

enthusiastically endorsed the research. All three community organizations expressed concern about predatory lending, and commended the Commission on its research objectives. See ESOP Comment at 1; O.N.E. Comment at 1; SUN Comment at 1. See also TAMB Comment at 3 ("TAMB commends you for undertaking the study. It comes at a critical time.").

Although some of the commenters suggested that particular concerns be addressed in the research, none expressed reservations about the general methodology. For example, MBA wrote: "With regard to research design, MBA believes that the methodology summarized in the comments request is sound." MBA Comment at 2.

Specific suggestions about the research generally reflect a desire to broaden the scope of the information collection. The NCLC, for example, requested that the research ". . . incorporate all educational and income levels of consumers, as well as a variety of languages spoken by American consumers. Moreover, the sample should include enough of each type of borrower so that the sample can be stratified and the researchers can look at and compare subsets of borrowers." NCLC Comment at 5. TAMB recommended that the study be expanded to include more individuals and then grouped into transactions involving mortgage bankers, mortgage brokers, large banks and credit unions. TAMB Comment at 2. TAMB also recommended in-depth interviews with mortgage originators. TAMB Comment at 3.

Commenters offered certain other survey refinements. For example, the NCLC recommended that research on current disclosures include study of TILA forms, Good Faith Estimates, and the HUD-1. NCLC Comment at 7. The NCLC also recommended that the research examine how consumers understand key disclosure terms, such as the annual percentage rate. NCLC Comment at 7. Moreover, the NCLC and ALTA believe it important to differentiate between refinancing transactions and purchase transactions. ALTA Comment at 1; NCLC Comment at 5.

Recommendations of the commenters will be incorporated into the study to the extent possible. To illustrate, FTC staff intends to examine closely how consumers use and understand key mortgage terms. However, given budget limitations, it will not be possible to extend the sample size and study scope as was otherwise recommended. For example, although staff intends to survey consumers of many different

demographic characteristics, the study will not necessarily yield meaningful comparisons across all of the groups the commenters recommend. Moreover, a survey of mortgage originators is beyond the proposed study's scope and available resources.

Pursuant to the OMB regulations that implement the PRA (5 CFR part 1320), the FTC is providing this second opportunity for public comment while seeking OMB approval to collect the information sought under the proposed consumer surveys.

If a comment contains nonpublic information, it must be filed in paper form, and the first page of the document must be clearly labeled "confidential." Comments that do not contain any nonpublic information may instead be filed in electronic form (in ASCII format, WordPerfect, or Microsoft Word) as part of or as an attachment to e-mail messages directed to the following e-mail box: *MortgageDS@ftc.gov*. Such comments will be considered by the Commission and will be available for inspection and copying at its principal office in accordance with § 4.9(b)(6)(ii) of the Commission's rules of practice, 16 CFR 4.9(b)(6)(ii).

1. Description of the Collection of Information and Proposed Use

The FTC proposes to conduct this study in two phases: (1) A qualitative research phase; and (2) a quantitative research phase. The qualitative research phase will include focus groups and in-depth interviews. The quantitative research will include copy tests of current and alternative disclosures. Results from the first phase will be used to refine the design of the second phase.

The project will begin with 2 focus groups. Each group will include 8–10 consumers who completed a mortgage transaction within the previous year. One group will be comprised of subprime borrowers. The second group will be comprised of prime borrowers. The purpose of the focus groups is to examine how well consumers understand mortgage terms, how consumers shop for mortgages, if consumers recognize features of a mortgage offer that may significantly increase the cost of the loan, and whether consumers use and understand required disclosures. Subprime and prime borrowers will be examined separately to examine possible differences between these groups of consumers.

The focus group research will be followed by a series of approximately 36 individual, in-depth interviews with a different group of borrowers. Respondents will have completed a

mortgage transaction within the previous two months and will be asked to bring their loan documents to the interview. The purpose of the interviews is to gain in-depth knowledge of the extent to which consumers use, search for, and understand mortgage information—including information about their own recent loans.

The last phase of the study will consist of copy test interviews of 800 consumers who entered into a mortgage transaction within the previous year. If possible, approximately half of the respondents will be subprime borrowers and half will be prime borrowers. The purpose of the copy tests will be to examine whether alternative disclosures can improve consumer understanding of mortgage terms and help to reduce potential deception about mortgage offers. The findings from the focus groups and interviews will be used in developing the alternative disclosures used in the copy tests.

All information will be collected on a voluntary basis and consumers will receive usual and customary compensation for their participation. For the qualitative research the FTC has contracted with a consumer research firm to locate eligible borrowers, recruit respondents, moderate the focus groups, conduct the interviews, and write a report of the findings. For the quantitative research the FTC has also contracted with a consumer research firm to locate eligible borrowers and recruit respondents as well as to conduct the copy tests and write a brief methodological report. The results will assist the FTC in determining how required disclosures and other information affects consumers' ability to understand the cost and features of mortgages. This understanding will further the FTC's mission of protecting consumers and competition in this important market.

2. Estimated Hours Burden

Qualitative Research

The contractor will recruit 12 consumers for each focus group, with the expectation that each group will be comprised of 8–10 participants. Participation by each focus group will require approximately two hours. Thus, the focus group research will impose a burden of up to 40 hours (2 groups × 10 participants per group × 2 hours per participant). Approximately 36 one-hour long, in-depth interviews will also be conducted. If all respondents are single decision makers, this would total 36 hours. However, some of the interviews may include couples.