the description of why this money would be paid at closing was changed from “you will pay \$XXX to set up your escrow account” to “you will make an initial deposit of \$XXX into your escrow account.”
- As one participant suggested, ICF Macro and Board staff decided to add a statement to Form A indicating that the monthly escrow payment could change in the future.
- Because participants did not understand the phrase “force-placed insurance,” and because the use of the phrase distracted them from the other consequences of not paying their home-related costs, that phrase was removed from Form B. The revised notice included the following text: “We could also require that you pay for insurance that we buy on your behalf. This insurance likely would be more expensive and provide fewer benefits than traditional homeowner’s insurance.”
- After reading Form B, participants understood that they were being charged a fee for opting not to have an escrow account. However, ICF Macro and Board staff were

concerned that if a lender did not charge a fee for this decision, then consumers might misinterpret the question and answer on the notice (“Will I be charged any fees?” “No.”) to mean that they would not be charged any fees at all related to the loan. Therefore, the question in the left-hand column was revised to be more specific: “Will I be charged any fees for choosing not to have an escrow account?”

Appendix A: Escrow Disclosures

Information About Your Mortgage Escrow Account

What is the purpose of this notice?	This notice is to inform you that your mortgage with Solar Bank will have an escrow account.
What is an escrow account?	An escrow account (sometimes called an “impound” or “trust” account) is an account that is used to pay home-related costs such as property taxes and insurance. You will pay into the escrow account over time, and we will take money from the account to pay costs as needed. In your case, we estimate that your home-related costs will total \$1,572 for the first year of your mortgage.
What is the advantage of having an escrow account?	If you did <u>not</u> have an escrow account, you would be responsible for paying your home-related costs directly. As a result, you would have to make large semi-annual or annual payments.
How will I pay into my escrow account?	At closing you will pay \$1,042 to set up your escrow account. After that, your regular mortgage payments will include an additional \$131 that will be deposited into your escrow account.

Required Direct Payment of Property Taxes and Insurance

What is the purpose of this notice?	This notice is to inform you that your mortgage with Solar Bank will not have an escrow account. It also describes the risks of not having an escrow account.
What is an escrow account?	An escrow account (sometimes called an “impound” or “trust” account) is an account that is used to pay home-related costs such as property taxes and insurance. A borrower pays into the escrow account over time, and we take money from the account to pay costs as needed.
Why won't my mortgage have an escrow account?	You were given the option to have an escrow account, but you told us that you didn't want one.
Will I be charged any fees?	Yes. For choosing not to have an escrow account, you will be charged a fee of \$450 .
What are the risks of not having an escrow account?	You will be responsible for paying your home-related costs directly. As a result, you will have to make large semi-annual or annual payments.
What could happen if I don't pay my home-related costs?	In order to ensure that you pay these costs, we could require an escrow account on your mortgage or add the costs to your loan balance. We could also require that you pay for “force-placed insurance” on your property, which can be very expensive and often provides fewer benefits than traditional homeowners' insurance.
Can I set up an escrow account on my mortgage?	Yes. If you want to set up an escrow account on your mortgage, contact us at 1-800-555-1234 by 5:00 p.m. Friday, November 5.

Appendix B: Recruitment Screener

Participant Screener for Federal Reserve Board In-Depth Interviews
Bethesda, MD
Wednesday, November 3, 2010

General Information and Recruiting Specifications

- Recruit and schedule 8 participants (with two additional floaters to cover the first and last four interviews)
 - Interviews will be approximately 45 minutes long
 - Interviews will be held at:
 - 9:30 a.m., 10:30 a.m., 11:30 a.m., 1:00 p.m., 2:00 p.m., 3:00 p.m., 4:00 p.m., and 5:00 p.m.
 - INTERVIEWERS: Ask all participants to bring their reading glasses if necessary, because they will be asked to read several documents as part of the interview.
-

Recruiting Script

Hello, I am calling on behalf of the United States Federal Reserve Board. As you may know, recently many Americans have had problems with their mortgages. In response to the recent mortgage issues, the Federal Reserve Board is sponsoring a series of consumer interviews in your area so that we can learn more about how people make decisions regarding their mortgages. We will use what we learn from these interviews to help improve the information consumers receive when they get a mortgage loan.

We will be holding interviews in Bethesda, MD on Wednesday, November 3rd. I was hoping you would be interested in attending.

- Yes → Continue to screening questions
- No → *Record reason (not interested, not available on that date, etc); thank them politely and end call.*

Q1: Do you currently, or have you ever, owned a home?

- Yes → *Continue*
- No → *Participant may qualify for Category A; skip to Q3*

Q2: How many different homes have you owned in your lifetime?

- 1 → *Participant may qualify for Category B; skip to Q4*
- More than 1 → *Thank respondent politely and end call.*

Q3: Have you seriously thought about buying a home in the past two years?

- Yes → *Participant may qualify for Category A; continue*
- No → *Thank respondent politely and end call.*

Q4: Are you the person in your household who is responsible for making financial decisions?

- Yes → *Continue*
- Yes, in cooperation with my [spouse, partner, etc.] → *Continue*
- No → *Thank respondent politely and end call.*

Q5: Do you work or have you ever worked for a bank or other financial institution, or in the real estate or mortgage industry?

- Yes → *Thank respondent politely and end call.*
- No → *Participant qualifies; continue*

Q6: ARTICULATION QUESTION: Imagine that you were shopping for a new home. In a few sentences, could you describe what qualities you would be looking for in the home?

- If respondent gives a thoughtful, articulate answer → *Continue*
- If respondent does not give a thoughtful, articulate answer → *Thank respondent politely and end call.*

Screening Criteria	Quota
	<ul style="list-style-type: none"> • At least 7 of the 10 participants (8 plus 2 floaters) must qualify in Category B.
<p>Q7: What is your age?</p> <ul style="list-style-type: none"> a) 18 to 25 b) 26 to 35 c) 36 to 50 d) 51 or above 	<ul style="list-style-type: none"> • At least 4 recruits should respond “a” or “b” • At least 4 recruits should respond “c” or “d”
<p>Q8: Which of the following categories best reflects your race or ethnicity? You can choose more than one category. [<i>Respondents who wish to choose more than one category should be counted as minorities, even if one race mentioned is White.</i>]</p> <ul style="list-style-type: none"> a) White b) Black or African-American c) Hispanic or Latino d) Asian e) Native American or Pacific Islander 	<ul style="list-style-type: none"> • At least 3 recruits should respond “a” • At least 5 recruits should respond “b”, “c”, “d”, or “e”

Screening Criteria	Quota
<p>Q9: What is the highest level that you reached in school?</p> <ul style="list-style-type: none"> a) Some high school b) High school graduate c) At least some college work d) College graduate e) At least some graduate school 	<ul style="list-style-type: none"> • At least 3 recruits should respond “a” or “b” • At least 7 recruits should respond “a”, “b” or “c”
<p>Q10: <i>Gender</i></p>	<ul style="list-style-type: none"> • At least 4 recruits of each gender

If participant qualifies for an interview:

We will be holding interviews in Bethesda, MD on Wednesday, November 3rd. The interview will last about 45 minutes. I was wondering if you would be interested in attending.

- Yes → *Continue*
- No → *Record reason (not interested, not available on that date, etc); thank them politely and end call.*

We will be asking you to read some documents during the interview, so if you use reading glasses, please be sure that you bring them.

[Note To Recruiters:]

If at any point during the screening process a respondent expresses that they are currently having difficulty paying their mortgage, please give them the following information. This does not impact the other screening questions that should be asked, or the quotas for the groups.

You may want to contact the Homeownership Preservation Foundation – an independent nonprofit that helps connect borrowers with HUD-approved housing counselors. You can reach them at 1-888-995-HOPE or go to www.995hope.org. We would encourage you to contact them soon if you are concerned about making your mortgage payments, because there are many efforts underway right now to help borrowers and they may be able to tailor a plan to help you.

**Appendix C:
Participant Demographic Information**

		Number (%) of Participants
Gender		
	Male	5 (63%)
	Female	3 (37%)
Age		
	18-25	1 (12%)
	26-35	4 (50%)
	36-50	0 (0%)
	51 or above	3 (38%)
Race		
	Caucasian	3 (37%)
	African-American	5 (63%)
Education Level		
	High school	2 (25%)
	Some college	3 (38%)
	College graduate	2 (25%)
	At least some graduate work	1 (12%)
Currently or Ever Owned a Home		
	Yes	3 (38%)
	No*	5 (63%)

*Participants who had never owned a home indicated that they had seriously thought about buying a home in the past two years.



an ICF International Company

Macro International Inc.
11785 Beltsville Drive
Calverton, Maryland 20705
icfmacro.com