

[Docket No. CFPB-2020-0013]

Request for Information to Assist the Taskforce on Federal Consumer Financial Law

CFPB RFI – Response to Question 20:

What types of disclosures regarding consumer financial products or services are effective and what types are not? Could the content, timing, or other aspects of disclosures be improved and, if so, how?

Introduction

Fors Marsh Group, LLC (FMG) is pleased to respond to the request for information from the Consumer Financial Protection Bureau (CFPB) to assist the Taskforce on Federal Consumer Financial Law. We understand that the Taskforce is interested in recommendations that benefit consumers and promote consumer understanding and comprehension of financial products and services, including disclosures.

Fors Marsh Group is a leading research and evaluation partner with several federal agencies and has completed multiple research projects focused on consumer financial products and services for CFPB over the past six years. Drawing on our key personnel and financial disclosure experience, we suggest three actionable recommendations to the Taskforce.

Best Practices on Disclosures

Through our work with CFPB examining the most effective consumer disclosures, we know that effective disclosures prioritize three specific features: communication, functionality, and accessibility.

- For effective communication, disclosures should utilize plain language whenever possible to convey financial information, increase credibility and trust, improve usability, and create a positive experience for the consumer.
- For intuitive functionality, disclosures should adopt designs that prioritize functionality and ease of use. Consumers should be able to easily and quickly navigate disclosures to find information whether presented on paper or in an electronic format. The functionality of electronic disclosures is particularly critical because they can present information dynamically and often rely on interaction with the consumer.
- For successful cognition to occur, disclosures require empirically validated copywriting and layout structure for broadest accessibility and comprehension given the wide variation in the American consumer's abilities to understand and act on information contained in disclosures. All consumers, regardless of age, level of

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education, or other characteristics, must be able to access and use the information in disclosures to make financial decisions.

Recommendation #1: National Assessment of Consumer Disclosure Literacy

CFPB has supported a variety of initiatives to improve consumer financial literacy. The complexity and importance of financial disclosures, which require the ability to decode and understand text, documents, and numbers, warrants thorough examination. We recommend CFPB conduct a two-phased National Assessment of Consumer Disclosure Literacy to measure average literacy levels of American consumers and chart a course for strategies to improve consumer disclosure literacy.

The first phase of the Assessment would empirically document, through rigorous psychometric analyses, the range of literacy skills required to comprehend and take actions based on information presented in disclosures. In the second phase, CFPB would support the development of a financial disclosures literacy assessment that measures the core literacy tasks. Following development, the assessment would be administered to a representative sample of American consumers. The results from this study would reveal 1) average levels of literacy with financial disclosures, and 2) how literacy varies by tasks within disclosures and by different population subgroups (e.g., elderly consumers, consumers who primarily access disclosures in print rather than electronically). The National Assessment would provide a critical baseline for CFPB about the disclosure literacy of American consumers and areas for improvement. Moreover, the study would reveal the types of consumers most in need of assistance and the types of literacy tasks within disclosures that consumers find most confusing.

Recommendation #2: Consumer Experience Usability Testing Center

We recommend that the Taskforce assess the usability of proposed changes to all disclosures by establishing a Consumer Experience Usability Testing Center. Prior to issuing final guidelines or rules governing the format of disclosures, CFPB should conduct usability testing to determine if the proposed format maximizes communication, functionality, and accessibility. Usability testing aims to understand the consumer experience of moving through disclosures and how to simplify those forms through cognitive testing, eye tracking, focus groups, and in-depth interviews.

- **Cognitive Testing:** The goal of cognitive testing is to observe and understand users' interaction with consumer disclosures, and to provide recommendations to improve the user's experience with that form.
- **In-Depth Interviews and Focus Groups:** In-depth interviews and focus groups involve getting users' opinions and expectations about various functionalities and content of disclosures.

- **Iterative Usability Testing and Rapid Prototyping:** Through iterative usability testing and rapid prototyping, modifications to disclosures can be tested in a short development cycle to ensure that design changes improve usability and do not cause new usability issues. This method results in a true user-centered design that can be launched with confidence.
- **Eye Tracking:** Eye tracking is most appropriate when there are questions about the visual processing of the information on the form, notice, or disclosure. When a user interacts with a product, there are often discrepancies between their comments and observable behavior. Eye tracking provides additional insight into those discrepancies by objectively measuring a consumer's gaze as they read a disclosure. Eye tracking data allow researchers to determine the areas of the page that received visual attention, as well as areas that were skipped.

Rigorous usability testing conducted through the Center would provide an empirical foundation for changes in the format of disclosures, assuring both CFPB and consumers that the modifications have been tested and refined in order to help consumers make educated decisions.

Recommendation #3: Impact Evaluation of Consumer Disclosure Comprehension
CFPB needs rigorous evidence to support changes to disclosure forms. We recommend that CFPB conduct an Impact Evaluation of Consumer Disclosure Comprehension to determine the true effects of changes to disclosure forms. The first phase of the study would determine the key features of a disclosure form that have been modified and the core elements of comprehension that may be affected by these modifications. For example, CFPB may want to evaluate whether changes to the layout of a student loan form increase consumer comprehension about loan costs, benefits, and risks. Drawing on knowledge of the literacy tasks embedded with disclosures that would be revealed as part of Recommendation #1, CFPB would create an assessment to measure comprehension of the new student loan form.

In the second phase of the study, CFPB would conduct an experimental impact evaluation in which a representative sample of American consumers are randomly assigned to one of two groups. One group would review the old form and the other group would review the new form. Each of the groups would answer the same comprehension assessment based on the form. The results from the evaluation would reveal the impact of form changes on consumer comprehension. If forms show an increase in comprehension, they can be introduced and implemented with the assurance that they are beneficial to consumers.

Conclusion

We encourage CFPB to systematically integrate research into the development, implementation, evaluation, and improvement of financial disclosures. Financial disclosures should prioritize communication, functionality, and accessibility. A National Assessment of Consumer Disclosure Literacy will reveal the core literacy tasks required to understand and use disclosures and establish a baseline for the average disclosure literacy of American consumers. A dedicated Consumer Experience Usability Testing Center will uncover key insights into consumer preferences, opinions, and experiences navigating disclosures. Finally, the Impact Evaluation of Consumer Disclosure Comprehension will support the successful implementation of reliable and valid forms that promote consumer comprehension.