

# Disclosure Research at the CFPB

Presentation to Taskforce on Federal Consumer Financial Law| April 2020

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# Disclaimer

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## Disclosure at the Bureau

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- Disclosure testing for rulemaking
  - Bureau has authority over numerous consumer financial protection laws that include mandatory disclosures, spanning various financial products
    - Help consumers make informed decisions about financial products and services
  - Use consumer testing to develop/improve disclosures
- Foundational research
  - Explore recurring disclosure issues
  - Use rigorous, scientific findings about how people process information
  - Leverage findings for future disclosure development

## Research agenda on disclosure

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- In first set of research agendas, the Office of Research prioritized research on disclosure by developing a portfolio of research projects to build a base of knowledge about disclosure
  - 5-year agenda rolled out in 2014
  - Challenges to executing research in a government setting
- Many disclosure projects ongoing, new projects being developed

## Disclosure testing for rulemakings

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- Regulatory approaches vary
  - Required forms prescribe content, design
  - Model forms provide a safe harbor
  - Sample forms provide examples
  - Information requirements
- Dodd-Frank Act provides Bureau with authority to prescribe rules that require disclosure of the features of consumer financial products or services
  - Requires consumer testing of model forms issued pursuant to this authority

## Disclosure testing for rulemakings

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- Historically, wide range of testing protocols at the Bureau for “validating” model disclosures
- Different methodologies vary in their cost and timelines:
  - Type of testing (qualitative vs. quantitative, or both)
  - PRA process required
  - Whether disclosure is new or an improvement on/change to a current disclosure
  - Specific research and policy questions to be addressed with the testing

# Disclosure testing methodological approaches

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- Office of Research has found that a combination of qualitative and quantitative testing yields the most valuable insights
- Qualitative testing
  - Provides a deep understanding of a small number of consumers
    - Learn about issues testing team may not have anticipated
    - Identify significant issues in consumer comprehension/usability of the form
    - Gather information to help inform content of a disclosure
    - Refine language that consumers find most understandable or actionable
- Quantitative testing
  - Allows researchers to make statistical claims about relevant outcomes
    - Isolate effects of different elements of a disclosure on outcomes of interest
    - Learn about whether outcomes differ across subgroups of consumers
    - Measure differences in consumers' ability to identify information across disclosures

# Recent disclosure testing projects

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- Prepaid Cards
  - Qualitative testing only
    - Focus groups
      - Identified important issues for consumers when choosing a card
    - One-on-one interviews (iterative)
      - Identified areas where consumers had trouble identifying, comprehending, or comparing
- Debt Collection
  - Qualitative testing
    - Focus groups
      - Identified common beliefs and misconceptions in debt collection process
    - One-on-one interviews (iterative)
      - Identified areas where consumers had trouble identifying and comprehending information
  - Quantitative testing
    - Large-scale (8,000 respondents) online survey experiment designed to test several versions of disclosures to support understanding of time-barred debt and revival



## Inspiration from disclosure testing: Foundational Research

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- Disclosure testing for rulemaking is specific to product or service
- BUT, there are common issues related to disclosures identified through disclosure testing (and other sources, like industry comments)
- Foundational research
  - Take issues identified through disclosure testing and bring them into the lab (and field)
  - Explore cause and effect in a controlled environment
    - Ability to isolate mechanisms that drive comprehension or behavior
    - Can provide generalizable findings

## Foundational Research: What we've learned so far...

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- Complexity matters
  - Lab and “field” studies
  - Inspired by prepaid card rulemaking
  - Individual decision making as well as market effects
  
- When there are more product dimensions:
  - Consumers make more “mistakes”
  - “Market” prices are higher
  - “Sellers” set prices higher

## Foundational Research: What we've learned so far...

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- Context (environment) matters
  - Social/Time pressure
  - “Field” study to approximate real-world circumstances
  - Insight into what factors (other than content/design) may affect attention
- Time pressure and social pressure affect consumer attention
  - “Mere presence” of observer reduces attention to relevant information in disclosure

## Ongoing and future disclosure projects

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- Foundational research
  - Vague language in disclosures
  - Simplifying (tiered) disclosures
  - Complexity across populations
  - Special focus on electronic disclosures
- Disclosure testing
  - Follow-up debt collection testing
    - Qualitative
  - Payday loan disclosure testing
    - Qualitative, possibly quantitative

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Thank you!  
Questions?

## Extra Slides...

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# Complexity Study 1

## Tabular design with many attributes

Remaining Time (sec): 200

Please click on the card you'd like to receive for your participation today. Which ever card you pick will be given to you before you leave.

Card A		Card B		Card C	
Initial Amount	\$33.00	Initial Amount	\$32.00	Initial Amount	\$31.00
<small>received tomorrow</small>		<small>received tomorrow</small>		<small>received tomorrow</small>	
Reload Amount	\$28.00	Reload Amount	\$33.00	Reload Amount	\$26.00
<small>received four weeks from tomorrow</small>		<small>received four weeks from tomorrow</small>		<small>received four weeks from tomorrow</small>	
Activation Fee	\$4.05	Activation Fee	\$1.40	Activation Fee	\$3.55
<small>deducted from initial amount</small>		<small>deducted from initial amount</small>		<small>deducted from initial amount</small>	
Monthly Fee	\$3.10	Monthly Fee	\$3.25	Monthly Fee	\$1.15
<small>deducted from initial and reload amounts</small>		<small>deducted from initial and reload amounts</small>		<small>deducted from initial and reload amounts</small>	
Loss Insurance Cost	\$4.25	Loss Insurance Cost	N/A	Loss Insurance Cost	\$4.25
<small>There is a 50% chance that \$10 of the reload amount will be lost. This card's loss insurance reduces the chance to 10%. The insurance cost, \$4.25 will be deducted from the reload amount.</small>		<small>There is a 50% chance that \$10 of the reload amount will be lost. This card does not provide loss insurance.</small>		<small>There is a 50% chance that \$10 of the reload amount will be lost. This card's loss insurance reduces the chance to 15%. The insurance cost, \$4.25 will be deducted from the reload amount.</small>	
Service Fee	\$1.65	Service Fee	\$2.75	Service Fee	\$1.45
<small>deducted from initial and reload amounts</small>		<small>deducted from initial and reload amounts</small>		<small>deducted from initial and reload amounts</small>	
Administration Fee	\$1.95	Administration Fee	\$2.40	Administration Fee	\$2.60
<small>deducted from initial and reload amounts</small>		<small>deducted from initial and reload amounts</small>		<small>deducted from initial and reload amounts</small>	
Reload Fee	\$3.05	Reload Fee	\$1.90	Reload Fee	\$2.55
<small>deducted from reload amount</small>		<small>deducted from reload amount</small>		<small>deducted from reload amount</small>	

# Complexity Study 1

## Tabular design with few attributes

Remaining Time (sec): 298

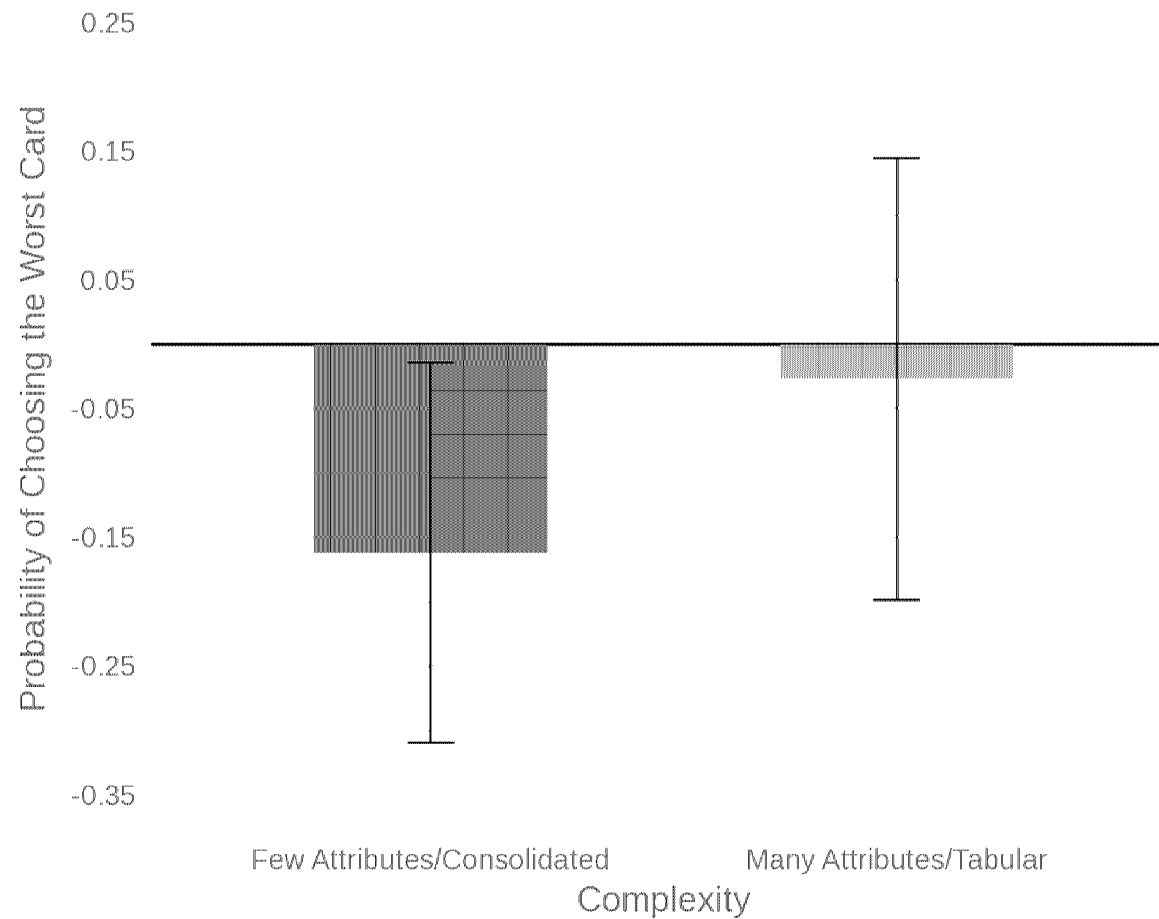
Please click on the card you'd like to receive for your participation today. Which ever card you pick will be given to you before you leave.

Card A	Card B	Card C
<b>Initial Amount</b> \$22.25 <small>received tomorrow</small>	<b>Initial Amount</b> \$22.20 <small>received tomorrow</small>	<b>Initial Amount</b> \$22.25 <small>received tomorrow</small>
<b>Reload Amount</b> \$18.25 <small>received four weeks from tomorrow</small>	<b>Reload Amount</b> \$22.70 <small>received four weeks from tomorrow</small>	<b>Reload Amount</b> \$18.25 <small>received four weeks from tomorrow</small>
<b>Loss Insurance Cost</b> \$4.25 <small>There is a 50% chance that \$10 of the reload amount will be lost. This card's loss insurance reduces the chance to 10%. The insurance cost, \$4.25, will be deducted from the reload amount.</small>	<b>Loss Insurance Cost</b> N/A <small>There is a 50% chance that \$10 of the reload amount will be lost. This card does not provide loss insurance.</small>	<b>Loss Insurance Cost</b> \$4.25 <small>There is a 50% chance that \$10 of the reload amount will be lost. This card's loss insurance reduces the chance to 15%. The insurance cost, \$4.25, will be deducted from the reload amount.</small>
<small>Note: other fees have already been deducted from the initial and reload amounts.</small>	<small>Note: other fees have already been deducted from the initial and reload amounts.</small>	<small>Note: other fees have already been deducted from the initial and reload amounts.</small>



## Result: Fewer attributes results in better choices

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## Complexity Study 2

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- So far, individual decision-making
- What about markets?
  - Competition drives prices to competitive equilibrium
- Study Design (Bertrand duopoly)
  - 2-buyer, 2-seller market for *objects*
  - Sellers set prices, buyers choose who to buy from
  - Buyers get a fixed benefit, but pay the price
  - Sellers get the price, if they sell
- *Only* vary complexity of pricing
  - Cancelling out confounding effects of the real world

## Complexity Study 2

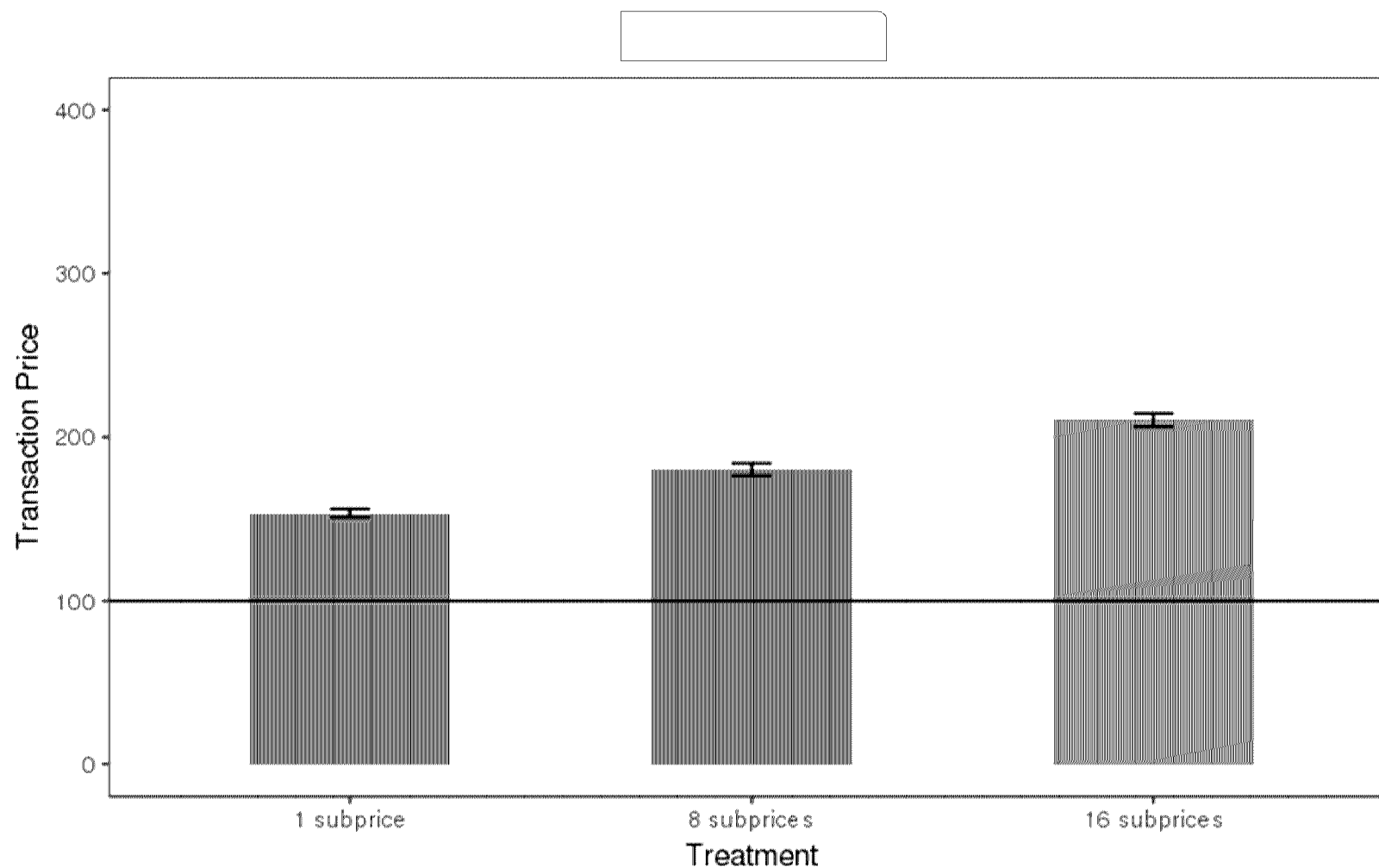
	SELLER 1	SELLER 2
Price	123	234
Choose:	<input type="radio"/> Seller 1	<input type="radio"/> Seller 2

SUB-PRICE	SELLER 1	SELLER 2
1	50	60
2	19	0
3	1	46
4	40	37
5	28	45
6	38	25
7	18	16
8	40	5
Choose:	<input type="radio"/> Seller 1	<input type="radio"/> Seller 2

SUB-PRICE	SELLER 1	SELLER 2
1	6	12
2	9	20
3	2	0
4	35	16
5	24	3
6	15	34
7	0	47
8	8	4
9	0	6
10	5	9
11	21	22
12	16	17
13	45	15
14	24	18
15	24	1
16	0	10
Choose:	<input type="radio"/> Seller 1	<input type="radio"/> Seller 2

## Result: More complexity -> higher market prices


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# Context Study 1

## Top

**Form 0122**

 Consumer Financial Protection Bureau

By signing below, you affirm that: 1) you have carefully reviewed the information contained in this form, 2) you understand that you may ask questions about any aspect of this research study during the course of the study or in the future, and 3) you accept the terms of this research study.

\_\_\_\_\_  
SIGNATURE

\_\_\_\_\_  
DATE

**Research Sponsor**  
This research study is being conducted by the Consumer Financial Protection Bureau ("CFPB") in conjunction with Gettysburg College. The CFPB is an official U.S. government agency founded under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. Its mission is to make markets for consumer financial products and services work for Americans by educating consumers, enforcing federal consumer financial laws, and studying consumers, financial services providers, and consumer financial markets. You can find more information about the CFPB at [www.consumerfinance.gov](http://www.consumerfinance.gov).

**Privacy Act Statement, 5 U.S.C. 552(a)(e)(3)**  
The information you provide will assist the study sponsor, the Consumer Financial Protection Bureau ("CFPB"), in a two-part series of disclosure testing that studies the effects of different disclosure regimes on market outcomes.

The CFPB will obtain or access personally identifiable information such as your first name, last name and gender during the disclosure testing for the purpose of studying the effects of different disclosure regimes on market outcomes.

Information collected will be treated in accordance with the System of Records Notice ("SORN"), [CFPB-022-Market and Consumer Research Records SORN, 77 FR 67802](#). This information will not be disclosed as outlined in the Routine Uses for the SORN. Direct identifying information will only be used to facilitate the testing and will be kept private except as required by law.


This collection of information is authorized by Pub. L. No. 111-203, Title X, Sections 1013 and 1022, codified at 12 U.S.C. §§ 5493 and 5512.

Participation in this study is voluntary. You are not required to participate or share any identifying information and you may withdraw participation at any time. However, if you do not include the requested information, you may not participate in the study.

Researchers conducting this study may be interested in contacting you regarding additional research studies in the next year. These future studies will provide compensation of approximately \$35/hour. Please initial anywhere on the bottom of this form if you would like us to contact you for these studies. Doing so will not affect any aspect of your participation today, including payment or privacy.

## Bottom

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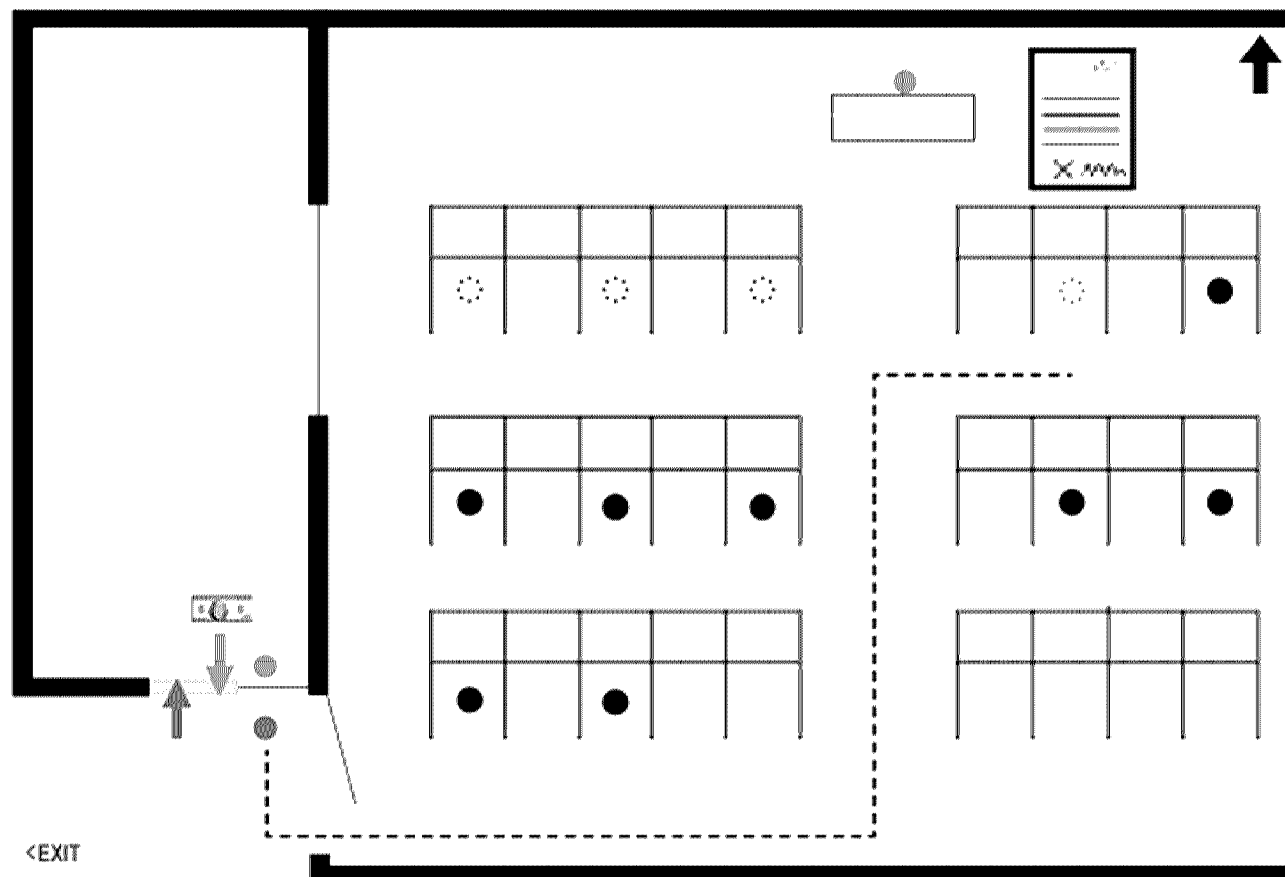
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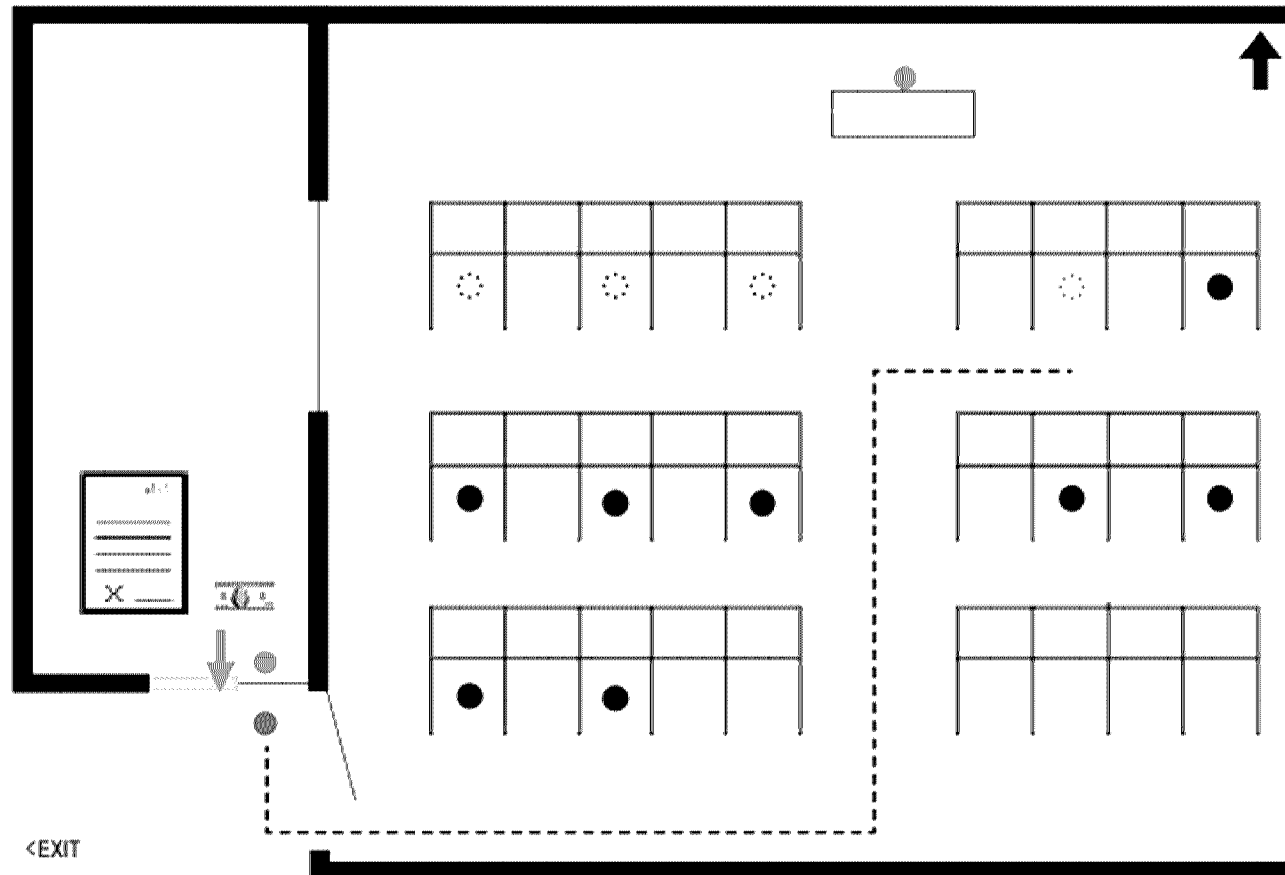
\_\_\_\_\_  
SIGNATURE

\_\_\_\_\_  
DATE

# Environment: Reading in isolation

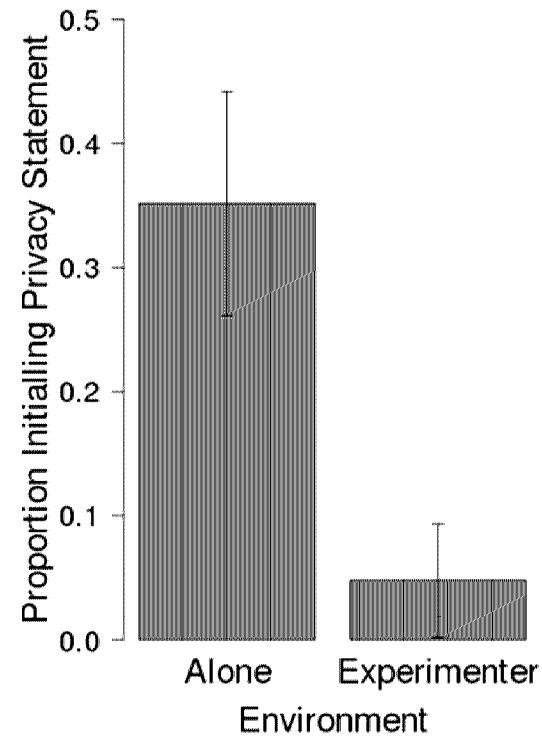
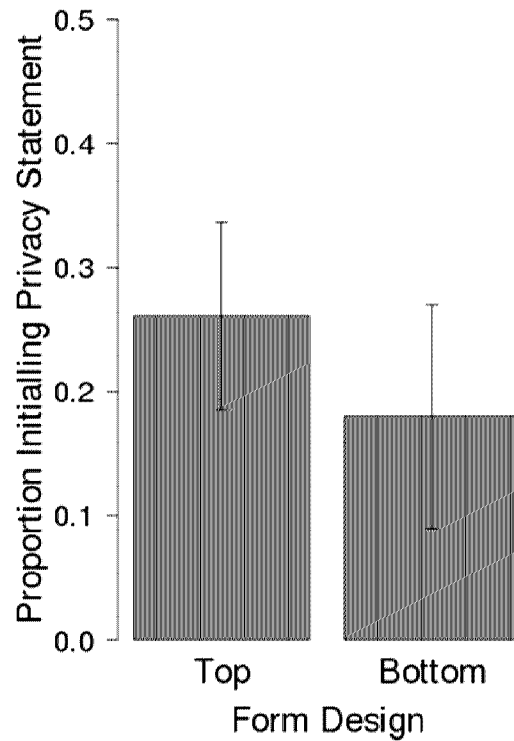


# Environment: Researcher present



## Results: Context (social pressure) influences attention

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## Result: Context (timing) influences attention

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