FORS|MARSH GROUP

QUALITATIVE TESTING OF SMALL DOLLAR LOAN DISCLOSURES

PREPARED FOR THE CONSUMER FINANCIAL PROTECTION BUREAU (CFPB)

April 2016

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1. Introduction

1.1 Purpose of Testing

The Consumer Financial Protection Bureau (CFPB) is considering issuing a proposed rule for small dollar loans pursuant to its authority under Sections 1031 and 1032 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). This project tested three categories of disclosures under consideration by the Bureau in connection with such a proposed rule—origination notices, payment notices, and an expired authorization notice.

In 2012, the CFPB launched an inquiry into small dollar loan products and in April 2013 issued a white paper of its initial findings, "Payday Loans and Deposit Advance Products."[1] That paper analyzed consumer usage patterns of payday loans and deposit advance products, including sustained use of these products. Sustained use is the long-term use of a short-term, high-cost product evidenced by a pattern of repeatedly rolling over or re-borrowing, resulting in a consumer incurring a high level of accumulated fees. The CFPB's Office of Research then released in March 2014 a follow-up document, "CFPB Data Point: Payday Lending," which analyzed additional aspects of sustained use, including the impact of state laws mandating cooling-off periods between payday loans.[2]

On March 26, 2015, the CFPB released an "Outline of Proposals under Consideration and Alternatives Considered" (Outline).[3] The Outline was released to facilitate a meeting convened on April 29, 2015 by the Small Business Review Panel to gather information from small entities that may be affected by the rulemaking. As detailed in the Outline, the CFPB is considering a proposed rule that may impact a consumer's ability to take out small dollar loans, including payday, vehicle title, and similar loans. The proposed rule may also impact how lenders collect payments from consumers, as the CFPB is considering whether to propose a requirement that lenders send a notice before attempting to obtain payment from a consumer's account (hereinafter referred to as an "upcoming payment notice") and a limit on how many times a lender can attempt to collect payment. Staff from the CFPB Office of Regulations as well as the Office of Technology and Innovation Services developed sample versions of the notices under consideration in connection with the proposed rule. Three categories of notices were developed:

1. **Origination notices.** The CFPB is considering a proposed rule that would require lenders to provide a disclosure at loan origination explaining that consumers may

[1] http://files.consumerfinance.gov/f/201304_cfpb_payday-dap-whitepaper.pdf
[2] http://files.consumerfinance.gov/f/201403_cfpb_report_payday-lending.pdf
[3] http://files.consumerfinance.gov/f/201503_cfpb_outline-of-the-proposals-from-small-business-review-panel.pdf

have a limited ability to roll over or take out another similar loan in the near future. This disclosure may vary depending on the type of loan the consumer is taking out. Forms for loans that require underwriting (also called an “ability-to-repay” [ATR] determination) would explain that the ability of the consumer to take out another loan soon after the instant one may be limited. Forms for an “alternative loan,” which would not require an ability to repay determination, would explain that the next loan the consumer takes out would have to be smaller and that the consumer would not be able to take out more than three loans over a short period of time.

2. Notice of upcoming payment attempt. The CFPB is considering a proposed rule that would require lenders to provide notice to consumers before an upcoming payment attempt. If something about the payment has changed (e.g., the lender is attempting to obtain payment for a larger amount or on a different date), lenders may also be required to provide a notice of an unusual payment attempt.

3. Notice of expired authorization. The CFPB is considering a proposed rule that would prohibit lender attempts to pull payment from a consumer’s account after two consecutive payment attempts have failed. This rule may require lenders to provide a notice to consumers to explain the prohibition.

The CFPB contracted with Fors Marsh Group (FMG) to assist in testing these sample notices. The samples were tested in two rounds of in-depth interviews (IDI) with consumers, with revisions to the sample notices made between the rounds to address usability and comprehension issues. The testing was designed to ensure that any disclosures proposed by the CFPB use plain language that is comprehensible to consumers, display clear format and design, and effectively communicate the necessary information to the consumer.

1.2 Methodology

To test the notices, FMG conducted 28 one-on-one interviews with consumers. Each interview lasted approximately 60 minutes and was based on an interview guide developed collaboratively by FMG and CFPB staff. Notices were tested for comprehension, perceived utility, and attitudinal reactions. Each interview began with a series of introductory questions about the participant’s experience with small dollar loan products. Participants were then asked to review a selection of sample notices in a manner similar to the way they would had they received them during the process of taking out or repaying a small dollar loan. During this portion of the interview, the interviewer asked participants to “think aloud” as they reviewed the notices and to comment on any information that stood out to them or that seemed confusing or unclear. After participants reviewed the materials, they were asked a series of questions to measure their understanding of the content and their attitudes toward and perceptions of the various notices. Finally, most participants (25 of 28) were played an audio-recording with an example of a voicemail message from a lender asking them to reauthorize payment withdrawals. Participants were told that this was not a real message, but rather an example created by CFPB staff, and were asked how they would respond to such a message. At the end of each interview, the participant was asked general questions about his or her awareness of the CFPB, and the interviewer concluded the session by consulting with CFPB and FMG observers to identify any skipped questions or need for clarification.

Interviews took place in two locations: New Orleans, Louisiana, from September 22–24, 2015, and Kansas City, Missouri, from October 27–29, 2015. Fourteen interviews were completed at each location. Participants were recruited via social media, posted flyers, and panel lists. Potential participants completed a screener questionnaire, either on the Internet or over the phone, which gathered general background information regarding their experience with small dollar loans as well as basic demographic information. Preference was given to those respondents who had recent experience (within the last two years) with small dollar loans; see Table 1 for a more specific breakdown of participants.

Table 1. Number and types of interviews at each location.

Testing Round	Location	Consumers with Recent Small Loan Experience	Consumers with no Recent Small Loan Experience
1	New Orleans, LA	13	1
2	Kansas City, MO	7	7

One limitation of this research was that the context in which these notices were tested differed meaningfully from the context in which they would be used. That is, participants reviewing these materials were asked to imagine a hypothetical scenario in which they were taking out a loan or had already taken out one or more loans with a specific lender. Outside of testing, consumers who received these notices would be aware of the specifics of their loans, such as the total amount of the loan, the cost of the loan, and the name of the lender. As such, this testing did not attempt to fully simulate the context under which these notices would be received; this will be a limitation in any similar testing, and the results of the testing must be interpreted with this understanding.

1.3 Notices Tested

In each round of testing, participants were shown a variety of sample notices related to the origination of small dollar loans and notifications of payment actions on existing loans.

In Round 1, the notices tested included:

- Three origination notices
    - A Notice of Restrictions on Future Loans (ATR Loans)
    - A Notice of Restrictions on Future Loans (Alternative Loans)

    - A Notice of Borrowing Limits on This Loan and Future Loans applicable to a consumer taking out a third small dollar loan without taking a 30-day break between the prior loans (Alternative Loans)
- An Upcoming Withdrawal Notice (email delivery)
- An Unusual Withdrawal Notice (email delivery)
- An Expired Authorization Notice (email and text delivery)

After Round 1, CFPB staff changed the content and format of the notices, based on issues and findings observed during the first round of data collection. In Round 2, notices tested included:

- Three origination notices
    - A Notice of Restrictions on Future Loans (ATR Loans)
    - A variation on the Notice of Restrictions on Future Loans (ATR Loans) that does not specify that consumers may not be able to take out a similar loan for 30 days
    - A Notice of Restrictions on Future Loans (Alternative Loans)
- An Upcoming Withdrawal Notice (email delivery)
- An Unusual Withdrawal Notice (email delivery)
- An Expired Authorization Notice (email and text delivery)

Copies of all of the materials tested can be found in Appendix A.

1.4 Report Structure

This report discusses chronologically the findings from testing. Section 2 describes Round 1 findings and Section 4 details the findings from Round 2. Section 3 discusses the changes made to the materials between Rounds 1 and 2.

Note: This study used qualitative methods to gain a detailed understanding of participants' experiences, preferences, and reactions to the sample notices. The findings are valuable for informing form revisions, but are not intended to be generalized to a larger population. Throughout this report, findings are occasionally presented as exact numbers (e.g., nine out of 10 participants) when it is clear exactly how many participants acted in a very specific way or gave a specific answer to a question. However, that level of precision is not always possible given the complex nature of the phenomena being studied and because of the qualitative nature of the testing and participant responses. Therefore, some findings are reported as a proportion of the participants. For the purposes of this report, the following terms are used to describe different proportions:

- "Nearly all" is used when all of the participants responded in a particular way with very few exceptions.

- "Most" is used when more than half of the participants responded in a particular way, but fewer than nearly all of them.

- “Approximately half” or “about half” refers to the range from slightly more to slightly less than half of the participants.
- “Several” or “a few” is used when it is clear that a minority of participants in the subset being referred to responded in a particular way.

2. Round 1 Findings

2.1 Notices and Methodology

A key element of the testing methodology was ensuring that all of the sample notices were shown to at least a subset of participants. Further, because some of the notices (including the Upcoming Withdrawal Notice, the Unusual Withdrawal Notice, and the Expired Authorization Notice) could potentially be delivered to respondents via email or text message, examples of materials in these formats also were presented to participants. In order to ensure that all materials were seen by at least some participants, while still keeping sessions within the one-hour time limit, Round 1 participants were randomly divided into two groups, each of which viewed a different set of materials. Details on which group viewed which materials are provided in Table 2.

Table 2. Notices Viewed by Participant Groups, Round 1.

Group A (*n* = 7)	Group B (*n* = 7)
Origination Notice Disclosure • Notice of Restrictions on Future Loans (ATR Loans)	Origination Notice Disclosures • A Notice of Restrictions on Future Loans (Alternative Loans) • A Notice of Borrowing Limits on This Loan and Future Loans applicable to a consumer taking out a third small dollar loan (Alternative Loans)
Notifications • Upcoming Withdrawal Notice delivered via email • Expired Authorization Notice delivered via email • Expired Authorization Notice delivered via text	Notifications • Unusual Withdrawal Notice delivered via email • Expired Authorization Notice delivered via email • Expired Authorization Notice delivered via text

Other than the sample voicemail message, all materials shown to participants were paper printouts. This included email and text versions of the notices; for these items, participants were shown printouts of sample emails (including images of an inbox with the sender and subject line displayed) and images of phone screens featuring text messages. See Appendix A for copies of all materials tested.

2.2 Background Experience with Small Loans

Nearly all Round 1 participants (11 of 14) had previous experience with taking out payday or other short-term loans, and about half of Round 1 participants had taken out installment loans in the past. A few participants had taken these loans out over the Internet. One participant had applied for a loan from a fraudulent online payday lender who never deposited funds into her account, but tried to collect payment. A few participants also mentioned taking out installment loans from a credit union. About half of those who had taken out payday or installment loans said that they had rolled over or refinanced them in the past, while fewer participants mentioned making late payments or missing payments.

About half the participants who had taken out storefront payday loans reported paying the loans off in cash at the store, although several acknowledged that they had to provide a check at the time they took out the loan. Other participants, particularly those who had taken out online payday loans or installment loans, described allowing lenders to withdraw money directly from their accounts. Among those participants who chose to make payments in person at a storefront, a few expressed concerns about allowing money to be withdrawn automatically from their accounts. Mostly, these concerns tended to revolve around feelings of uncertainty and perceived risk. For instance, one fear was that that allowing automatic withdrawals would not give them an accurate picture of when and how much money would be taken out of their accounts, and could lead to financial mistakes. Participants explained:

- "I just don't like anyone really being in my bank account. I have two bills that are on the auto-draw sort of situation, and I really just don't like it. One of them, which is actually a very large insurance company and I have to deal with my car insurance that way, to pay monthly; that's the only way they accept it. But they are supposed to take it out on the 27th of every month, and it's never earlier. But sometimes it's the 28th, 29th 30th, 31st, and it's annoying, even if it is not on a weekend. It sometimes is a day, or two, or three later. If it's supposed to come out on 27th, I want it to come out on the 27th. You would think, with a huge company like this one that I'm talking about that it would come out on time, but for whatever reason it doesn't always. So it's a little bit of loss of control, and there really isn't usually a lot of extra money in my bank account. So if I look at my account on the 29th, and I see $300, I assume it's after my car insurance has being taken out, but sometimes it isn't. And so then I have a balance that's on paper, but it's not quite right."
- "[They withdrew money] from my account… I had to bring all of my letterheads from my bank, with my ABA number and my—yeah, you know how that goes. I really didn't want to give that one, because they have it for life. The only way they wouldn't have it is if I changed checking accounts."
- "Oh, no, I never let them access my account… [my husband had] taken them out online and he would let them take it out of his account, and they would end up just keep taking money out of his account. They would bounce all sorts of stuff on his

account and he'd get thousands of dollars taken out of accounts. I don't know what the terms are to what he signed, but I want to know, 'Okay. I paid you $350 and this is over.' I'm a little more proactive about my money and I want to make sure that it's done and here you go. So I saw all that happen, I'm like, 'You're not touching my account. Here you go.'"

When asked about their overall experiences with payday lending, a few participants described the process as being complex and invasive. These participants said:

- "It's too much… I mean it's too many questions they ask, for one. Two, my banking information, they didn't allow me the option where I could send in the payment. They wanted to deduct directly straight from my savings account."
- "The process is, to me it's just, it's complicated. Even going through it is complicated. But I understand, it's like borrowing money from somebody… It's just a complex situation when you've got to go in and borrow some money; but you've got to fill out about seven pieces of paper, and you've got to put all your references on it, so you've got to put everybody in your business."

In addition, several participants mentioned that these loans should be used as a last resort or in an emergency situation:

- "I guess it just is what it is. You have to do what you have to do, but I feel like at the end of the day it's like a gimmick. Because if I don't have the money to begin with, and I'm borrowing money for something, it's like you're charging me almost half of it to borrow it from you. So if you're in some sort of debt it pushes you farther down. It's a short-term help, but it's a long-term hindrance."
- "I don't want to do it again. It's too much… I mean, if push comes to shove and if I need to, I would do it, but no, I have no plans on doing it. The interest rate is high and everything."
- "I mean, it's predatory lending. It's not good. But, I mean, I knew the option is there for us if we need it… it was kind of a blessing to us at the time just because it was there. But, I mean, it's not necessarily something healthy you'd want to do for your finances."

Three of the 14 participants in this round had never taken out a payday loan. While one of these three participants had applied for a payday loan but did not get approved, the other two who had never attempted to take out a payday loan explained their reasoning by saying:

- "Well, the payday loans, I think part of [why I haven't taken one out] is that I don't want somebody in my bank account. That's part of it. And I think you have to have a bank account to do most of those, and luckily I've had the opportunity to get money

from other sources, whether somebody owed me some money and I could nudge them a little, or if I could borrow some money because I knew I was going to be doing something for somebody in a couple of weeks or something like that. Luckily I've been able to borrow for small amounts, those sort of things. For bigger amounts, I would go to a bank. For thousands of dollars, I'd go to a bank, but fortunately I've had other sources. Then, I just don't like anyone really being in my bank account."
- "I think they're very high interest rates, and I don't do high interest rates… I have great credit, so I feel like [a payday loan is] more of a product that would be for people who don't have such great credit, which is why they have to pay that rate."

About half of the participants in this round reported having taken out installment loans; these participants described their overall experiences with installment lending by saying:

- "Probably better than the payday, because it gives you a little bit more time and not as much money upfront."
- "It fulfills the need that I have at the time. I mean, I tend to carry credit card balances too much. If they're offering an introductory rate and that period is about to expire I'll go on the Internet and look for some type of a loan that would pay it off but allow it to do it at a better rate. So it fulfills the need to not pay high interest."

2.3 Origination Notice

Three versions of the Origination Notice were tested in Round 1. Group A received the Notice of Restrictions on Future Loans (ATR Loans), while participants in Group B viewed two notices: a Notice of Restrictions on Future Loans (Alternative Loans) and a Notice of Borrowing Limits on This Loan and Future Loans (Alternative Loans), which would be given to a consumer attempting to take out a third alternative loan in the relevant time period. Results for each notice are discussed separately below. See Appendix A for copies of all materials tested.

2.3.1 Origination Notice 1: Notice of Restrictions on Future Loans (ATR Loans)

Most of the participants who were shown this notice in Round 1 of testing described the purpose of the notice as to warn borrowers against taking out the loan if they did not think they could pay it back by October 8th (the due date provided on the sample notice). When asked what the most important part of the notice was, some participants were drawn to the sentence in the notice warning borrowers not to take out the loan if they were not sure that the full balance due could be paid on time, saying:

- "'If you're unsure whether you will be able to pay the full balance of $460, you shouldn't take out this loan.'… I'm thinking that should probably be in either bigger

text or bold text. Like, that's kind of the meat and potatoes of what they're saying here."
- "The most important part is seeing the 'pay the full balance of $460 by October 8th.'"

Though participants acknowledged that the purpose of the notice was to warn borrowers of restrictions, only a few participants expressed an understanding that they would have to wait 30 days after paying off a loan before taking out another one. These participants said:

- "[The purpose is] just to let you know that you won't be able to get a loan for 30 days after taking out this loan and you have to pay it back by October 8th."
- "It prevents you from rolling over your loan per federal law. So if you take it out, you have to pay it back, and you may not be able to get it back for another 30 days according to that."

When asked what would happen if a borrower paid off this loan and wanted to take out another one right afterwards, several thought another loan could be taken out right away if the borrower desired it and the lender agreed. For instance, these participants said:

- "If I was to pay [the current loan] off right away, they could say, 'Well, this is a good customer. We'll give her a second chance to reconsider extending a loan out for some more assistance.' They would have to consider that. If I paid it out on time—most of them, if you pay it out on time, they will consider you. You can refinance."
- "If I really needed it, I would [take out another loan right afterwards]."
- "Well, that's just the same thing as refinancing it. They have to go back through the reapplication process. You got to go through the reapplication process, and then you continue to do the same process you did before to get the loan… if I wanted to take [another loan out right away] I could."

Part of this confusion may have resulted from a misinterpretation of the "30 days" mentioned in the notice; several participants seemed to mistake "30 days" as being the loan term instead of the period of time borrowers might have to wait before taking out another loan. For instance, one participant said, "I wouldn't take it out… If I know I can't pay it within 30 days, there wouldn't be any hope of getting another one. I wouldn't take that out."

Other questions participants had about the notice included why a borrower would have to wait 30 days before being able to take out another loan, what rolling over or refinancing a loan would entail, and how one would be expected to pay back such a large amount ($460) in such a short period of time. (In Round 2, the loan amount was lowered to prevent it from becoming the focus of participants' comments about the notice; see Section 3 for more information on changes made to the notices between rounds.)

Participants also did not comment on or seem to notice the check boxes at the bottom of the form until their attention was drawn there specifically by the moderator. For instance, the few participants that commented on them made comments such as:

- “I didn’t read [the part with the check boxes] either.”
- “The initial part at the end, I didn’t really [read], because it’s just, are you agreeing to this or not?”

Finally, there was some misunderstanding about whether the federal government played some role in the loan, likely due to the CFPB website link’s placement in the main paragraph of the notice. As one participant said, “It does say it’s a government loan… Well, it starts off by saying it’s Willow Lending, and down here it says, ‘For more information, visit Consumer Finance Government Loan details.’ So that means…it’s supposed to be Willow Lending, so it may be affiliated with the government. I’m going to assume that, that it is affiliated with the government. That’s all I’m saying. Nothing to deter you, because they’re just letting you know they’re probably lending federal money, because the lending company is probably using federal money to do the loans anyway.”

2.3.2 Origination Notice 2: Notice of Restrictions on Future Loans (Alternative Loans)

Nearly all participants who saw this notice understood that it was attempting to convey that each successive loan they took out after the first in this series had to be smaller than the previous loan, and that after taking out three loans they would not be able to take out another for 30 days. Participants who demonstrated an understanding of the notice made comments such as:

- “Within 30 days of paying a loan off, you can take out a smaller one. So if you take out $300, within 30 days of paying off the $300 then you can take $200 out… I would say the most important part is knowing that if you take out a $300 loan for the first go-round, then next time you understand you only can take $200. And then after you come back the next time you only can take $100 out, and then that’s it. There’s a max on it… I think it would make people be more conscious of using their tries, of using their chances on it. Sometimes if your back is against the wall, your back is against the wall, but I feel like if I’m borrowing $300 for the first time for my rent then it just is what it is. But the next time if I’m borrowing it, because I want to go get shoes and a purse then I had better be careful… I would keep [this information] in the back of my mind for when I’m going there from the first go-round. So I would try to use it wisely if this is my only source of borrowing, I would try to make sure that I don’t abuse it.”
- “I won’t be able to roll over the same amount every time I refinance, and after the three times that I do, that I have to wait 30 days.”

- “It’s telling me, like, basically, three strikes you’re out. And the federal law is saying that you can take these three loans and then you have 30 days before you can do it again.”

While participants seemed to understand that permitted loan amounts would progressively decrease and that a fourth loan would not be allowed until after a 30-day period, many were confused by the “within 30 days” language in bold toward the top of the notice and the “for 30 days” mentioned toward the bottom. As one participant said, “The bottom one I understand, that if I take out three loans like this one I will not be able to take out another loan like this for 30 days. And it says at the top if you take out a new loan like this one within 30 days you will have to take a small loan. It’s kind of confusing—you want to keep reading it over and over.” Overall, the bolded “within 30 days” language in the notice appeared to cause the most confusion among participants. Some participants struggled to understand exactly which 30-day timeframe was being referred to, and expressed confusion about the timeline shown on the table, saying:

- “Well, I want to know if you take out a new loan like this one within 30 days of paying this off, what’s going to be within the 30 days? Can you pay it off next week, and then take out another one? The stipulations are weird to me.”
- “It’s kind of confusing. I think it might be better if maybe there were more dates on here. Like this is a start date, maybe if here it could say, ‘If borrowed before October 24th, if a loan is taken out before October 24th, the maximum would be the $200.’ But then, I don’t know when you could borrow this $100. So would that be within the next 30 days of October 24th?... And then I’m assuming, but it doesn’t really say, loan number three is before November 24th? Would it be another 30 days before you could borrow? If you did it within 60 days, in other words, you took two more loans out within 60 days, would the max borrowable be $100? I’m not even sure. But maybe you could put those dates on here, because really I think it needs to be clarified with the $100. If it’s within the first 30 days or if it’s within the first 60 days after September 24th, because that’s not clear.”

In addition to being unclear about what constituted the 30-day timeframe within which additional loans could be taken out, three of the seven participants who saw this notice misinterpreted the “30 days” as being the loan term, saying:

- “[The purpose of the notice is] to make sure I know that I have to pay it off within the 30 days, I guess.”
- “Thirty days, sometimes it’s not enough. Because if you’re getting paid every two weeks—and you just made the loan in the first week and you’re getting paid next week—it’s an early notice, for me. You would need more time; you have to look at all of that... I would like them to say, ‘Well, even though we say 30 days you have to

repay this loan, but if you get in a bind, just let us know, and we'll try to work something out with you. We'll try to, like, to bend a little bit.'"

- "You're not actually refinancing the full amount of this loan but you're just having three different loans. Therefore, you're having interest and so forth on three different loans and they are all due within 30 days."

Another point of confusion was how many loans an individual could have out simultaneously within the 30-day time period mentioned in the notice. While most participants seemed to understand that each loan would have to be paid off in full before a subsequent loan of a smaller amount could be taken out, one participant seemed to be under the impression that several loans could be taken out concurrently. This participant, who took the notice to mean that another loan could be taken out every 30 days—regardless of whether or not the previous one had been paid off—said, "If you go along with this, you know you couldn't pay the $300 back. So then you're going to take out another loan for $200. But you still owe the $300, so that's the finances for the $300 and the $200. So to me, that makes it very difficult. You're indebted to them forever, it seems like… Because if you can't pay the first time, how are you going to pay the second, third, and the fourth time?"

Participants also had questions surrounding the nature of the restrictions outlined in the notice. For instance, several wondered aloud why the amounts that could be taken out for each successive loan would be decreasing and why the lender would not allow the same loan amount to be taken out again if the original loan was successfully paid off, making comments such as:

- "If you're a good customer, I think they should work with you… Why is it that they're going for $300, $200 to $100, then you're not allowed a fourth time loan?"
- "It says you can take out a new loan like this one within 30 days of paying off this loan. So if you pay off the loan you can take another one out, but the increments are decreasing, but why are they decreasing if I paid you?… I don't understand why they will be going down if the loans were paid off. Why are you decreasing the amount? Unless they are trying to help people to stop using the loans, so they are just trying to wean you off of them."
- "Why is it that they would reduce the amount? If I paid you back in good faith the first time, why would you not give me the same amount of money that I got from you originally?"

A few participants similarly wondered about the reasoning behind why a fourth loan could not be taken out at all. These participants said:

- "[Others] might find it confusing that why is there a loan two, three, and no four. Why does that even matter? Now they wouldn't know what that is until they've gotten to

the point where they needed $300, couldn't pay for it, couldn't pay it back, and now they realize, 'Oh, now I can get another $200.' So, they would have—I think that would be the only confusing thing. When I think these people, myself included, when you go in there, you just need the money. You're not worried about part two or part three. So, this might be over somebody's head who had never done it before."
- "[W]hy would I not be allowed? Was there a reason for why I would not be allowed a loan number four? And is there, do they offer something else, the transition for me while I'm not allowed?"

Four participants also explicitly stated that the purpose of the notice was to deter people from repeatedly borrowing and refinancing payday loans. Examples of things these participants said include:

- "It definitely discourages borrowing again within 30 days, if I'm understanding it correctly. I guess it's to discourage people from taking the loan that they borrowed and just refinancing it into another loan… Somebody might make a payment and then can't make payments after that, and they try to refinance the balance, to put off having to pay, to make a payment. I guess it's to avoid that kind of behavior… [the notice] is to inform me of a federal law, and since I'm not a lawyer it's a law that's meant to protect me. I assume it's meant to protect me… Usually when you get things like this from a bank or any place that you're dealing with money, they're really meant to protect you—sometimes they're meant to protect the bank or the lender, but this looks like it's meant to protect the borrower… people, maybe they tend to get a little too dependent on [payday loans] so this is to help maybe break the dependency or spread it out a little bit more."
- "[The notice is being provided] so you know you can't just keep borrowing money over and over and over again, like I was talking about, floating like one to pay one to pay one. People will do that with credit cards. They'll use this credit card to pay off this credit card to go do this and I'm going to make a bunch of money and it never happens. It basically just cuts us off after a while. That's what it seems like."

Finally, some additional suggestions participants made in terms of how this notice could be improved to better meet their individual needs included adding a brief explanation of what rolling over and refinancing a loan means, and providing additional details about the federal law referenced in the notice.

2.3.3 Origination Notice 3: Notice of Borrowing Limits on This Loan and Future Loans (Alternative Loans)

The majority of participants who viewed this notice understood it, acknowledging that it would not be possible to refinance or roll over the full amount of the third loan they had taken out, and that they would have to wait until 30 days after it was paid off to be considered for another similar loan. Participants demonstrated their understanding by saying:

- "You're not able to refinance a loan or roll it over. You're not going to be able to take another loan out for 30 days after paying it off."
- "It looks like it's saying after the third one, you can't take out another loan for 30 days… I don't know if that means all companies, but certainly with Willow, you can't take out another loan for 30 days after paying off this one. Could be a longer period of time, depending on how much time you had to pay that one. You may not be able to borrow for 60 days, for instance, if it takes you 30 to pay and 30 to wait. In other words, don't come knocking on our door, because we can't give you any money."
- "I'm on my third loan, and so make sure that I understand that I would not be able to refinance, and that I will have to wait 30 days."

Overall, there was little confusion about the message of this notice, particularly in comparison with the previous one; some of this may be due to the fact that Group B participants had developed some familiarity with the concepts, having viewed the Notice of Restrictions on Future Loans (Alternative Loans) directly beforehand. However, one participant expressed uncertainty as to which loan was being referred to in the notice, saying, "The initial part is sort of a primary loan, I guess, and the others are kind of secondary loans. But it's kind of confusing to me that they're just using the word 'loan.' Whereas it's kind of like loan number one, or the basic loan, or the primary loan, and then loans coming off of that, almost. Because it says you'll not be able to get another loan, but you took two other loans. You took two other loans off of the first one, you will not be able to take out another loan for that $300, or based on that information, or something to distinguish which loan you're talking about, maybe. I don't know, it's just a little confusing to me."

A few misunderstandings that participants had when viewing the Notice of Restrictions on Future Loans (Alternative Loans) were repeated during the presentation of this form. Namely, one participant was under the impression that multiple outstanding loans had been taken out at the same time from Willow Lending, and another interpreted 30 days as being the term of the loan in question.

2.4 Upcoming Withdrawal Notice

After viewing the origination notice, participants in Group A then completed an exercise that involved receiving an email notifying them about an upcoming withdrawal from Willow Lending. Participants viewed an image of an email inbox on paper and were asked whether they would open the email. They were then shown a paper image of the full text of the email and asked whether they would click the link in the text body before being shown the actual notice.

All participants, based on seeing the subject line in the email inbox, said that they would open the email and read it. Most participants said they would open up the email either out of habit or because they would consider it important since it addresses their finances and they would want to stay informed. Participants said:

- “Definitely [would read it]… because they’re trying to withdraw payments, $40, from my account. Yeah, that would rank real high on me looking at it.”
- “Yeah, right away. That goes in my priority mail. I read all my priority mail.”
- “I would read it immediately… just to make sure that the amounts are correct and it’s coming out on the day that I elected for it to come out.”

Although they said they would open up the original email, participants were split on whether they would click on the link in the email leading to additional details. The four (out of seven) participants who would click on it said they felt that the details they would be redirected to would be valuable in keeping abreast of what was happening with their loan, saying:

- “Because it’s giving me information on my loan that I have… It’s confirmation as far as what to expect and informing me that this payment will be taken out of my account. It’s very informative.”
- “Don’t have enough information. [The email] has zero details… I would have clicked on [the link in the email] because I need the real details.”

On the other hand, three of the seven participants who viewed the email said they would not necessarily click on the link within it. Two participants would not have clicked on the link because they felt as though the email text provided sufficient information and they would already be aware of further details, and two were wary of the link due to security concerns, such as the potential for the link to lead to spam. It should be noted that a misspelling in the text of the email (which was corrected before the second round of testing) was mentioned as one of the red flags that led these participants to worry about the link in the email being related to spam. These participants said:

- “If I knew what was going on, and I knew what was coming, I probably wouldn’t. I would probably just go along with it.”
- “It’s not enough information on this email. They don’t even have a signature like who it’s from. I understand it says Willow Lending but then they can’t even spell. I understand like details would be in the link but it’s still not enough information for me.”

When participants were asked about the identity of the sender of the email, all of them correctly responded that the email was being sent by Willow Lending. Nearly all participants said they would consider the email legitimate. They reported having no concerns about the email because they would have expected it to arrive and would have recognized the company name, and because it included details specific to their account and contact information for Willow Lending. The one participant who did have concerns was unfamiliar with receiving important notices electronically, and said, “I definitely would [have concerns about the legitimacy]… I’m old school. Email, all of that, I’d do better with a letter, a phone call, someone I can talk to.”

Participants were then shown the full text of the notice, and, when asked how receiving the notice would make them feel, none of them expressed negative attitudes. Nearly all participants characterized the notice as having a straightforward, direct tone, but one that was not offensive. Only one participant referred to the tone as “harsh,” and this was in response to the “big, bold letters” in the title of the notice.

Overall, participants understood the purpose of the notice and understood that they were being informed that Willow Lending would be withdrawing $40 from their account. Most participants also picked up on the fact that fees would be added to their loan balance if they did not make the $40 payment, though several noted that they would simply make an extra $40 or borrow money from friends or family before getting to that point. One participant described the notice by saying, “It was clear and precise, short and to the point. And they made sure to put a contact number on there in case you have any questions.”

However, although the overall purpose of the notice was well understood, participants did have trouble comprehending certain aspects of it. One detail on the notice that elicited considerable attention was the annual percentage rate (APR); a few participants struggled to explain this term and wanted additional information about it. When asked about the APR, participants said:

- “I guess if the loan was $400 or however much the loan was that I would have to pay back this APR, this annual—I think it’s annual percentage rate—as long as I have it open… I would try to hurry up and close this loan.”
- “Appraisal? The interest rate? I think it starts off at like three-something right? And it goes to seven-something, I think. [I would describe it as] interest, what they want back on the money that they gave you… I guess you really calculate it all up to see how much money they’re getting back from you for the little-bitty money that they loaned you.”
- “I would have a better breakdown of the APR. I’d have prices instead of percentile. Like the percentage of it on one side and the total at the bottom for this case.”
- “What is APR? [My guess would be] the interest rate was 533.20%.”

Several called it out as being extremely high, saying:

- "The interest rate is ridiculous, but if this is something that I guess I agree to that's what it is, but I know I wouldn't. That's like way more than the loan itself, but this is pretty straight forward."
- "[The APR is] the percentage of interest on the loan. So, like, you know, basically if you go to a bank and you take out a loan, or a mortgage, or whatever, it's not going to be at this rate. But because you're taking it out over two weeks and they're making $50 off of you, it's just [an] astronomical rate that they give you."
- "[The APR is] the interest rate. Very high. First of all, I wouldn't, that's kind of high. It is kind of high. I would be seeking other places. I really would be because that's high APR."

However, some participants acknowledged that in a real-life situation, they would have already known the APR from the origination documents:

- "I wouldn't say I would be agreeing to this loan, but if this is what the person agreed to and that's what they signed off on, this 533% APR, then that's what they're responsible for."
- "I mean, I would know about it before I signed the loan. I mean, at least wherever I go, there's a big thing on the wall, and it says '$100. This is your fee. Then, this is your percent that we're getting it at' and so on, and so forth. So you should know that before you sign. I mean, it's right there on the wall. It's on your documents. That shouldn't be a surprise to anybody who does this. I mean, they may not necessarily know the math about it, but it's there. It's because the term is so short, and it's like a huge amount of interest for like a two-week period. That's just how it works."

In addition to a lack of awareness regarding the details of how APR works, participants were unclear on a few other items on the notice. Specifically, some participants expressed confusion surrounding what the principal and finance charge in the table at the bottom of the notice meant, and why the amounts were listed as such. A few said they would have expected a more detailed breakdown of information that included a history of previous payments made, saying:

- "I'm expecting it to have more details on, 'We took this out in October, this on November, December, $40, $40, this [is] your interest.' So I would have expected it to have a payment breakdown."
- "Probably [I would want] a breakdown. Well, this is payment breakdown but that's not actually I guess the history of payments. Some history of information or how much I've already paid and how much has to be paid. And they're saying that $400 is the

balance so is that $400 a part of this finance charges? I don't know where this finance charge is coming from if the balance is zero, unless there was a contract which said that I had to hold on to the loan until so long. I don't know."

Several participants also noticed that the payment was not being applied to the principal, which was listed as zero, and were puzzled by the payment structure depicted. For instance, participants said:

- "Wait, principal is zero, finance charge $40, so you're paying towards just your interest and the fees? … It says a principal of zero but it has a balance of $400. I'm confused."
- "Well, the principal was saying zero. What would be the principal?"
- "So none of this is coming out from the principal? It's all finance charges according to this? … It just says that they're going to attempt to withdraw a payment of $40, but the $40 is just the finance charge according to the payment breakdown. There's nothing on this payment coming out of the principal of the loan. And it's a $400 loan. So it's a 10% finance charge? I would assume some of it for a scheduled loan payment should be off of the principal."

2.5 Unusual Withdrawal Notice

Instead of viewing the Upcoming Withdrawal Notice, participants in Group B viewed an Unusual Withdrawal Notice from Willow Lending. As noted above, this notice would be provided when there would be a difference in the payment attempt, such as a payment attempt for a higher amount. As with the Upcoming Withdrawal Notice, participants viewed an image of an email inbox on paper and were asked whether they would open the email and click on the link.

All seven participants who viewed this notice said they would open the email, and all but one participant—who was deterred due to concerns with the appearance of the link's URL—would click on the link leading to additional details. The majority of participants indicated that they would want to read the email right away, because the words "alert" and "unusual" would catch their attention, and would make them want to determine what was going on and why a different amount was being withdrawn. Participants explained:

- "Well, it says 'alert,' but then also it says 'unusual withdrawal.' That's really—not so much the alert part, it's the unusual withdrawal part… 'unusual' catches my attention and it's close to the edge, so I would pay attention to that."
- "I'm looking it up, because they're alerting me to something. And I'm thinking in my mind, 'Well, I just took money from them.' So, yeah, I would definitely open it up."

- “I’ll read it right away… because it says unusual withdrawal, and I would want to know why there is an unusual withdrawal going on with my account.”
- “I’m reading it right away… It says ‘alert’!”
- “I would read it right away… The word ‘unusual’ sticks out… It would make me think that it’s more—it’s almost like a fraud alert. It would, by using the word ‘unusual.’”

Participants were able to easily identify Willow Lending as the sender, and most had no concerns with its legitimacy, for largely the same reasons as with the Upcoming Withdrawal Notice (e.g., the email included the last four digits of their account number, the appropriate loan number, etc.). One participant noted that it seemed legitimate because the notice was not asking for additional information such as a bank account number. However, two participants were concerned about how legitimate the notice was.

Compared to the Upcoming Withdrawal Notice that Group A participants saw, this notice had a less favorable reception. Six of the seven participants described the tone with words that have negative connotations, such as “rude” and “pushy,” although half of them acknowledged that perhaps this less-than-pleasant tone was appropriate given the purpose of the notice. A few participants felt that receiving the notice would trigger negative emotions. For instance, participants said:

- “They’re saying it’s unusual because it’s $80 versus $60, but the normal payment is $60 and there’s some sort of finance charge or late fee, so I still don’t see how it’s unusual. Assuming that I did this and it was legitimate, I would be a little aggravated.”
- “I don’t want to say they are bullying you, but it’s like ‘I’m taking your money, and here’s why.’ But it’s not like a here’s why, because of—I feel like there should be another conversation in here somewhere.”

The most common questions participants had about this notice centered on why this withdrawal amount was larger than in the past. Participants also expressed confusion about what an Automated Clearing House (ACH) transfer is, the payment breakdown, and the balance on the loan. For instance, participants said:

- “I’m still confused. Your negative balance is $400. Is that what you owe, or is it some sort of pre-paid balance of a card? I don’t know if you owe $400 or if you have $400 left.”
- “I don’t know what ACH transfer is. Maybe I would know that going into this loan situation, but I would be curious who that is.”

2.6 Expired Authorization Notice

All participants then completed an exercise similar to the Unusual/Upcoming Withdrawal Notice exercise, but with a notice saying that Willow Lending is no longer permitted to withdraw loan payments from their account. As in previous exercises, participants viewed an image of an email inbox on paper.

When shown this notice, it was clear to participants that the lender had tried twice to withdraw money from their account, but after the two failed attempts would not be able to make any additional attempts to go into the account.

All participants believed that they still owed the debt because they had borrowed the money, and did not expect that it would have gone away:

- "Yes, because they weren't able to collect. If it's something that you signed off when you agreed to pay back and they weren't able to collect as it was set up, then you still owe."
- "You sign an agreement or I sign an agreement in this situation to agreeing to pay for it. It's just like any debt. It could be a credit card debt or a cash advance debt. Yeah, it's still owed, is the short answer."
- "Well the only part I wouldn't have expected is you may still owe the outstanding amounts. Duh, the amount is because I didn't pay it."
- "Because it's still there. It's still unpaid. I know it doesn't go away. I think it goes on your credit, if I'm not mistaken."
- "Because you broke the contract. You didn't complete the contract, you just broke it, so you violated—yeah, you owe them."
- "I mean, it's debt. They're still going to come after you for it. You signed something saying you borrowed it."

However, the language "you may still owe the outstanding balance" did serve as a minor point of confusion. As one participant said, "I know I owe it if I owe it, but it doesn't sell you. It doesn't do a good job. It says you 'may still owe the outstanding balance.' That is kind of misleading… Because why would I not owe it if they're trying to withdraw their payments, so I don't like that."

A few participants also expressed confusion about whether this notice described efforts to withdraw two separate scheduled payments, or two attempts to withdraw the same payment:

- “I’m trying to get $130 to catch up this account and pay what I need to pay because at this point, I’m about to be three payments behind… but if this is the same payment, so it’s not actually that I owe $130, I’m actually owing $90.”
- “This right here doesn’t necessarily say if these are scheduled payments for the loan or they just came back and tried to take the money out. So if it was the 7th and the 14th, I would be like, ‘Okay, it’s a weekly payment system or whatever.’ But right here, it’s four days later. Is that a scheduled payment or did you just see the money didn’t come through on the 7th and try again? So that’s not really clear.”

One participant did not realize that lenders have the ability to try to collect payment multiple times:

- “I don’t know if it’s in the contract or not but they tried it twice and I was charged two fees for it every time they tried. Based on my understanding from the looks of things, it was due on November 7th so you should have only tried on November 7th. I didn’t authorize November 10th so how are you going to charge me an additional fee instead of contacting me or something like that… I guess again I would probably visit consumer finance to see why at first why the second attempt was made, if they have the authority to do so, and why is it limited to two.”

Most participants admitted that receiving such a notice would likely make them feel a range of negative emotions, as they would feel irresponsible and guilty for not having enough money in their account and falling behind on payments. Their feelings of disappointment would be directed mostly at themselves, rather than at the lender. For instance, participants said:

- “I’d be more mad at myself than them… they’re just trying to collect their money, again. They didn’t force me to come borrow money. I came and borrowed the money on my own, so you know.”
- “I’m assuming I thought the money was there so now I’m panicking.”
- “[I would] probably yell or cry, depending on how many notices like this I got that day or whatever is in the mail.”
- “It’d make me feel that I need to get either my butt in gear or just pay this off one or two ways. I’d feel like a loser if I was getting this, but I guess there could be some nervousness, too, because it’s adding up and it’s not going anywhere except for your credit report.”

However, not every participant viewed the notice as a punitive measure. A few viewed the notice as more of a relief:

- “[I would feel] relieved because you can’t take the money out of my account. I didn’t have the money to begin with, remember? I borrowed it from you, and I’m struggling to pay it back. And you keep trying to get it out of my account, and you keep tacking on fees that I don’t have. But now it is like the law is saying that you can’t go into that account anymore. You’re going to have to delay it another week. So eventually if they catch up with you, they’re probably going to garnish your wages or something, but that’s not right now, like today… So I’m kind of relieved until the next go-round… I don’t have it to pay them back, so it’s just like a sigh of relief that they can’t go into that account, so I don’t have to worry about them overdrawing my account trying to get their money. And you just want to deal with it when it arises again. Like whatever they’re going to do. I don’t know what the laws are, but they are probably going to send you to the credit bureau, or I don’t know if they can garnish your wages with this stuff or not. I feel like it’s giving me like a little break for a week or two, because if you went in there twice and I didn’t have it, nine times out of 10 I’m still struggling. I don’t have it, so feel like somebody is getting a little break.”
- “I would not fault the company; I feel that they’re totally within their guidelines. I understand the late fees and the way they’re helping you out. They’re saying, ‘Now, look, we’re not going to try this anymore. You haven’t paid two payments so why keep stacking on payments?’ This is something I would appreciate, it’s very self-explanatory.”

In response to receiving this notice, the majority of participants said that they would call Willow Lending and make arrangements to either make a payment or explain their situation and determine other options:

- “Probably call these people up and try to work some payment arrangements out with them… or you could at least change the payment date.”
- “[I would] call this 1-800 number.”
- “I would probably try to contact them to maybe set up different payment arrangements… I would probably try to get out of these additional fees if possible.”
- “What would I do? I would definitely pick up the phone and give them a call and let them know the situation that’s happening. And as soon as I get the money, I would definitely make the payments, and pay the late fees.”
- “I should give them a call, or email them back, and let them know that—it’s like this on such and such date—and I’m going to try to come in or I tried to pay you all off if I’m doing an over-the-line payment or something like that.”
- “I will notify Willow Lending, let them know that I will make payment arrangements this week. How can I make other payment arrangements?”

Only one participant stated that he or she would not do anything due to a lack of funds to make the payment, saying “[I would do] nothing. I don’t have the money.”

Other potential courses of action mentioned included turning to family for help to pay off the loan, going to the Willow Lending site before calling, looking online for general legal resources regarding predatory loans, and visiting the CFPB website. About half of the participants said they would visit the CFPB site link, recognizing that the intent was to help inform consumers of their rights and offer them protection. Those who would not visit the site largely felt that they would or should have already known their rights before getting this far in the process, whereas others did not expect to find information that they would find useful. When asked what they would expect to see on the site if they were to visit it, participants often mentioned expecting to see a list of frequently asked questions, along with opportunities to file complaints against lenders, a chat function for questions, and other information on basic rules and regulations.

Even with these different options, participants were worried about negative consequences that could occur after this notice was sent, particularly if they did not take any action in response to the notice. For instance, they were wary of getting contacted continually about their loan balance, being charged additional fees, suffering a reduction in their credit score, being sent to collections, or even having their wages garnished:

- "The amount owed would probably triple and I would be looking at—they were probably trying to get it the best way they could so I'm sure they were going to either send it into collections or try to have it withdrawn from my employer or something like that."
- "If I took no action, they'd probably start calling me, and asking me for money, and maybe report me to a credit bureau, and whatever else. Exactly what I'd expect anybody else that I owed money to do."
- "I would think they would report me to a credit bureau and I couldn't do any more loans with them."

2.7 Notifications via Text Message

Participants then viewed an image on paper of a sample text message that borrowers could potentially receive in lieu of an Expired Authorization Notice in the mail or via email. The first screen mock-up shown was a text message explaining that Willow Lending could no longer withdraw loan payments from the participant's account (akin to the Expired Authorization Notice), and the second screen showed what clicking on the link in the text would look like on a phone.

Overall, the majority of participants (eight of 13)[4] disliked the idea of receiving notices via text. One of the main concerns was privacy; many mentioned that they would be

[4] Because of time constraints, one participant was not asked this question.

embarrassed if a text about their loan situation displayed on their phone screen while they were in a social setting. Similarly, some mentioned the possibility that a friend or family member could have possession of their phone and see private financial details that they may not want revealed. Participants said:

- “Having it on your phone, somebody could pick up your phone and all of that. It’s a little more personal. It could be embarrassing, I guess. But your email, somebody could just pick up my phone and look at my messages and, ‘[Participant’s name]’s late on a loan. What a loser.’ Going out with a girl and they see that, they think that it doesn’t sound really good. But in an email, it’s more private. Not too many people are going to get into your email, so I prefer it there.”
- “Getting it through a text? Why can’t they call? Or send a link to my phone, like through the email? I wouldn’t want it in a text… because other people have your phone. Anybody reading your text message, anybody would know about your business.”

Several participants indicated that they believe texts are for more personal interactions and so did not like the idea of receiving alerts about their loan status via text. Several mentioned that they think of texts as a way for those they know and care about to communicate with them, and would not want to receive text messages from a business, particularly a lender. They may also not take a text as seriously as an email, thinking of it as less official. For instance, participants said:

- “Usually for me, text messages are more friend to friend, parent to parent, and I’m not getting business or alerts of default loans or anything on my default text messages. That must be a 2015 thing, because I’ve never even heard of that.”
- “An email I would take more seriously, but a text message I wouldn’t be like ‘Oh my gosh, Willow Lending is texting me!’ I would probably be like, ‘Why are you texting me?’ An email, I want the information, I want to read over the information. I don’t want to text and I rarely want to be called. But an email I think is sufficient. I want to read it, I want to know where we’re standing at, but I don’t want to be texting because we are not friends… It would be rare that I would just be like, ‘Let me see what Willow Lending is saying.’ I probably wouldn’t even care what they are saying via text… I wouldn’t probably appreciate getting text messages. That’s like somebody calling your job.”

Additionally, a few participants had security concerns; some mentioned that receiving a text from an unknown source—such as a string of numbers showing up as the sender instead of a recognized phone number—would make them think of spam, and they would be wary about opening such a text.

However, some (five of 13) had a preference for receiving notices via text. Participants who do not check email as often felt like it was the most convenient way to reach them as they always have their phones handy and would read a text immediately, versus an email that might sit in their inbox. These participants said:

- "More convenient, I guess. Something that would jump out at me because my phone would alert me."
- "I guess my preference, if any, would be first through the mail, second phone, third email… with my phone it'd just pop up… for me, it's so much easier to click on a text message than to go through your email… it's more convenient to just hit your text message and see it, get rid of it. For me, you got to go through your email. You got to click it. You got to screen it. You got to go through them. And I got like 50 of them right now unread."
- "Personally, nowadays, since I have learned how to text, I prefer to receive things by text. My phone is with me 24/7 because of my family. Email, I may not look at it every day. Being in a retired situation and I'm primarily at home, unless I'm specifically looking for something, I won't check it every day."

2.8 Responses to Sample Voicemail from a Lender

Finally, participants[5] listened to a sample of a voicemail message about an outstanding loan left by a representative working for Willow Lending; the text is as follows:

> *Hi, this is Diane, from Willow Lending. I'm calling about a failed authorization on a loan that you took out with us a few weeks ago. This authorization must be renewed right away. Our last two attempts to collect payment from your account failed and you're now overdue. Contact us at 1-800-950-8221 immediately to authorize additional payments or we'll have to move your loan into default status. If we don't hear from you by 5pm, we'll also have to charge a late fee. Once the loan moves into default status, we can't control adverse impacts on your credit report or your ability to take out other loans. Call us now at 1-800-950-8221.*

Most participants reported feeling somewhat intimidated by the voicemail message, and were inclined to call back based on what they heard. In terms of their available options and how they would proceed after receiving this message, several participants seemed to think that their options were limited to returning the call to the lender. They said:

- "If I have the money, and I want to continue to be a customer I think it will be beneficial to call and go ahead and knock it out before it gets into default status."

[5]Because of time constraints, the voicemail activity was not completed with two participants.

- "[My options would be] to provide them with the information or the means to get their payments and what would happen is that they said that they're going to charge you a late fee. And if not, you're going to go into delinquency. I think that they've given you all the options that you need. Once again, if it's a situation where you're in the right and your account is straight, then you need to find out what the other problem is, but if you're wrong, you're just wrong. There's nothing else you can do but try to call them and see if you could make other arrangements."
- "You've got 'til 5 o'clock. She says you're giving us 'til five o'clock, and you're going to move into default status. I mean, it's pretty clear… I will call her back immediately upon receiving her message… you've got to try to pay them their money back. They called about a loan, it's probably defaulted, tried to take it out of your account probably, so you're at fault at this point."
- "I would call but I'm nervous when it comes to that kind of stuff. I mean if you got in that situation you'd probably hear that and just not do a thing. That would scare me, though, I wouldn't want to go into default. So I would think my option is to call that person back."
- "Sounds threatening the way that she said it… 'You all get in here and pay this.'… It's scary. If you're a person that you're really scared by and feel threatened by our creditors, then you would jump right away. 'I've got to do something, I've got to go… I've got to do something.' Your back is against the wall… Personally, I would give them a call, because it sounds threatening. You'd have to give them a call. I'd either contact them by email or some type to let them know I'm gonna make an effort to try to do what I can."

While participants were not specifically asked whether they would reauthorize payments in this hypothetical scenario, in response to questions about the benefits of reauthorization, participants expressed a number of reasons they might choose to reauthorize payments:

- "I still owe them the money, so I don't have much of a choice. I borrowed your money. What choice do I have when I came and borrowed your money?"
- "Not owing—I guess catching up and not being sent to collections."
- "Well, they want their money. And if I owe them, I want to pay them."
- "It would be paid on-time and I wouldn't have to worry about missing a deadline—missing a past due date, missing the due date—it would automatically be drafted out of my account or whatever account I authorize."
- "Paying them off, so you can keep your credit going good…You have to reauthorize… personally, I would do it. I would call them, because you can lose your house, your automobile… and these people can sue you. They can garnish your wages."
- "It gets you back in good standards with the company."
- "Stopping my loan from going into default."

Other benefits of reauthorizing payments that participants mentioned included paying off the debt quicker, avoiding additional interest and fees, protecting their reputation and credit scores, and increasing their chances of being able to borrow money in the future if needed.

Even those who did not seem to think that calling back immediately was their only course of action often mentioned that they would call back just to see what their options were, and so that they could make payment arrangements to help settle the debt. Only a few participants said they would just ignore the call if they did not have the money or if they did not want to deal with the representative who had called:

- "That shouldn't have been said to me on voicemail, right? [Because] you should have told me polite, when you was able to talk to me. She was aggressive… that makes me ignore her. That do make me ignore when it's like that, and then I wait for someone else to call, and it'd be better."
- "She was very demanding. I wouldn't want to call her back, I wouldn't want to speak with her. Maybe check to see if there's something I can do online, but I wouldn't want to talk to her directly. She's being demanding of me… If I were in the position to pay it, I would simply pay it, the best way possible without having to interact with the representative."
- "Well she kind of told me everything that will happen. So if I don't have the money to pay them, I'm not calling back."

Most participants saw little to no value in not reauthorizing given that they would still owe the money and would have to deal with negative consequences. The disadvantage of reauthorizing payments that participants mentioned was the risk of being charged late or overdraft fees on payments, especially if they did not have sufficient funds in their account at the time when the lender went in to withdraw money.

Finally, some participants feared that not reauthorizing payments would open them up to scrutiny by a credit bureau or could even land them in legal trouble. For instance, when asked what would happen if they did not reauthorize payments, one participant said, "I guess you're just in trouble… I know they send it off on your credit, and it does something to your credit report, I'm pretty sure. And I don't know if it's even a—I don't know if the cops can come in on that or just what. Because you borrowed money, and you didn't pay it back."

2.9 Other Findings

2.9.1 Familiarity with the CFPB

At the end of each session, participants were asked about their familiarity with CFPB. The moderator had informed participants at the beginning of the study that the research was being conducted on behalf of the CFPB, and described CFPB as "a federal agency that was created to help consumers." However, overall, participants had little to no familiarity with CFPB; half of the participants (seven of 14) had no familiarity with the CFPB at all and were hearing about it for the first time during the interview. Of the remaining participants, five were mildly familiar with the organization in that they had heard of it before, while two considered themselves familiar with the organization and said that they had been to the CFPB website in the past.

No one reacted negatively when asked about the CFPB and, regardless of familiarity with the Bureau, most expressed a general understanding of what the CFPB does and its role in setting guidelines and protecting consumers' rights. For instance, participants said:

- "I would think they would be very trustworthy and that would be my go-to person if I had a real serious issue with something… Because you've got to believe in somebody! It's not from anything that they've done for me or with me, but it's just like any other government agency, you have to trust somebody. And if they're put in place to help you resolve your issues, they would be someone that I would contact… They make sure that consumers aren't taken advantage of, and you're getting maybe the proper information and the proper guidelines to whatever you're trying to pursue, whether it be a purchase of an appliance or vehicle or whatever the situation. They're there to protect your interests, [see] that you're not taken advantage of."
- "I guess they make sure that my rights as a consumer, when I borrow, are being protected, and [lenders are] not doing anything shady… offering me things that really [they] can't."

2.9.2 Perception of "Institution"

Both the Upcoming and Unusual Withdrawal Notices included language saying that "the institution where you have your account also may be able to assist you." A few participants were asked, either as they were reviewing a form or as follow-up question at the end of the interview, what this language was referring to and whether they thought that institution would be able to provide help and how. Though these participants all assumed that the "institution" being referenced was their bank, they had varied opinions on the extent to which the bank would be able to help. These participants said:

- "I guess the bank that you deal with can assist sometimes, it looks like your account that you have… [I would not use that information because] if they are able to assist you, too, that'd probably be even more money for them to assist you, too. So I would not… if they can assist you, you would probably have to take out a loan with them. You'd pay all of it, but you still got to pay them. You've got to pay them, too. To start with, I wouldn't use them."
- "Well, when I read it I took as the bank. Like if I needed to call the bank and stop a payment. That's what I took it as. Well, I'm guessing Willow probably can stop a

payment on their end if they want, but if you just don't want to pay it then you should contact your bank and tell your bank you want to stop a payment… Let's say if I owe you guys $100 and my account has $80, and I know for a fact it's going to overdraw my account and cost me $34. So I would just tell the bank-- tell you guys first, like, 'Hey, listen, I'm not going to be able to make the payment,' and then tell the bank if they try to put a payment through to stop it. Because it's cheaper to stop a payment than let them overdraw the account."

- "'The institution where you have your account may also be able to help to assist you.' I doubt it… I just feel like if I call up Capital One and I'm like, 'Hey, so I got this payday loan thing coming out.' They'd be like, 'Yeah, sorry.'… [I wouldn't reach out to them because] they're going to be like, 'Sorry you don't have $40.'"

2.9.3 Other Fees

Although not specifically asked about additional fees that their banks might charge, participants were generally aware that they could be assessed additional fees by their bank. Some participants who mentioned this without prompting from the interviewer said:

- "If I didn't have the funds they are probably charging me, the bank is probably charging me as well so."
- "If you don't have $80 in there, you only got $60, it could cause overdraft and then you got to pay out more money. So you got to be very careful with that."
- "They will go just take it out; they would withdraw anyway from your account… You'll probably have an overdraft if you don't have money in the bank or whatever… You will have to pay $28, I think, to your bank, so you're paying more."

3. Notice Changes: Round 1 to Round 2

As a result of the Round 1 findings, some text in the notices was modified in order to clarify the purpose of the forms and the restrictions that may be placed on borrowers as a result of taking out these loans. The figures below provide excerpts of the notices that highlight the changes; full versions of all materials tested can be found in Appendix A.

On the Origination Notices, the order of text was reversed so that the text indicating that these restrictions were due to federal law was made smaller and placed underneath larger text describing the loan restrictions, as that information was of primary interest to participants in Round 1. The reference to the CFPB website was also removed.

Figure 1. Round 1 Notice of Restrictions on Future Loans (ATR Loans) Text

Under federal law, refinancing or rolling over this loan may be prohibited. You also may not be able to take out another loan like this one for 30 days after you pay off this loan. For more information, visit consumerfinance.gov/loan-detail.

If you are unsure whether you will be able to pay the full balance of **$460.00** on October 8th, 2015, you should not take out this loan.

Figure 2. Round 2 Notice of Restrictions on Future Loans (ATR Loans) Text

If you are unsure whether you will be able to pay the full balance of **$360.00** by November 12th, 2015, you should not take out this loan.

Under federal law, you may not be allowed to roll over this loan or take out a similar loan for 30 days after repaying this one.

In addition, the section asking consumers to initial indicating that they had read and understand the material by marking a checkbox was removed; during Round 1 testing, most participants did not notice or read that section until prompted by the moderator's questions.

Participants in Round 1 showed some confusion about the "30 day" period described in the notices. As a result, two variations of the Notice of Restrictions on Future Loans (ATR Loans) were created for testing in Round 2: one that described the 30-day restriction on future loans and one that did not specify this time period.

Figure 3. Round 2 Notice of Restrictions on Future Loans (ATR Loans) Alternatives

Option 1: Under federal law, you may not be allowed to roll over this loan or take out a similar loan for 30 days after repaying this one.

Option 2: Under federal law, you may not be allowed to roll over this loan or take out another loan shortly after repaying this one.

For Round 2, language on the Notice of Restrictions on Future Loans (Alternative Loans) was simplified, again moving information on the federal nature of the restrictions to later in the text. The column providing the loan date was also removed from the table. This change simplified the notice and limited unnecessary information.

Figure 4. Round 1 Notice of Restrictions on Future Loans (Alternative Loans) Text

Under federal law, you will not be able to roll over or refinance the full balance of this loan. If you take out a new loan like this one **within 30 days** of paying off this loan, you will have to take out a smaller loan.

Here are the borrowing limits for any loans like this one that you may take out within 30 days of paying off this loan:

Loan order	**Start date**	**Maximum amount that you will be able to borrow**
Loan #1 (*this loan*)	September 24, 2015	$300.00
Loan #2	--	$200.00
Loan #3	--	$100.00
Loan #4	Not allowed	Not allowed

Figure 5. Round 2 Notice of Restrictions on Future Loans (Alternative Loans) Text

If you are unsure whether you will be able to pay $360.00 by November 12th, 2015, you should not take out this loan.

After you repay this loan, any similar loan you take out within the next 30 days will have to be smaller. This restriction is required by federal law.

Borrowing limits:

Loan order	Maximum amount that you will be able to borrow
Loan #1 (*this loan*)	$300.00
Loan #2	$200.00
Loan #3	$100.00
Loan #4	Not allowed

On the Upcoming and Unusual Withdrawal Notices, the loan amounts used in the sample testing materials were modified to minimize participant distraction; the payment amount on the ATR Loan was decreased slightly so that participants did not focus as much on the affordability of the loan payment, whereas the payment amount on the Upcoming Withdrawal Notice was increased because some participants found it affordable and would not directly answer questions about how they would handle situations where they could not afford repayment. The language describing payment channel was adjusted to help consumers understand that an ACH transfer is a type of electronic withdrawal. The payment breakdown tables were also adjusted to address confusion about distinguishing between principal, finance charges, and loan balance.

Additional changes were also made to the Expired Authorization Notice. The subject line of both the email and the text message was changed from, “Willow Lending can no longer withdraw loan payments from your account” to “Willow Lending is no longer permitted to withdraw loan payments from your account.” Instead of simply saying, “federal law prohibits us from trying to withdraw payment again,” language was added to both the email message and the notice itself, saying, “In order to protect your account, federal law prohibits us from trying to withdraw payment again.” The line reading, “You may still owe an outstanding balance on this loan” was removed. The table provided in the Expired Authorization Notice was also modified to clarify that both of the attempted withdrawals shown in the example were an effort to collect one payment.

Figure 6. Expired Authorization Notice Table Options

Round 1

Dates and amounts of returned payment attempts

Date	Amount attempted	Fees charged by Willow Lending
November 7, 2015	$40	$25 failed payment fee
November 10, 2015	$40	$25 failed payment fee

Round 2

Previous payment attempts

Payment due date	Date of attempt	Amount	Fees charged by Willow Lending
November 7, 2015	November 7, 2015	$80	$25 returned payment fee
November 7, 2015	November 10, 2015	$80	$25 returned payment fee

More explicit information about consumer rights and the CFPB was also added to the Expired Authorization Notice. In Round 1, the notice said, "To learn more about your rights as a borrower, visit consumerfinance.gov/ask-cfpb." In Round 2, text was added to make the complete statement read, "The Consumer Financial Protection Bureau (CFPB) created this notice to inform you of your rights under the Small Dollar Loan Rule. The CFPB is a federal government agency built to protect consumers. To learn more about your rights as a borrower, visit consumerfinance.gov/ask-cfpb."

4. Round 2 Findings

4.1 Notices and Methodology

Similarly to Round 1, Round 2 participants were divided into subgroups to ensure that all of the disclosures were viewed by a subset of participants. During this round, participants were divided into three groups to ensure adequate coverage of the three variations of the Origination Notice tested during this round. Details on which group viewed which materials are provided in Table 3.

Table 3. Disclosures Viewed by Participant Groups, Round 2.

Group A (*n* = 5)	Group B (*n* = 4)	Group C (*n* = 5)
Origination Notice Disclosure • A Notice of Restrictions on Future Loans (ATR Loans)	Origination Notice Disclosure • A variation on the Notice of Restrictions on Future Loans (ATR Loans) that did not specify the 30-day restriction (instead specifying “shortly after”)	Origination Notice Disclosure • A Notice of Restrictions on Future Loans (Alternative Loans)
Notifications • Upcoming Withdrawal Notice delivered via email • Expired Authorization Notice delivered via email • Expired Authorization Notice delivered via text	Notifications • Upcoming Withdrawal Notice delivered via email • Expired Authorization Notice delivered via email • Expired Authorization Notice delivered via text	Notifications • Unusual Withdrawal Notice delivered via email • Expired Authorization Notice delivered via email • Expired Authorization Notice delivered via text

Other than the sample voicemail message, all materials shown to participants were paper printouts. This included email and text versions of the notices; for these items, participants were shown printouts of sample emails (including images of an inbox with the sender and subject line displayed) and images of phone screens featuring text messages. Copies of all of the materials tested can be found in Appendix A.

4.2 Background Experience with Small Loans

Half of Round 2 participants had experience with relevant short-term loans (e.g., short-term bank loans, payday loans), nearly all of which were taken out in a storefront or branch. Although most participants who had experience with short-term loans said they rarely take out payday loans (less than one per year), two stated that they take out loans fairly frequently (one took out payday loans about three times, and the other about five to six times, annually). Participants’ negative experiences with payday loans centered on these loans’ high interest rates and the difficulty participants had paying them off. For example, participants stated:

- "It's a struggle to get out of; you know what I'm saying? It's not an easy thing like I can borrow today and go pay next week and I'm fine. I've promised myself and I keep saying this over and over every time, once I get out of it, I'm not going back; but it's a struggle. I mean it is, and for somebody that's working paycheck to paycheck and barely making ends meet, and an emergency situation, they have to do them and they have no other choice. So it is a struggle to get out of."
- "It's not really a good experience. If you can avoid it—I would like to avoid it. If I never have to use it—of course, if you have the intentions of always paying it back, but sometimes things happen and you're not able to. Then you have another bill that's recurring every month with all your other bills. I try not to get them at all."

One participant found payday loans helpful but noted that these loans are often expensive because of the interest rates:

- "It's been helpful, but expensive. It's been helpful even when—I haven't missed a payment, but say for instance, if I was late, couldn't get in, couldn't get off work to be in on time, they worked with me a lot. And they worked with me in getting in and not having to deposit the check and go through that whole thing. So, it's been helpful, but expensive."

One participant who took out a loan over the Internet reported a positive experience, noting specifically the ease with which they could manage the loan.

Four participants who had indicated that they preferred to pay off their loan at the storefront were asked why they chose to do so over alternative payment arrangements. All four indicated they preferred to pay them off in the store because it gave them a greater sense of control:

- "I go to the storefront because I don't want them dipping into my account, because I don't know if they're going to say I owe extra or what."
- "I take it to them and pay them… I take it to the storefront… I don't want them taking anything out of my account. I don't want them dealing with my account. I don't have that much confidence in them… I don't really trust them as far as that goes."
- "Normally go to the store and pay it… It's not to say that they don't already have your account information anyway, but I think it's easier for me to go in and take care of it instead of—because I'll probably forget. They'll pull up money out of my account, and I'm not thinking about it. And it causes other bills and stuff to collapse. So I don't know. I guess there's not really one particular reason why I go to the store."
- "I like to go to the storefront and pay it myself. I'm not trusting of people making mistakes and if I'm paying something back long term, or even short term, I want to

ensure that I know the balance, that I know I've made an $88 payment, that it immediately got credited to my account and that if there's any pending issues, then I'm able to resolve that immediately with the staff… [they can make] any mistake. You can post a payment, but not to your account. You can transpose a number, you can make a payment to someone else's account by mistake very easily, if you make an $88 payment, if you're not paying attention, the teller on the other side—I mean, it only takes one number. It could be a $22 payment, a $42 payment and if I'm not paying attention, I could easily walk out of the branch and assume that it got an $88 payment got taken care of when it actually didn't. I'm able to take corrective action immediately."

About half of the participants reported having taken out an installment loan in the past. Three participants had taken out installment loans over the Internet, two had taken out a loan with a bank, and another two had taken one out with a credit union. One participant reported taking out an installment loan annually. Participants who had experience with these loans were generally more positive than those who had experience with payday loans; only one participant stated he or she had a negative experience with installment loans. For example, these participants stated:

- "Well, for me it's been easy. You just tell them what you want and if you get approved for that amount, they'll send you whatever."
- "It's like a bill so I don't even think about it because they're automatically taking it out. So my experience hasn't been bad with it. If I needed to ever do it again, I probably would feel more secure going that way over the installments than, with the interest and stuff, the payday loan."[6]

4.3 Origination Notice Disclosure

Three versions of the Origination Notice were tested in Round 2. Group A viewed a notice stating, "under federal law, you may not be allowed to roll over this loan or take out a similar loan for 30 days after repaying this one," while Group B viewed a notice stating, "under federal law, you may not be allowed to roll over this loan or take out another loan shortly after repaying this one." This language was tested as a result of the confusion noted in Round 1, which found that some participants were interpreting the 30-day restriction as the loan term as opposed to a restriction on future loans. Group C received a notice for alternative loans that must decrease over time. Because Groups A and B received substantively similar forms for the same loan product, their results are discussed together, and results from Group C are presented separately. See Appendix A for copies of all materials tested.

[6]This participant was referring to his or her experience with installment loans from a credit union.

4.3.1 Origination Notice (ATR)

The majority of participants in both Groups A and B stated that the notice was created to inform consumers that they should not take out the loan if they would be unable to repay it. These participants focused on the affordability of the loan, rather than the information about restrictions on future loans. For example, participants stated:

- "If you're not going to be able to repay this, then you shouldn't take this out. And then also, letting you know about the federal law. I think it's more of making you aware, alerting you of what could happen if you didn't pay it, or the importance of being able to pay it back, or knowing that you're able to pay it back."
- "I think that they're telling you if you can't pay this off, do not take out this loan."
- "If I don't pay this off, I can't take out another loan to pay this off. It's kind of what it looks like to me."

In terms of the restrictions on future loans, Round 2 participants in Group A (who viewed the notice that specified the 30-day restriction) demonstrated a higher comprehension of the 30-day restriction than participants in Round 1, with no participants in Round 2 interpreting the restriction as the loan term. In addition, three Round 2 Group A participants correctly stated that they would have to wait 30 days to take out a second loan (the remaining two thought that they would be able to immediately take out a second loan).

However, Round 2 Group B participants (who viewed the notice that did *not* specify the 30-day restriction) were less likely to identify any restriction on taking out future loans; two of these participants stated that they could take a loan out immediately, one stated that he or she was unsure, and one (correctly) stated that he or she could not take out a loan immediately after but that he or she was unsure of how long this restriction would be in place (because this information was not provided in the notice). This participant said:

- "With this one, that's what I would ask them, 'You're saying I can't take one out shortly after? So what is your policy, I mean what is your procedure?' To me this notice should have that on here, you would have to wait six months, or however long."

Several Group B participants thought the notice was a restriction put in place by the lender. These participants stated:

- "Maybe the company's been burnt in the past and just wanted to inform the consumer that if you don't pay, you won't be able to shop with us anymore."
- "This might be part of their contract or whatever. This is their rules that they're going by, or they're letting you know basically if you don't pay this, don't take it out. But that to me sounds rude. I mean if you can't repay this, you shouldn't take it out. Well, I'm

here because I need the loan, so who are you to say what I can and can't do, what… I should or shouldn't do."

Together, this pattern of findings suggests that participants in both groups focused on the text notifying them they should not take out this loan if they're unable to pay the full balance by November 12, 2015, while information on the federal law restricting future loans went largely unnoticed. Compared to Group A, Group B did not have an overall different understanding of the form but a few Group B participants did notice that their form was vague about the duration of the restriction and requested more detailed information on how long they would have to wait before taking out another loan.

Shortening the form (from that presented in Round 1) appeared to positively impact comprehension since no participants interpreted this form as providing information on their loan term. A few participants also commented that the form's brevity would make them more likely to read it:

- "I hate to say this, but it's because there's not a lot of crap on this paper. And so you do tend to read something like this when you get handed a piece of paper."
- "I would probably notice it just because it's pretty short, so it's nice, it's not bad, detailed or long. I don't know if it's going to look like that, but the font is easy to read and it's nice and big, so visible. And it's short. Yeah, I'd probably notice it."

Finally, participants were asked whether there was anything missing from the notice. The majority of participants requested additional information on penalties, interest rates, and other information that would typically be provided in separate documents when taking out a payday loan. One participant, however, requested additional information on the federal law; specifically, this participant requested additional information on whether this restriction would follow them to other lenders:

- "Under the federal law, if I'm taking it out of this one specific place… is… [this] for any specific payday at all anywhere? … I know it says under federal law. That would be my only question."

The Group B participant who understood he or she would be unable to immediately take out a second loan again requested additional information on the timeline of this restriction, saying, "I would ask them, 'How long do you have to wait?' That's about all I would have asked them. 'How long do you have to wait to re-borrow if you want to re-borrow?'"

4.3.2 Origination Notice (Alternative Loans)

Group C received an Origination Notice with a schedule that detailed the maximum borrowable amount for four successive loans, with the first loan starting at $300 and each successive loan maximum decreasing by $100. The fourth loan was listed as “not allowed.”

Participants in this group noticed and understood the schedule detailing maximum borrowable amounts, and the schedule appeared to influence their responses when asked about the form’s purpose. Whereas respondents in Groups A and B stated that the origination notice provided to them was intended to inform them that they should not take out the loan if they could not repay it, participants who viewed this notice stated that it was intended to inform them about limitations on taking out future loans. For example, participants said:

- “… if you do need another loan within a month, 30 days, it has to be less than the current amount.”
- “This notice is telling me that there is a restriction, there is a cap, on how many loans I will be able to take out with this particular company in the future… ‘Here is your cap, $300, and you’re only going to get three loans in increments, and you will not get more than $300 worth of loans, ever,’ it seems like.”

When asked what decisions, if any, they would make based on the information in this notice, participants expressed an understanding of how any future loans would be affected. For example, one participant, recognizing that this would impact repeat users of these types of loans, said:

- “I think if I was a chronic user of this type of lending, I would be upset. Because if I’m relying on this kind of lending on a regular basis as a way to live, then that would totally fiddle my world up. On the other hand, if I’m this kind of person and now there is a limit on the capacity of my borrowing, then I would probably think things through if I’m using the monies not correctly. For example, if I want to go and party and I need $100—I *want*, I don’t *need* $100—probably someone would say, ‘Well, I’ll just go to the payday lender and have a good time.’ But if I know that there is a cap and I’m the kind of person that I don’t manage my money correctly, I’m probably going to think better and say, ‘Well, I already had one loan. I only have two more opportunities left. I might use these opportunities for something that’s very important like a car bill or my electricity or my rent, so I’m not going to waste my opportunities in taking a little loan for frivolous things that are really not going to be beneficial.’ I would have to be more cautious as to how I use these opportunities of lending.”

A few participants still had questions after reading the notice, such as:

- “So I don’t know why you wouldn’t allow it [the fourth loan]. If I paid these other three back, why would I not be allowed a number four?”
- “It’s just saying that I cannot borrow more than three loans, but it’s not telling me is this for the lifetime that after my third loan, my business relationship with this company is terminated because I’ve used all of them, or if I have to be in a waiting period six months, nine months, to one year before I can go back then restart again? That’s not clear in any manner.”

4.4 Upcoming Withdrawal Notice

As in Round 1, participants in Groups A and B then completed an exercise that involved receiving an email notifying them about an upcoming withdrawal from Willow Lending. Participants viewed an image of an email inbox on paper and were asked whether they would open the email. They were then shown a paper image of the full text of the email and asked whether they would click the link in the text body before being shown the actual notice.

The majority of participants said that they would open the email and would click the included link after reading the email. Those who would not click the link stated that this was because they would already be aware of this information and would not need to read anything additional or feel the need to open the link. The one participant who would not open the email noted that it looked like spam and should include some information about it being an “important notice.”

Overall, participants understood the purpose of the notice and the information that was included on it; the majority of participants stated that the notice was informing them that Willow Lending would be taking money from their account and that they would be assessed a fee if they did not have this money in their account. When asked about the perceived legitimacy of the form, all participants stated that they would believe that this notice came from Willow Lending. When asked why, participants primarily identified the inclusion of their account information, loan number, knowledge of the fact that they would have taken out a loan with Willow Lending, and inclusion of the correct contact information (i.e., phone number, website) on the form.

Participants were then asked about information provided in the table regarding their current payment and outstanding balance. Nearly all participants correctly stated that they were being asked to pay $80 this month. More than half of the participants were similarly able to identify that the outstanding loan balance after payment would be $930. Two participants, one from each group, incorrectly stated that the outstanding balance would be $650 (the outstanding principal). The remaining two participants attempted to deduct $80 from $930 (not understanding that the $930 already accounted for the $80 payment). About half of the participants commented on the fact that the principal remaining after payment listed in the table was not changed (i.e., the $80 payment was not going toward paying down their principal). They said:

- "Principal now, principal remaining after payment. Same amount. Well, if I make a payment, I would want my principal balance to go down."
- "I wouldn't understand all the numbers. The $650 remaining—after the payment, the $650 didn't change."
- "It says the principal now, so the $650 is what you owe, what you—the principal now. So I would like to know what it ultimately started out with. I know what my remaining balance is, with my interest rate on there, and what my principal is, but I see that the principal now and the principal after payment did not change. So to me that doesn't make any sense."
- "Pardon my French, but I'd feel like I was getting screwed. Sorry. I don't know how to put it in PC terms, but paying straight up interest on a loan is ridiculous in my opinion. You always have to pay some principal off… Yes, it's going to cost me. I realize that. That's part of the business. That being said, I don't like owing people money and the faster I pay this off, the less money it's going to cost me."

As in Round 1, other participants requested additional information on the history of the loan (original principal, breakdown of past payments, etc.).

When asked what they would do in response to receiving this notice, most participants said they would ensure they had $80 in their account to cover the payment. For example, one participant said, "Well, you can make sure you have the $80 in your account! I'm assuming if you don't, then you just better be willing to pay the additional $25." When asked what they would do if they did not have the payment in their account, a few participants said they would do what they could to find the money in time whereas others said they would attempt to call Willow Lending and discuss alternatives.

- "I would start hitting up some friends. I would sell something. I would find a way to come up with the money… I'd pay it all fast. Again, friends, family, go down to the plasma bank or blood bank, yeah. Start collecting cans. There's got to be a way to scrape up 80 bucks. If I can't scrape up 80 bucks, I'll probably need to get into a job, too."
- "You could maybe trying calling them and explain your situation, but I don't think that gets you very far these days. I think you're just going to be paying them more money. They're going to get a returned payment fee of $25 added on to the balance, which with your rate of 533%, it's just going to add on to it. So you're going to be paying more in the long run. More than the $25 added on."

Most participants also noticed the high APR indicated on the notice. However, as in Round 1, participants were generally unaware of the specifics of the APR or how it applies to their loan. Also as in Round 1, others did not find this information useful or expressed that they already would have had this information. Participants said:

- “I don’t really necessarily understand it [the APR] a whole lot. I don’t know how I would be able to explain it to anybody else, other than that’s the fact that’s the interest. That’s what we’re billed if you didn’t pay it, I would probably think.”
- “When does that [the APR] actually occur? Does it occur once you couldn’t make the payment? Does that actually come into play then? I would think that would be it, since they’ve placed it in there.”
- “I would remove that sentence, ‘this loan was made to you at a 533.20% APR,’ I don’t see the relevance of it in this.”
- “It’s a high APR… but I would have checked the APR before I did this… I would ask them about that, what it is.”
- “I should know, if that was the rate they gave me when I applied for the account. That should not be a shock to me, even though it seems rather high.”

4.5 Unusual Withdrawal Notice

Instead of the Upcoming Withdrawal activity, participants in Group C completed an activity involving an Unusual Withdrawal Notice from Willow Lending. Similar to Groups A and B, participants viewed an image of an email inbox on paper and were asked whether they would open the email. They were then shown a paper image of the full text of the email and asked whether they would click the link in the text body before being shown the actual notice.

The majority of participants said that they would open this email. Only one participant indicated that he or she might not open it, because it may slip by him or her given the number of emails they receive on a given day. Participants said:

- “I would read it right away because it says alert and unusual withdrawal. Those are alarming words so I would read it.”
- “Yeah [I would open it], it says alert. That kind of sticks out and it says unusual withdrawal. So yeah, I’d probably open the email to look at more detail.”

All participants said they would click on the link to view the full notice, and approximately half noted they would do so in order to find out why this payment was unusual.

When they viewed the notice, all participants correctly identified that they were to pay $80 this month, although again not all could correctly state the remaining loan balance ($930; in this form, the $930 was in the text body). Two participants stated that the outstanding balance would be $590 (the outstanding principal after payment), one said that it would be $650 (the current outstanding principal), and two correctly stated that it would be $930. As such, comprehension of the outstanding loan balance was similar across the Unusual Withdrawal and the Upcoming Withdrawal Notices.

Two versions of the payment breakdown table were tested. The first was on the Upcoming Withdrawal Notice (Groups A and B) and listed the principal now, the principal remaining after payment, and the loan balance remaining after payment. The second was on the Unusual Withdrawal Notice (Group C) and listed the principal (to be paid), interest and fees, principal now, and principal remaining after payment. A few participants stated they enjoyed seeing the information in a table format, stating:

- "I wasn't expecting a payment breakdown… it's cool. I like—it's informative."
- "When people see little charts like that, I think it's easier for them to understand, too, instead of reading it all out. I like how they put it here, but then they have a breakdown in the chart underneath."

Nearly all Group C participants understood that the form was breaking down the $80 payment into the amount that is owed in principal ($60) and the amount that was owed in interest and fees ($20). For example, participants said:

- "[The form] definitely breaks down, kind of shows you what they're going to do on that date. And then it breaks down what the previous withdrawal was and where it was withdrawn. Shows your remaining balance, which is nice, and then if it's not successful it will charge a payment fee, but you've got a contact number and then a breakdown of principal and interest so that's good."
- "I like that [having the principal and interest separate], because I like it on my house. I like to know how much it is. So my principal is 60 bucks. My interest fee is $20. So I know if I want to make it double I can make that $20 plus $120. Sixty plus another month and apply that towards the principal."

A few participants across all groups requested additional information on their payment history:

- "I would probably pull my payment breakdown from my previous payment to compare because this isn't fully clear."
- "I would think for the payment breakdown, maybe they should start out what your initial loan was, and then maybe even have the date, so if your previous payments and stuff on there, of what you paid. I'm assuming this is just for one month, right here. So maybe have your history."

A few participants expressed frustration because they were uncertain *why* their payment amount was changing. For example, one participant said:

- "This payment breakdown is unclear because the principal payment is $60 and the interest and fees are $20. So that comes up to $80 that they're taking this time. But it makes you question why that wasn't the amount before. Because it doesn't show whether my principal increased or I'm paying interest and fees now that I didn't pay them before. I would probably pull my payment breakdown from my previous payment to compare because this isn't fully clear."

No participants had concerns over the legitimacy of the notice, again citing its inclusion of their account information and the fact that they know that they took out a loan with Willow Lending.

4.6 Expired Authorization Notice

All participants were then shown an email version of the Expired Authorization Notice stating that Willow Lending was no longer permitted to make withdrawals from their account. Participants viewed an image of an email inbox on paper and were asked whether they would open the email. They were then shown a paper image of the full text of the email and asked whether they would click the link in the text body before being shown the actual notice. The majority of participants stated that they would open the email based on the subject line, with most stating they would do so because of the inclusion of the word "notice" or because they would want to know why Willow Lending was no longer permitted to withdraw money. After viewing the full email, all participants stated that they would click the link to view additional details. Participants stated they would do so in order to get more information about their options and to find out why the payments could no longer be withdrawn:

- "Are you going to ask for payment in full? That would be my initial thought."
- "I wanted to know why we were no longer permitted to withdraw from my account."
- "I'd want to know why they're saying this to me. What are you saying? Because if they've attempted twice, I'm going to want to click on this, get a phone number and call them and try to figure out what I need to do."
- "Well, because unless I changed things around, I would be wondering why they are no longer permitted to withdraw payments from my account. Unless I did something to stop that."

Although the Expired Authorization Notice was altered after Round 1 to highlight that the restrictions were in place to protect the consumer, participants still reacted negatively to this notice and viewed it as reflective of something they did wrong. Several participants said that they would feel disappointment for failing to make the previous two payments. In this sense, participants still viewed this notice as informing them of their errors (i.e., they failed to have sufficient funds in their account and are now in more trouble because of it). When asked how they would feel after reading this notice, participants said:

- "Obviously personal disappointment that you weren't able to abide by your agreement."
- "Very poor."
- "Now you're getting worried that, 'I'm digging myself bigger in a hole, I'm never ever going to get out of this. I need to figure something out quick.'"

However, several participants in this round of testing reacted more positively to this form than those in Round 1 and viewed the notice as protection rather than indicative of something they did wrong:

- "It also, to a degree, is somewhat helpful in that it does explain why they can't do this anymore, as well as gives direction to the CFPB to where if I were in this situation, there might be an option for me to go get help, or advice."
- "I also feel that I'm not alone, that I have presence. Reason being, 'in order to protect your account, federal law prohibits us from trying to withdraw payment again.' What does that mean? That you cannot continue to send an ACH and hit me with that $25 charge each time. That makes me feel good… I would want to know more of how many times does the law allow [Willow Lending] to send it? … I would feel that, because I don't have the payment, this company is going to continue to hit me by sending these ACHs through knowing that I don't have any money, hoping that maybe in any moment, money comes in and zoom you're able to take it. So, by knowing the amount of times that you can only send it, I would feel more secure that I wouldn't have to worry so much."
- "What's different about this one is the line where it says, 'it is to protect your account.'… [I would] appreciate that because I've had the experience where I've gone online and made a payment for something and they'd withdrawn it from my account multiple times. I think that federal law there is helpful."
- "I think it's good, it explains why it did not go through or why they weren't able to withdraw. It explains more in detail why they're not able to continue to try to withdraw going forward, I guess."

Although nearly all participants (nine of 13; one participant was not asked this question due to time restraints) understood that the lender could not continue to withdraw money from the account, two participants expressed uncertainty over what would happen next and two participants expressed suspicion over whether the lender would actually abide by this law. They said:

- “It says they’re not going to, but some companies are a little sneaky, so you got to watch what you do.”
- “Sure. They want to keep on getting that fee. That’s why they came back three days later, didn’t try in the three days to have it. The average person is going to be a week until they get a paycheck.”

A few participants also expressed confusion over the two payments being attempted within three days of each other (11/7/2015 and 11/10/2015), and also raised concerns about being charged bank fees:

- “So it looks like they put the payment request in twice through the bank. So in doing that you’re obviously charging me a second return check charge for one transaction.

Two participants expressed confusion over how long this restriction on future withdrawals would last, stating:

- “When it reads, ‘Federal law prohibits us from trying to withdraw payment again,’ does that mean just for this payment or for the life of the loan?”
- “If the funds are there tomorrow, are you saying that you can still, or you can go back and withdraw from my account? Or it’s something this company mandated, is it because I’ve had two return check charges? I’d like a little more concise information on that.”

When asked if they still owed the debt, all participants stated that they did, even if federal law was protecting them from further withdrawal attempts. Participants said:

- “You signed a contract, it’s a loan. Yes, you owe the debt. It’s not going to go away.”
- “You took that debt out and you signed on that note that you were going to pay it back. That’s the way it works.”
- “I signed for it. And I didn’t pay it back. I mean, that’s the way credit works, sorry. You borrow money, you sign for it, and that’s a promised pay.”
- “I still owe it because I didn’t pay it.”

Finally, participants were asked whether they noticed and would visit the CFPB link provided on the notice. The majority of participants noticed this link and would click to get more information and would expect to see information on their rights. A few participants who said they would not visit said that they would instead prefer to speak with someone over the phone or in person.

4.7 Notifications via Text Message

Participants then viewed an image on paper of a sample text message that borrowers could potentially receive in lieu of an Expired Authorization Notice in the mail or via email. The first screen mock-up shown was a text message explaining that Willow Lending could no longer withdraw loan payments from the participant's account (akin to the Expired Authorization Notice), and the second screen showed what clicking on the link in the text would look like on a phone. As in Round 1, the text message notifications generally elicited negative reactions from participants, with most raising concerns over privacy or security. Overall, 10 of the 14 participants had a negative reaction to the notification delivered via text message. Participants said:

- "My preference, I'd rather get it done in the Internet because otherwise, I'm going to be like, 'Excuse me, oh my god, how do I delete this?' I don't want somebody looking over my shoulder to see me getting something like a notice."
- "Personally, I'd be offended. Because I would rather you contact me in a formal manner like you did. I'd want it to be in a paper, in a contract. I'd want you to communicate because that may go to anyone. I mean I may have changed phone numbers, I may not have gotten the notice, my phone may be turned off. If I'm in financial inability to pay you, I may not be able to pay my phone. I mean, I may not be able to pay my Internet to even get the email. A lot of things do happen. That would be offensive to me."
- "I don't prefer text messages like this. I find it too intrusive, and I prefer email versions where I can print. Not that I couldn't print this, but for me, coming home on the computer, it's sitting there. It's a little more permanent, I guess you'd say. In so much as I'm an idiot, and I leave my phone."
- "I don't know if I would like—I don't think I would want to get it as a text because people will—and not that they couldn't get into your email and stuff, as well, but I don't know if I'd like the cell phone. I don't think I'd want that kind of information coming over my text… But there's more of a chance of people seeing your information. You don't want everyone to know that you got a loan out. I wouldn't want it on my text, on my phone."

Despite such negative reactions, the majority of participants said that they would still open the text message and view the link, recognizing the importance of the information that would be included in the text message and on the form. However, even those who said they would open the text message and view the link still expressed concerns about when they would do this (a few stating that they would wait until they were alone), negating some of the benefits of this notification being delivered via text message.

4.8 Responses to Sample Voicemail from a Lender

After viewing the Expired Authorization Notice, participants[7] listened to the same voicemail message that was used in Round 1. As in the previous round, most participants found the message to be stern, with several expressing concern over the tone and others stating that it was appropriate since their payments were late. Participants said:

- "You get a sense of urgency from their tone of voice."
- "Again, I'm an idiot for taking out this loan. But no, that's a perfectly legitimate phone call. The person, wow, they weren't pleasant and happy. It's not a pleasant and happy phone call to be making or to be getting, but it wasn't, 'Yo, listen…' There was no profanities. From what it sounds like, again, I don't know the exact terms of the loan, but it sounds like a valid procedural resolution to them getting their money back."

As was described in Section 3, the Expired Authorization Notice, which would address the situation described in the voicemail, was modified after Round 1 to focus more on consumers' rights. However, Round 2 responses to the voicemail were similar to those in Round 1; most Round 2 participants indicated that they would call Willow Lending and several indicated they would reauthorize payments. The majority of the other participants said they would try to "work something out" with Willow Lending. When asked specifically about how they would go about working something out or reauthorizing payments, participants said:

- "I would have to talk to my bank and lift that [restriction on authorizations], or make an arrangement with them so they can start sending them again, or say, 'I'd rather pay them in person. I'm not responsible; I can't remember to have money in the bank. Is there another form of payment that I can get to you without doing ACH because that hit my bank?' I'm assuming you would have to call in and give them permission to do so."
- "Well, I'd call them and see what—call customer service, see what I need to do for them to start taking the $80 out of my account. I guess, you would have to say it over the phone, they'd record it, like 'I authorize you to take payments out on this date.'"
- "I assume call them and find out the procedures, or again, go to the government, the CFPB, and ask them, 'Can I go ahead and then set this back up for withdrawals?' Make sure that is an option, before I call them back, and they say, 'Well, no, you can't do that.' Well, I talked to the government, and the government says I can, all I got to do is give you the authorization or written authorization, et cetera, that type of deal."
- "Well, first off you'd have to probably, because it's stating that they can't do it because of the laws, so you'd probably have to go in or email. I don't know if it's [a]

[7] Because of time constraints, the voicemail activity was not completed with one participant.

storefront, go in and sign paperwork so they can go ahead and attempt again. Or you might have to email them authorization."

Participants saw the benefits of reauthorizing payments as avoiding additional fees, avoiding negative impacts on their credit score, and being able to take out loans in the future. Participants saw very few benefits to not reauthorizing payments, saying that they still had to pay this debt and they would need to reauthorize so Willow Lending could get their money. Two participants who saw benefits in not reauthorizing payments said:

- "Peace of mind in knowing that if I don't have the money in there, they won't—I won't be assessed those extra fees from the bank and from the lender."
- "The fact that it got locked right there. They cannot keep charging me a late fee as far as I know. They can't do that anymore so they're stuck at the $50. Then I guess I've got to go back and read the teeny tiny fine print again to see what happens."

4.9 Other Findings

4.9.1 Familiarity with the CFPB

At the end of each session, participants were asked about their familiarity with the CFPB. As in Round 1, the moderator had informed participants at the beginning of the study that the research was being conducted on behalf of the CFPB, and described the CFPB as "a federal agency that was created to help consumers." Very few participants had heard of the CFPB before participating in this study; a few stated that they knew there was some type of regulatory agency in this subject area, but did not specifically mention the CFPB itself, while others said that they were fully unaware of the CFPB. When asked what they thought the CFPB did, the majority of participants stated that it helps protect and inform consumers. Participants said:

- "Well, it's my understanding that it [is] regulating these companies. If it's newly enacted, it's there to protect the consumer from perhaps bully companies that are taking matters into their own hands and now this new agency is providing a set of standards that all of these companies must abide and have them more structurally regulated to provide better service to customers. Unsuspecting customers, too, because there's a lot of people that are not educated in… personal financing."
- "Attempt to regulate lenders such as this, as well as provide—from what I gather—instructions, and advice, and credit counseling type stuff towards folks that haven't had any sort of that training."

4.9.2 Perception of "Institution"

As in Round 1, several participants were asked about language on the Upcoming and Unusual Withdrawal Notices, saying that the "institution where you have your account also may be able to assist you." While most Round 2 participants who were asked about this issue did identify the institution as their bank, two incorrectly stated that it was Willow Lending. Those participants who did recognize that this referred to their bank did indicate that the institution may offer protections, such as stopping payments or other types of assistance. Participants said:

- "Your bank [is the institution]. I mean, if the institution can help me, what exactly can they help me [with]? … Are they saying they can help me towards my loan, stop the complete payment? Do they know anything about this company?"
- "A lot of times when they're talking about the institution, they're talking about your bank. So maybe your bank being able to stop repaying it. That's what it sounds like they're saying to me… If you're calling and you need to do a stop payment on something or whatever, they're more than likely, depending on how far in advance the date of the withdrawal is supposed to be, I believe that they're able to put a stop payment on it."
- "Your bank or whatever account type that is would be able to help me to—or call that to get more info on this… They'd be able to talk about the type of transaction they're trying to do and how that works, and give you more details about it."

4.9.3 Other Fees

Although not specifically asked about additional fees that their banks might charge, participants were generally aware that they could be assessed additional fees from their bank, with about half of the participants bringing this up without a prompt from the interviewer. Several of these participants said:

- "[A] $25 fee obviously would be in the contract, plus the fee you probably have to pay the bank for the return amount."
- "[I'm] concerned about the health of my account if I'm being assessed fees from the bank."
- "If you authorize it and then I'm able to withdraw it, then you get $25 every time they try, for two times I try to withdraw it plus with delinquent fees from your bank so, yeah, [it's] expensive that way."

5. Conclusions

As part of the process of developing a proposed rule on small dollar loans, the CFPB developed and tested sample notices that could serve as the basis for notices included in the proposed rule, including origination notices and various payment notifications. These sample notices were tested across two rounds to determine how to best present information in a clear and effective way. Cross-cutting themes across both rounds included:

1) Nearly all participants who preferred to pay off their loans in person brought up concerns about lenders having access to their bank account. These typically were participants that had taken out a loan at a storefront payday lender. Concerns seem to be rooted in their desire to exert control over their account—including the ability to pay other bills—and worries that the lender might take out additional fees or take out payments without warning that could make planning and awareness of current finances challenging.

2) Only a few participants understood exactly what the Origination Notices were indicating was allowed or not allowed within 30 days. The words “30 days” stood out to consumers on the notices, but responses on what would happen within the 30 days varied. Even when the form was simplified and language referring to “30 days” was removed, several consumers did not understand that their borrowing may be restricted.

3) When shown the Notice for Alternative Loans, most participants did understand that, if they took out a subsequent loan, it would have to be smaller, and that they would not be allowed to take out a fourth loan soon after the third.

4) Most participants did not express concerns about the legitimacy of the sample emails indicating Upcoming, Unusual, or Expired Withdrawals. They indicated that since they would have presumably conducted business with Willow Lending in the past, they would recognize the sender and open the link. However, elements such as typos, long strings of letters or numbers in links, and a lack of a logo or signature made a few participants wary of the messages.

5) Overall, participants successfully answered comprehension questions about how much money was owed, the size and date of upcoming withdrawals, amount of the loan, and payment due dates.

6) Overall, participants expressed a limited understanding of what the APR was, and several expressed alarm or surprise about the high APR on these loans.

7) Approximately half of the participants who saw the Unusual Withdrawal notice indicated that the word “unusual” stood out to them (more than “notice” or “alert,” which they are used to seeing in various contexts) and would motivate them to open the notice to learn what was unusual about the withdrawal.

8) When shown notices that included tables of payment breakdowns, participants generally looked to these tables for information about their current payment and outstanding balances. Although several were confused about the outstanding loan and outstanding principal balances, others correctly identified these amounts and also provided an unprompted interpretation of whether they were making an interest-only payment.

9) After reviewing the Expired Authorization Notice, almost all participants understood that lenders could not continue to debit their accounts, and all participants understood that they still owed the debt.

10) Participants expressed varying responses to the idea of receiving this information via text message. Several participants indicated that text messaging was something they reserved for friends or family, not business or financial information. In addition, most participants expressed concern about the privacy or security of messages delivered via text. However, a few participants indicated that they check email infrequently and prefer to receive information via text due to what they perceived as increased convenience.

11) After reviewing the Expired Authorization Notice and listening to the sample voicemail message, participants were often inclined to contact the lender to determine how to reauthorize payments or otherwise pay the lender. Even after the Notice was revised to clarify that federal law is prohibiting further withdrawals in order to protect the consumer’s account, consumers continued to indicate that they would contact the lender.

12) Familiarity with the CFPB is low, but the impact of this on understanding of the notices is minimal. No participants expressed negative emotions towards the CFPB, and most participants assumed that the organization’s purpose was to help protect consumers.

Appendix A: Notices and Materials Tested

Round 1: Notice of Restrictions on Future Loans (ATR Loans)

WILLOW LENDING
800-121-0090
willowlending.com

Notice of restrictions on future loans

Under federal law, refinancing or rolling over this loan may be prohibited. You also may not be able to take out another loan like this one for 30 days after you pay off this loan. For more information, visit consumerfinance.gov/loan-detail.

If you are unsure whether you will be able to pay the full balance of **$460.00** on October 8th, 2015, you should not take out this loan.

Please initial below

________ I understand that I may not be able to refinance or roll over this loan.

________ I understand that I may not be able to take out another loan like this one for **30 days** after paying off this loan.

Round 1: Notice of Restrictions on Future Loans (Alternative Loans)

WILLOW LENDING
800-121-0090
willowlending.com

Notice of restrictions on future loans

Under federal law, you will not be able to roll over or refinance the full balance of this loan. If you take out a new loan like this one **within 30 days** of paying off this loan, you will have to take out a smaller loan.

Here are the borrowing limits for any loans like this one that you may take out within 30 days of paying off this loan:

Loan order	Start date	Maximum amount that you will be able to borrow
Loan #1 (*this loan*)	September 24, 2015	$300.00
Loan #2	--	$200.00
Loan #3	--	$100.00
Loan #4	Not allowed	Not allowed

After your third loan, you will not be able to take out another loan like this one for 30 days.

Please initial below

________ I understand that I will not be able to refinance or roll over the full amount of this loan.

________ I understand that if I take out **three loans like this one**, I will not be able to take out another loan like this one for **30 days**.

Round 1: Notice of Borrowing Limits on This Loan and Future Loans applicable to a consumer taking out a third small dollar loan (Alternative Loans)

WILLOW LENDING
800-121-0090
willowlending.com

Notice of borrowing limits on this loan and future loans

Our records show that you have had two loans like this one without taking a 30 day break between the prior loans. Under federal law, this loan must be smaller than your prior loans. And after you repay this loan, **you will not be able to take out another loan like this one for 30 days**.

Please initial below

__________ I understand that I will not be able to refinance or roll over the full amount of this loan.

__________ I understand that if I will not be able to take out a loan like this one for **30 days** after paying off this loan.

Round 1: Upcoming Withdrawal Notice

WILLOW LENDING
800-121-0090
willowlending.com

Upcoming Withdrawal Notice from Willow Lending

On November 7, 2015, Willow Lending will attempt to withdraw a payment of $40 from your account ending in 0022. The payment will be made by check, using check #999.

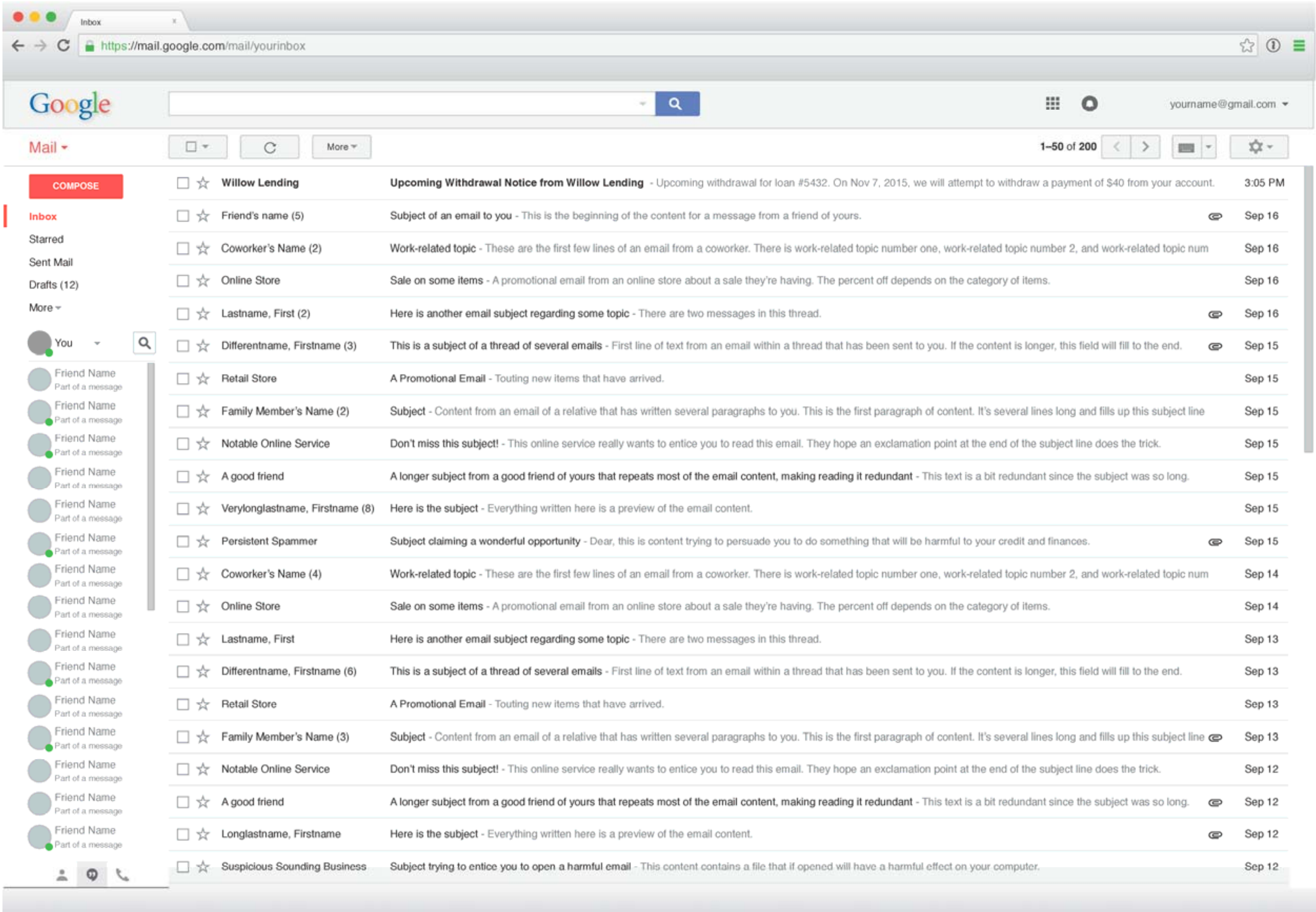
If this payment is successful, your remaining balance for loan #5432 will be $400. If this payment is not successful, a failed payment fee of $25 will be added to your loan balance. This loan was made to you at a 533.20% APR.

Contact Willow Lending at 1-800-121-0090 if you have questions or need to stop this withdrawal. The institution where you have your account also may be able to assist you.

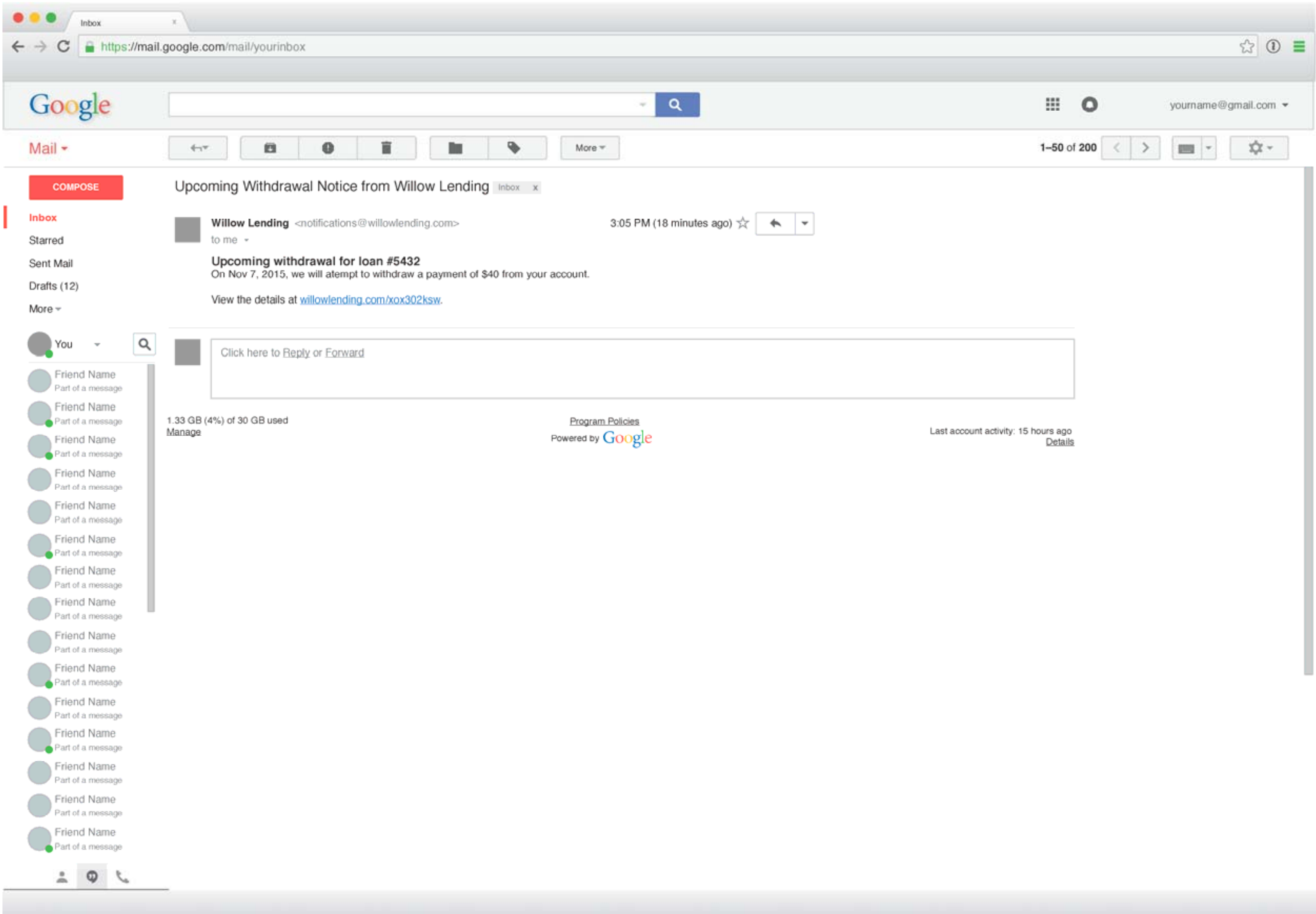
Payment breakdown

Principal	$0
Finance charge	$40

Round 1: Upcoming Withdrawal Notice (Inbox View)



Round 1: Upcoming Withdrawal Notice (Email View)



Round 1: Unusual Withdrawal Notice

WILLOW LENDING
800-121-0090
willowlending.com

Alert: Unusual Withdrawal from Willow Lending

On November 7, 2015, Willow Lending will attempt to withdraw a payment of $80 from your account ending in 0022. The payment will be made by ACH transfer.

This payment is unusual because it is larger than the previous withdrawal. The previous withdrawal was initiated on November 2, 2015, for $60.

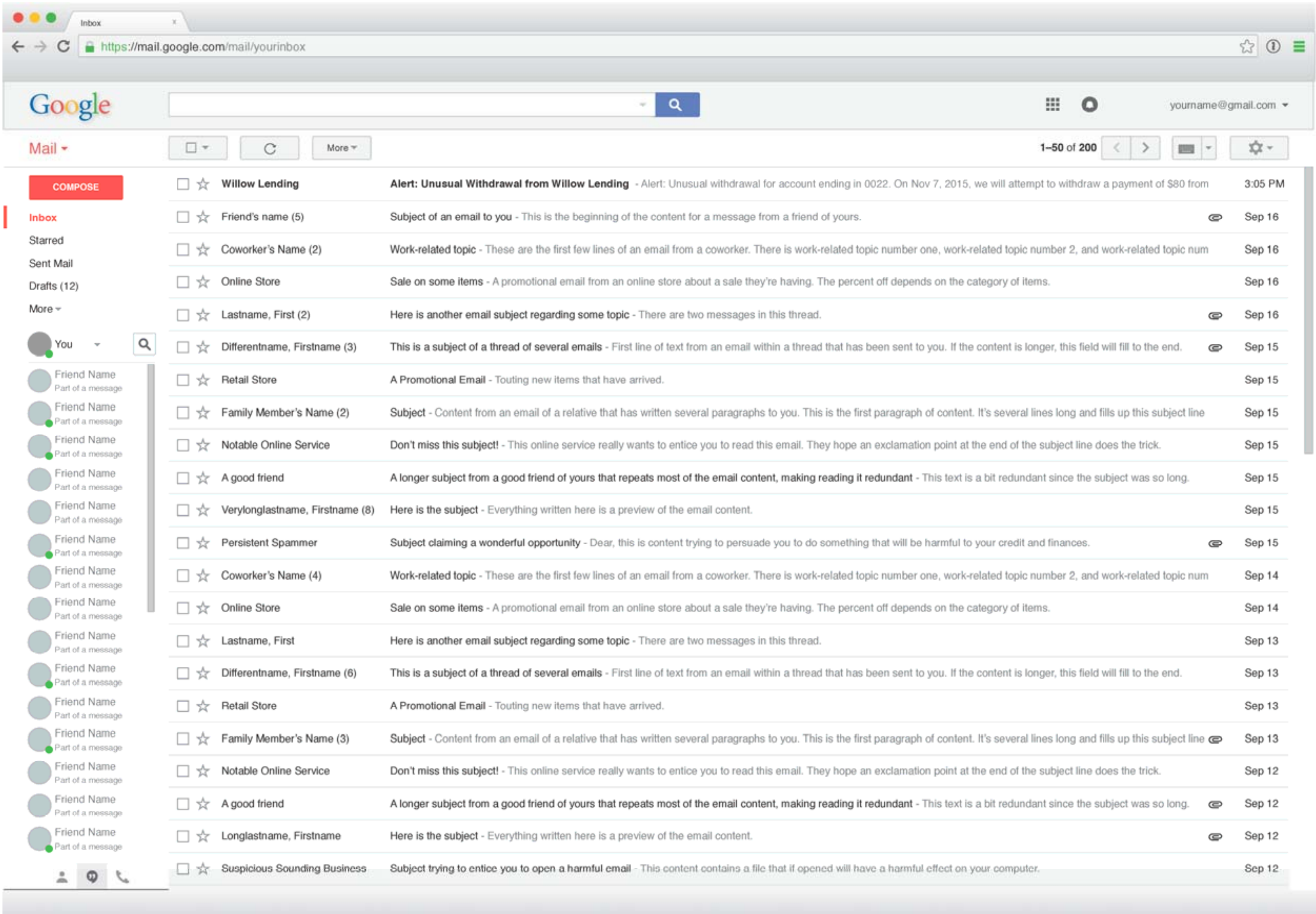
If this payment is successful, your remaining balance for loan #5432 will be $400. If this payment is not successful, a failed payment fee of $25 will be added to your loan balance.

Contact Willow Lending at 1-800-121-0090 if you have questions or need to stop this withdrawal. The institution where you have your account also may be able to provide some assistance.

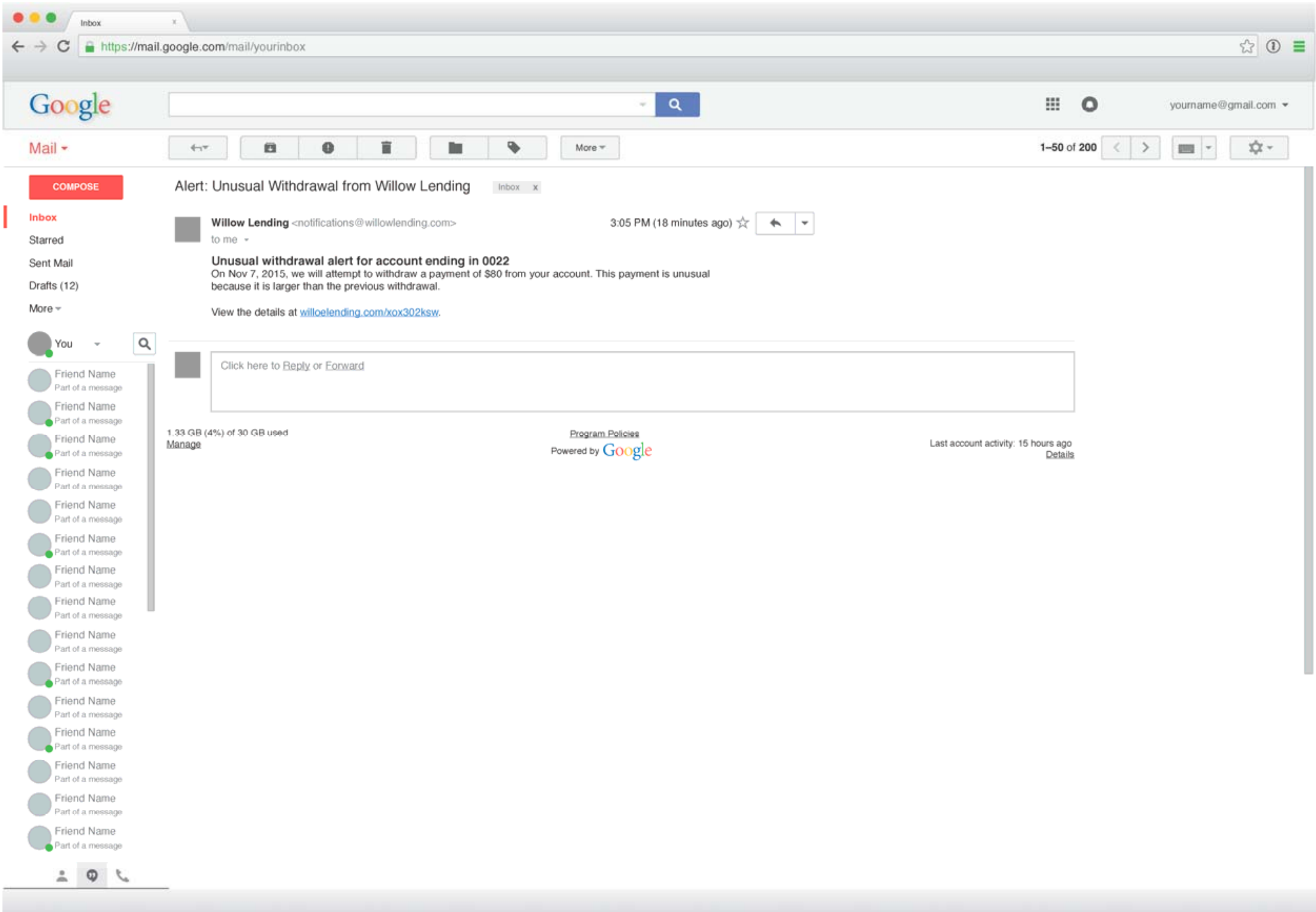
Payment breakdown

Principal	$60
Finance charge	$20

Round 1: Unusual Withdrawal Notice (Inbox View)



Round 1: Unusual Withdrawal Notice (Email View)



Round 1: Expired Authorization Notice

WILLOW LENDING
800-121-0090
willowlending.com

Notice: Willow Lending can no longer withdraw loan payments from your account

Our last two attempts to withdraw payment on your loan **#5432** from your account ending in **0022** were returned because your account did not contain enough funds to cover the payment. As a result, **federal law prohibits** us from making additional attempts to withdraw payment from your account.

You may still owe the outstanding balance on this loan. If you wish to learn more about your payment options, please call us at **1-800-121-0090** or visit **willowlending.com/xox302ksw**.

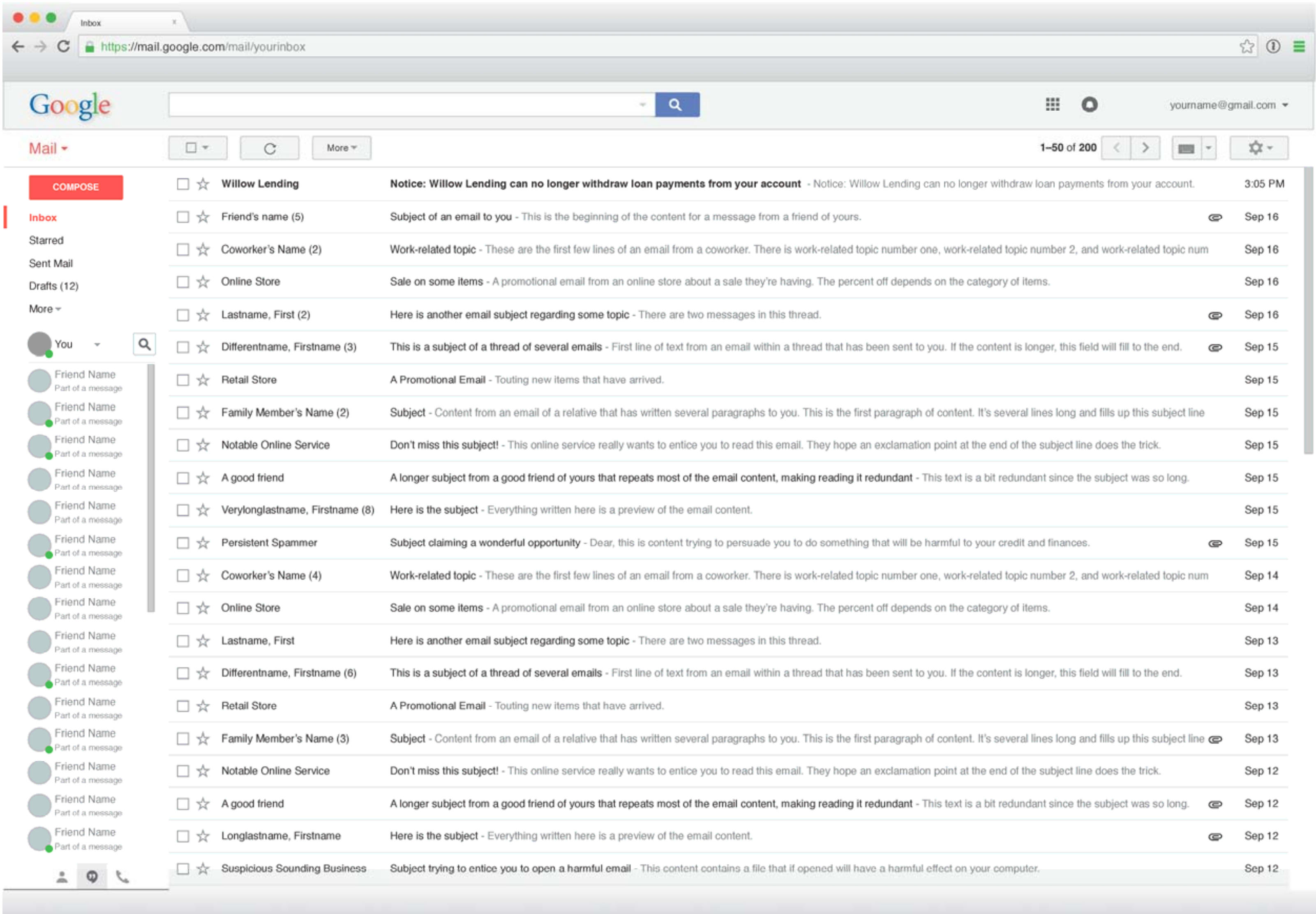
Dates and amounts of returned payment attempts

Date	Amount attempted	Fees charged by Willow Lending
November 7, 2015	$40	$25 failed payment fee
November 10, 2015	$40	$25 failed payment fee

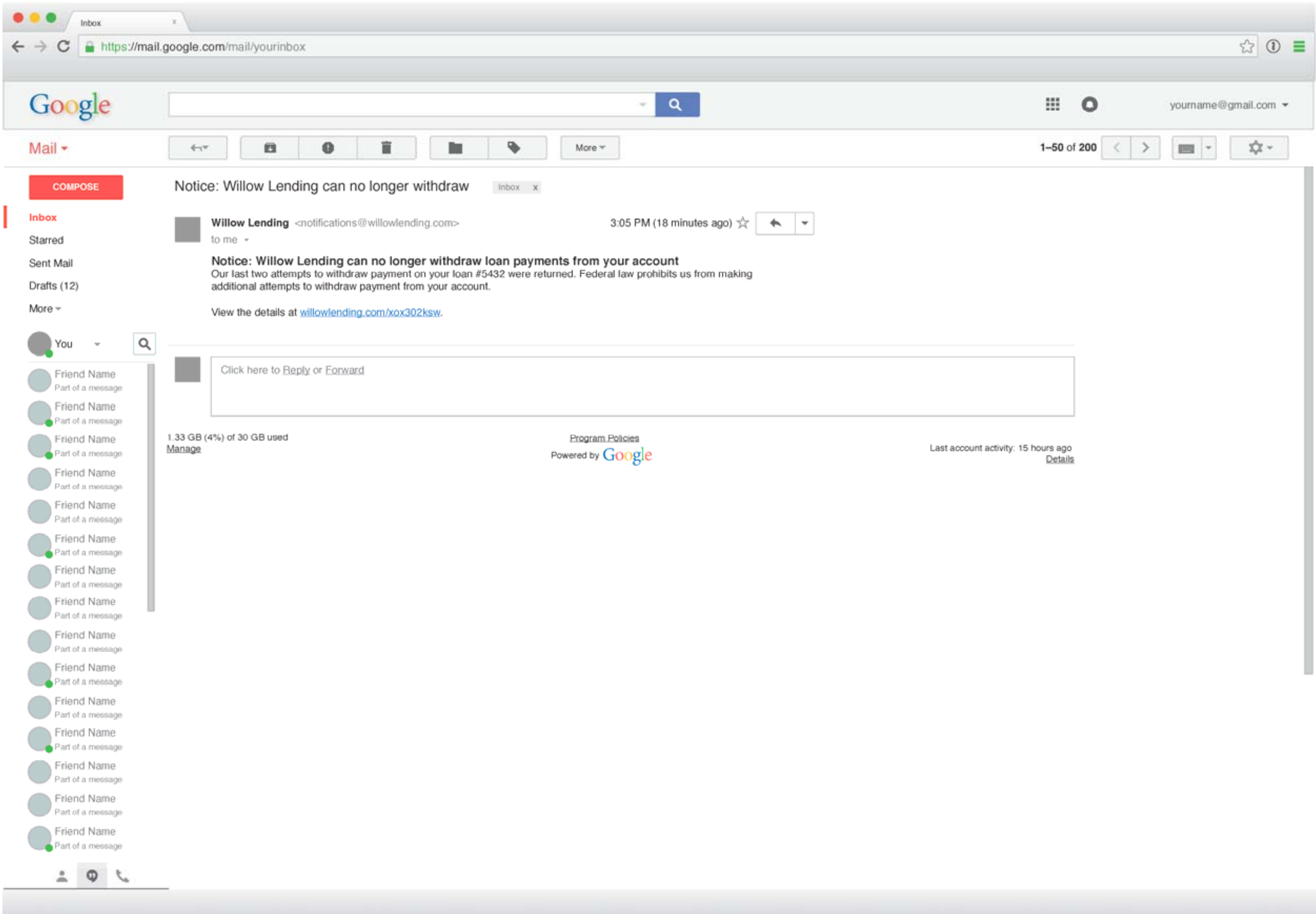
NOTE FROM THE CONSUMER FINANCIAL PROTECTION BUREAU

To learn more about your rights as a borrower, visit **consumerfinance.gov/ask-cfpb**.

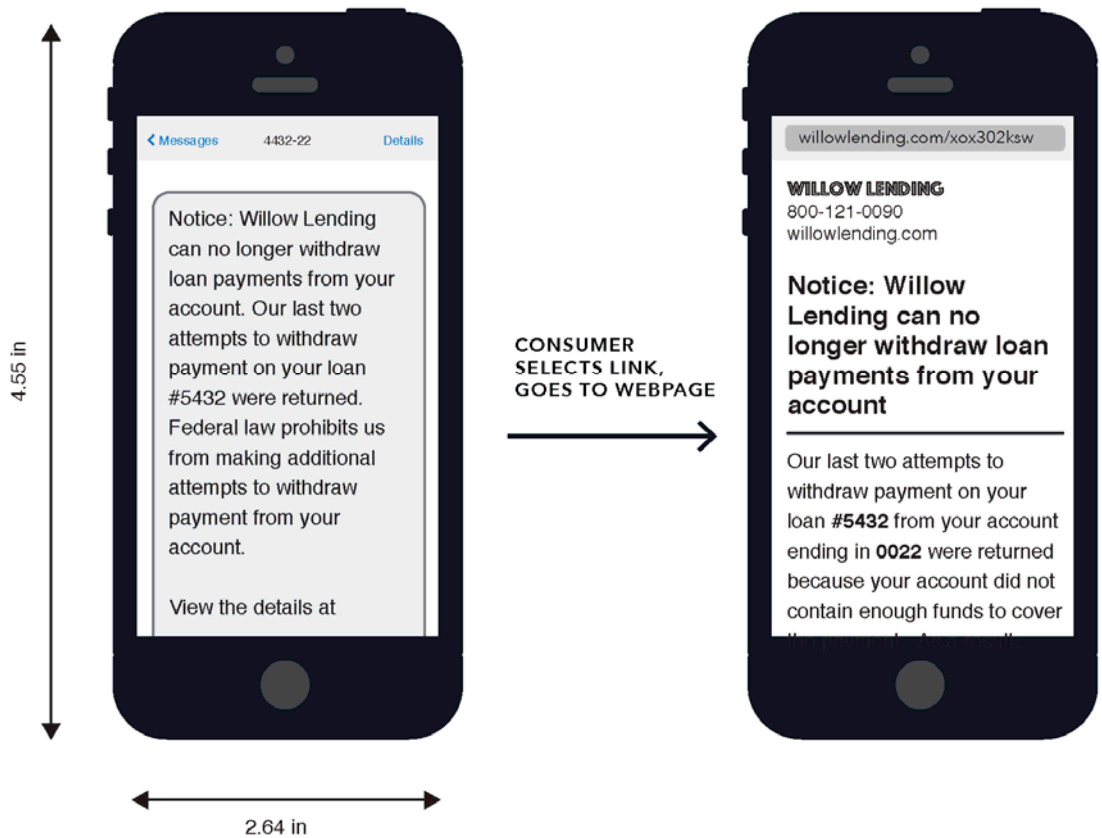
Round 1: Expired Authorization Notice (Inbox View)



Round 1: Expired Authorization Notice (Email View)



Round 1: Expired Authorization Notice (Text View)



Round 2: Notice of Restrictions on Future Loans (ATR Loans)

WILLOW LENDING
800-121-0090
willowlending.com

Notice of restrictions on future loans

If you are unsure whether you will be able to pay the full balance of **$360.00** by November 12th, 2015, you should not take out this loan.

Under federal law, you may not be allowed to roll over this loan or take out a similar loan for 30 days after repaying this one.

Round 2: Variation on the Notice of Restrictions on Future Loans (ATR Loans) that did not specify the 30-day restriction (instead specifying "shortly after")

WILLOW LENDING
800-121-0090
willowlending.com

Notice of restrictions on future loans

If you are unsure whether you will be able to pay the full balance of **$360.00** by November 12th, 2015, you should not take out this loan.

Under federal law, you may not be allowed to roll over this loan or take out another loan shortly after repaying this one.

Round 2: Notice of Restrictions on Future Loans (Alternative Loans)

WILLOW LENDING
800-121-0090
willowlending.com

Notice of restrictions on future loans

If you are unsure whether you will be able to pay $360.00 by November 12th, 2015, you should not take out this loan.

After you repay this loan, any similar loan you take out within the next 30 days will have to be smaller. This restriction is required by federal law.

Borrowing limits:

Loan order	Maximum amount that you will be able to borrow
Loan #1 (*this loan*)	$300.00
Loan #2	$200.00
Loan #3	$100.00
Loan #4	Not allowed

Round 2: Upcoming Withdrawal Notice

WILLOW LENDING
800-121-0090
willowlending.com

Upcoming Withdrawal Notice from Willow Lending

On November 12, 2015, Willow Lending will attempt to withdraw a payment of $80 from your account ending in 0022. The payment will be withdrawn by check, using check #999.

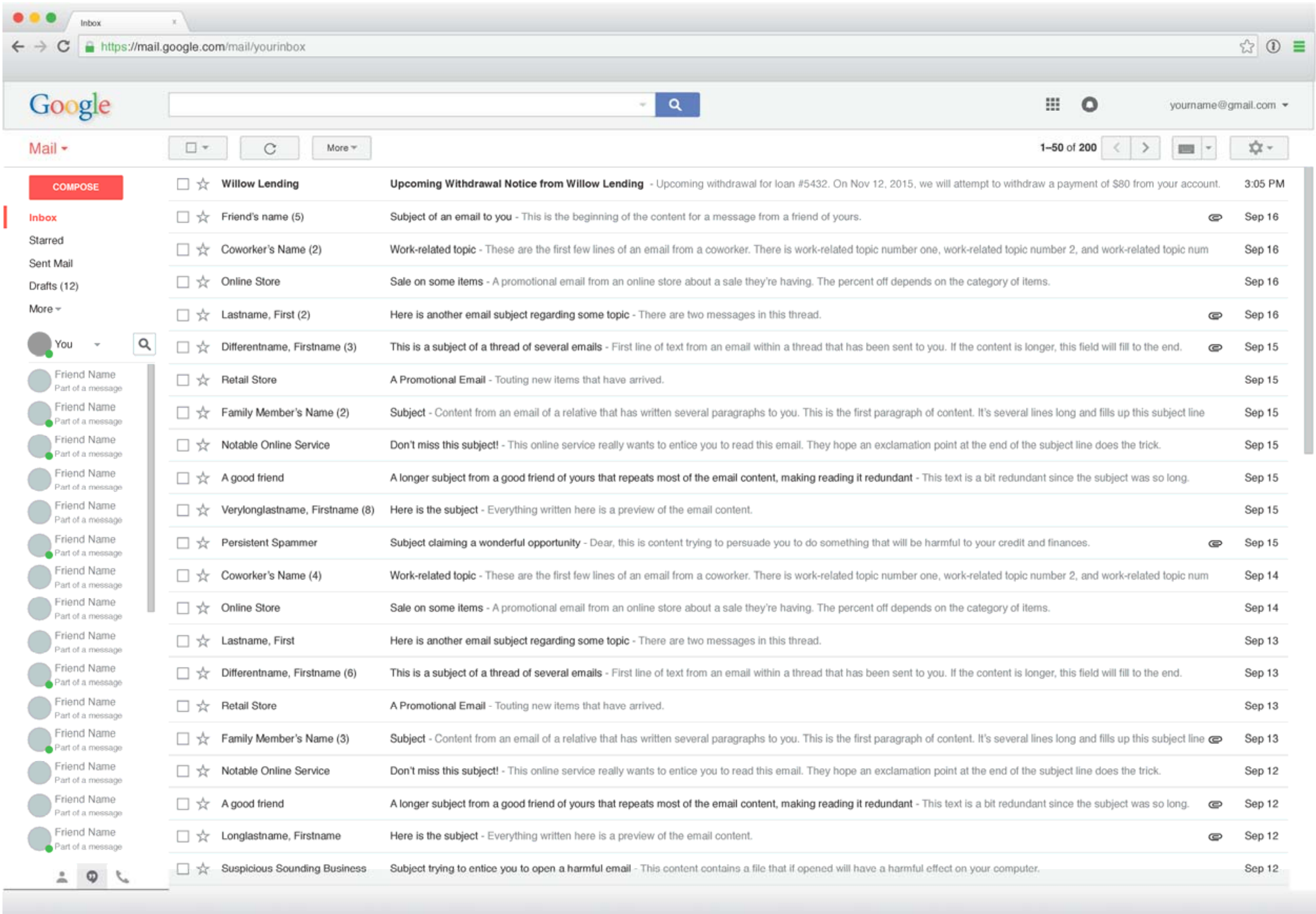
If this payment is successful, your remaining total balance for loan #5432 will be $930. If this payment is not successful, a returned payment fee of $25 will be added to your loan balance. This loan was made to you at a 533.20% APR.

Contact Willow Lending at 1-800-121-0090 if you have questions or need to stop this withdrawal. The institution where you have your account also may be able to assist you.

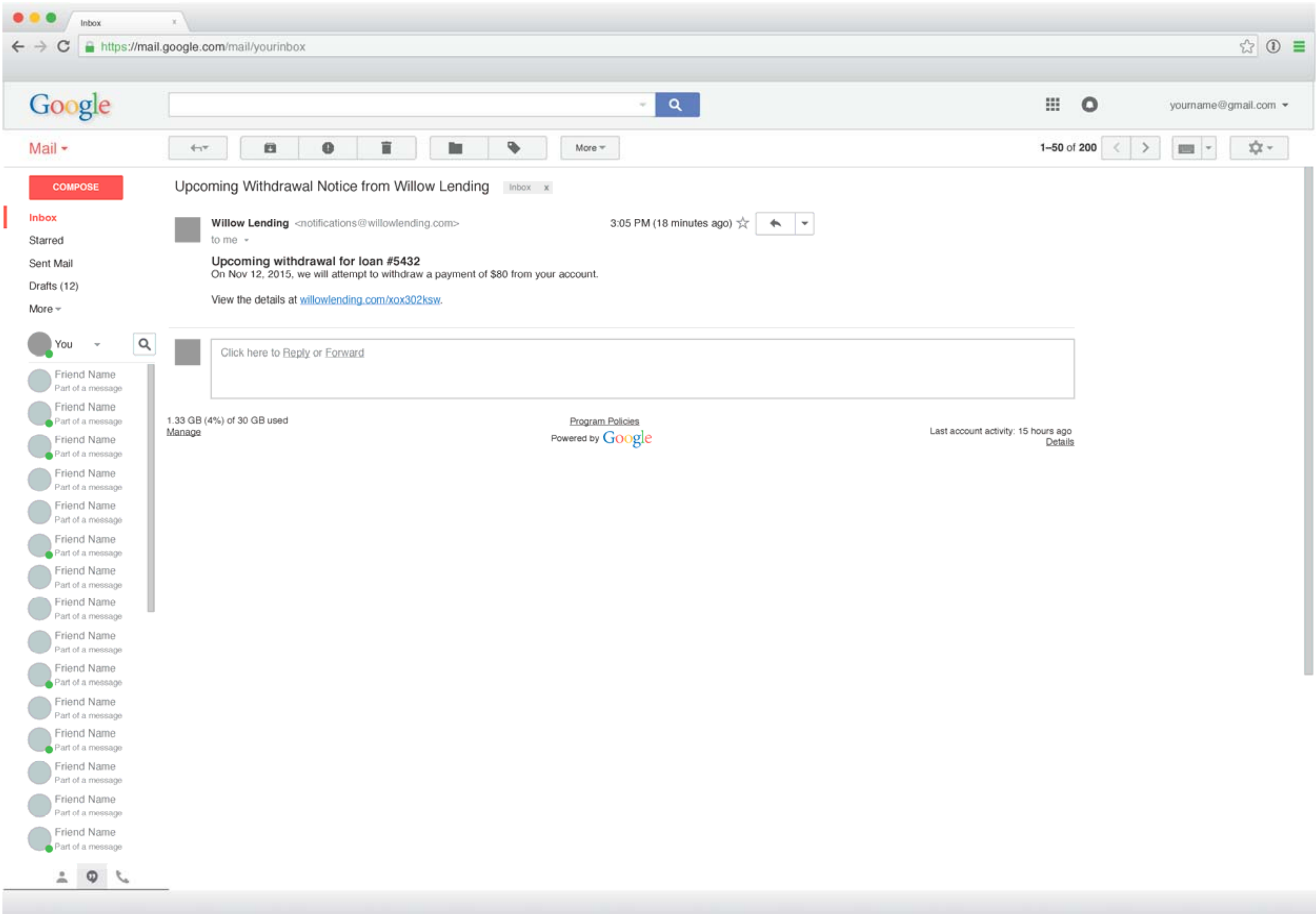
Payment breakdown

Principal now	$650
Principal remaining after payment	$650
Loan balance remaining after payment	$930

Round 2: Upcoming Withdrawal Notice (Inbox View)



Round 2: Upcoming Withdrawal Notice (Email View)



Round 2: Unusual Withdrawal Notice

WILLOW LENDING
800-121-0090
willowlending.com

Alert: Unusual Withdrawal from Willow Lending

On November 12, 2015, Willow Lending will attempt to withdraw a payment of $80 from your account ending in 0022. This electronic withdrawal will be made by ACH transfer.

This payment is unusual because it is larger than the previous withdrawal. The previous withdrawal was initiated on November 2, 2015, for $60.

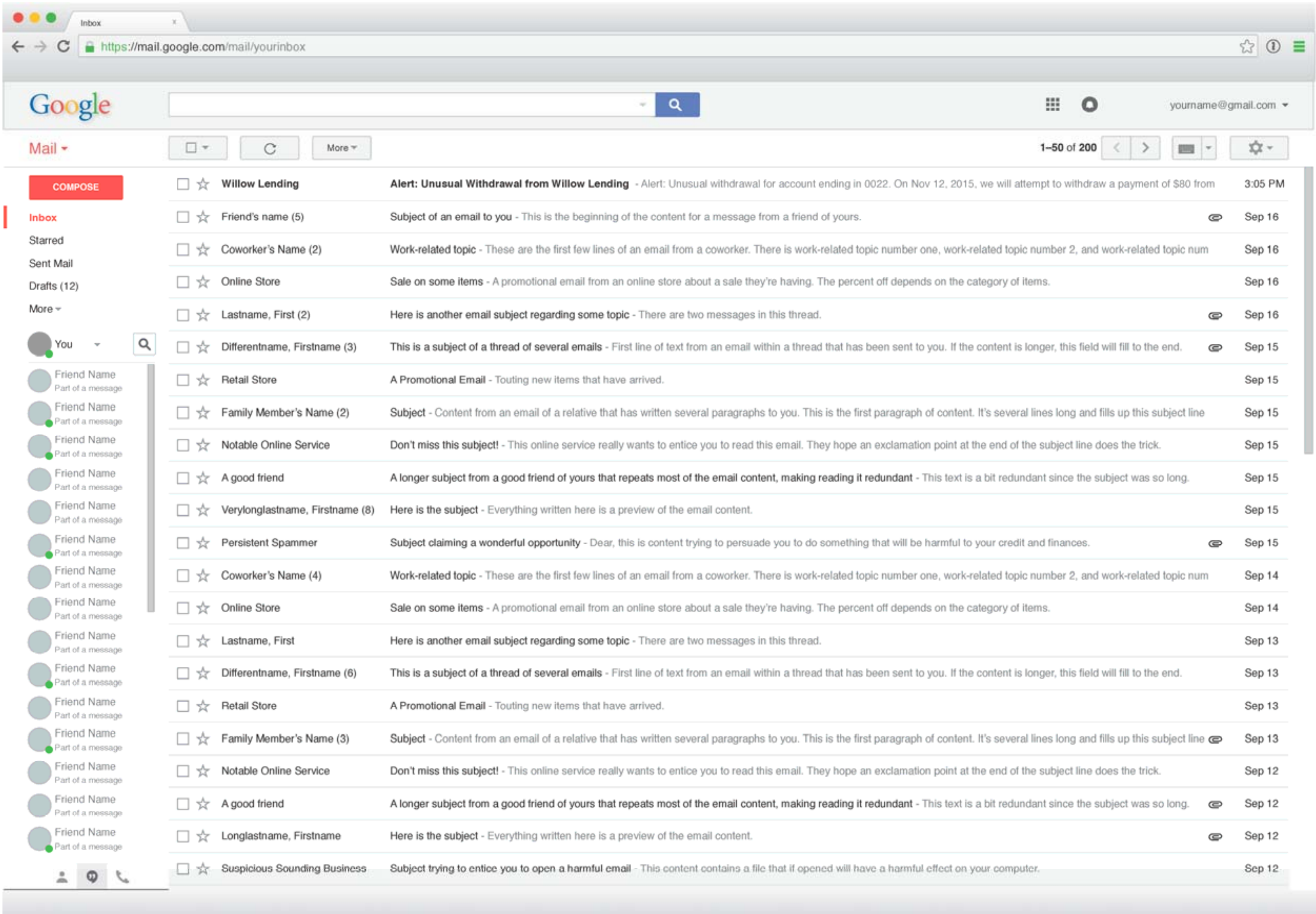
If this payment is successful, your remaining balance for loan #5432 will be $930. If this payment is not successful, a failed payment fee of $25 will be added to your loan balance.

Contact Willow Lending at 1-800-121-0090 if you have questions or need to stop this withdrawal. The institution where you have your account also may be able to provide some assistance.

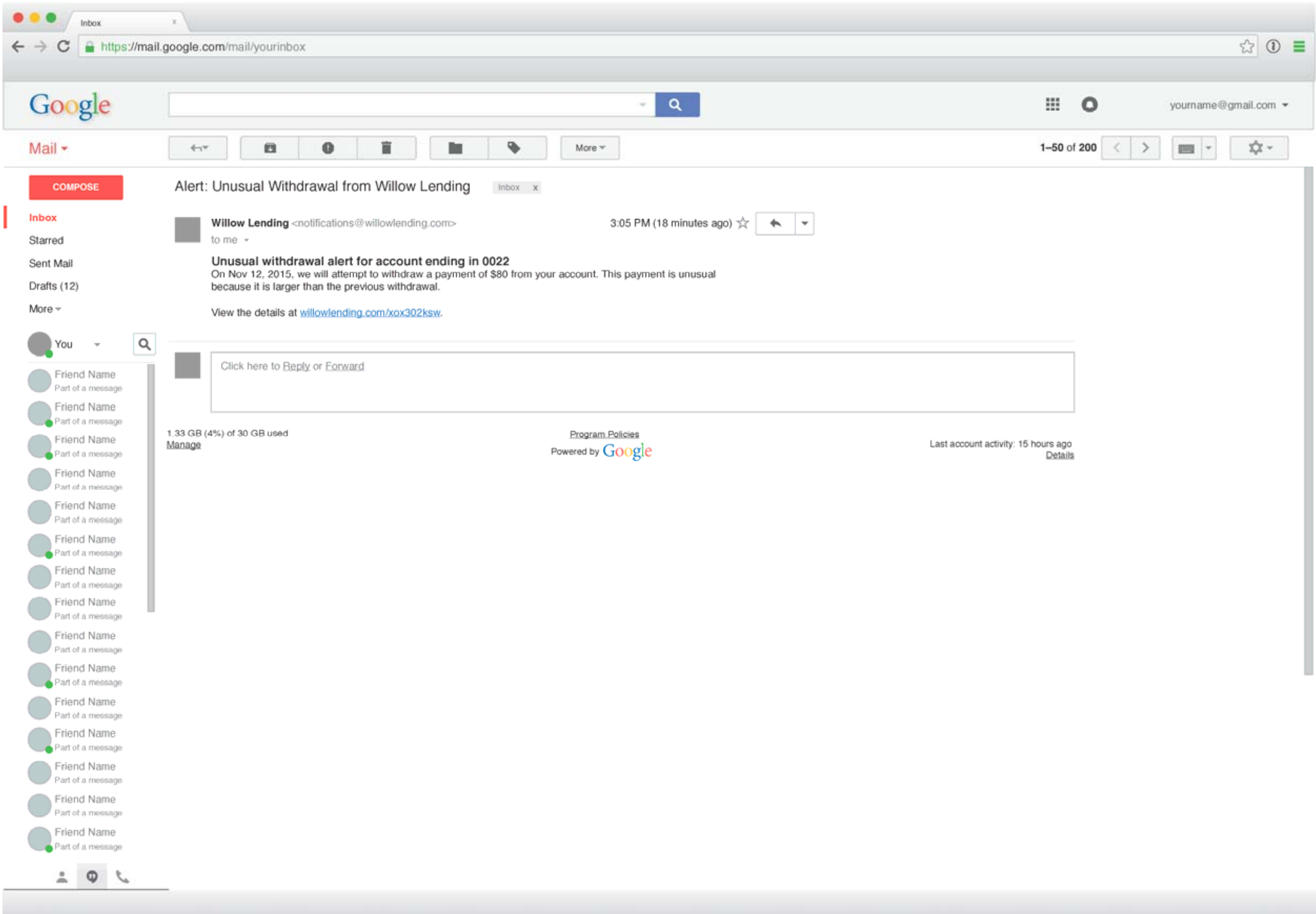
Payment breakdown

Principal	$60
Interest and fees	$20
Principal now	$650
Principal remaining after payment	$590

Round 2: Unusual Withdrawal Notice (Inbox View)



Round 2: Unusual Withdrawal Notice (Email View)



Round 2: Expired Authorization Notice

WILLOW LENDING
800-121-0090
willowlending.com

Notice: Willow Lending is no longer permitted to withdraw loan payments from your account

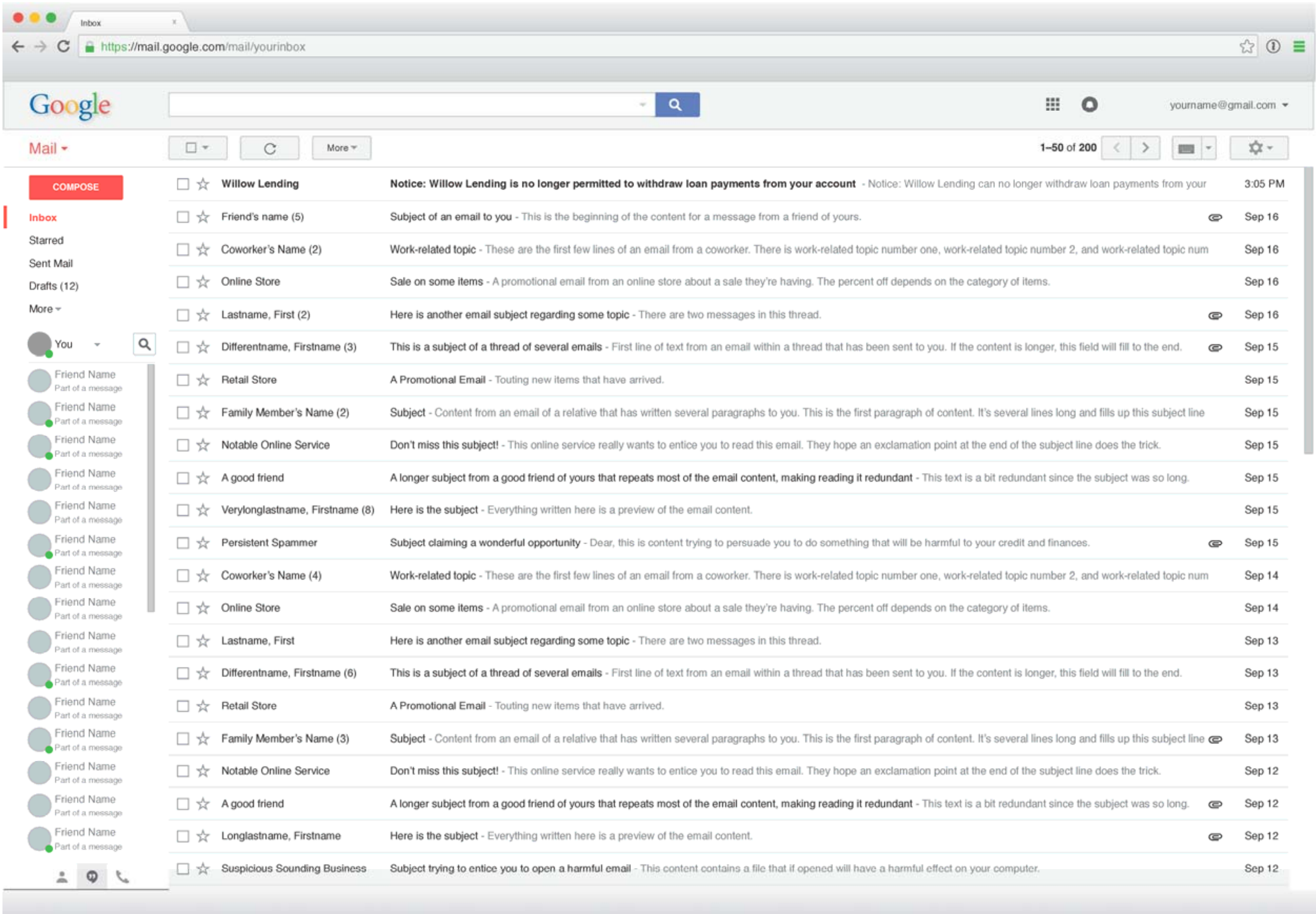
Our last two attempts to withdraw payment on your loan **#5432** from your account ending in **0022** were returned because your account did not contain enough funds to cover the payment. In order to protect your account, **federal law prohibits us** from trying to withdraw payment again.

The Consumer Financial Protection Bureau (CFPB) created this notice to inform you of your rights under the Small Dollar Loan Rule. The CFPB is a federal government agency built to protect consumers. To learn more about your rights as a borrower, visit consumerfinance.gov/ask-cfpb.

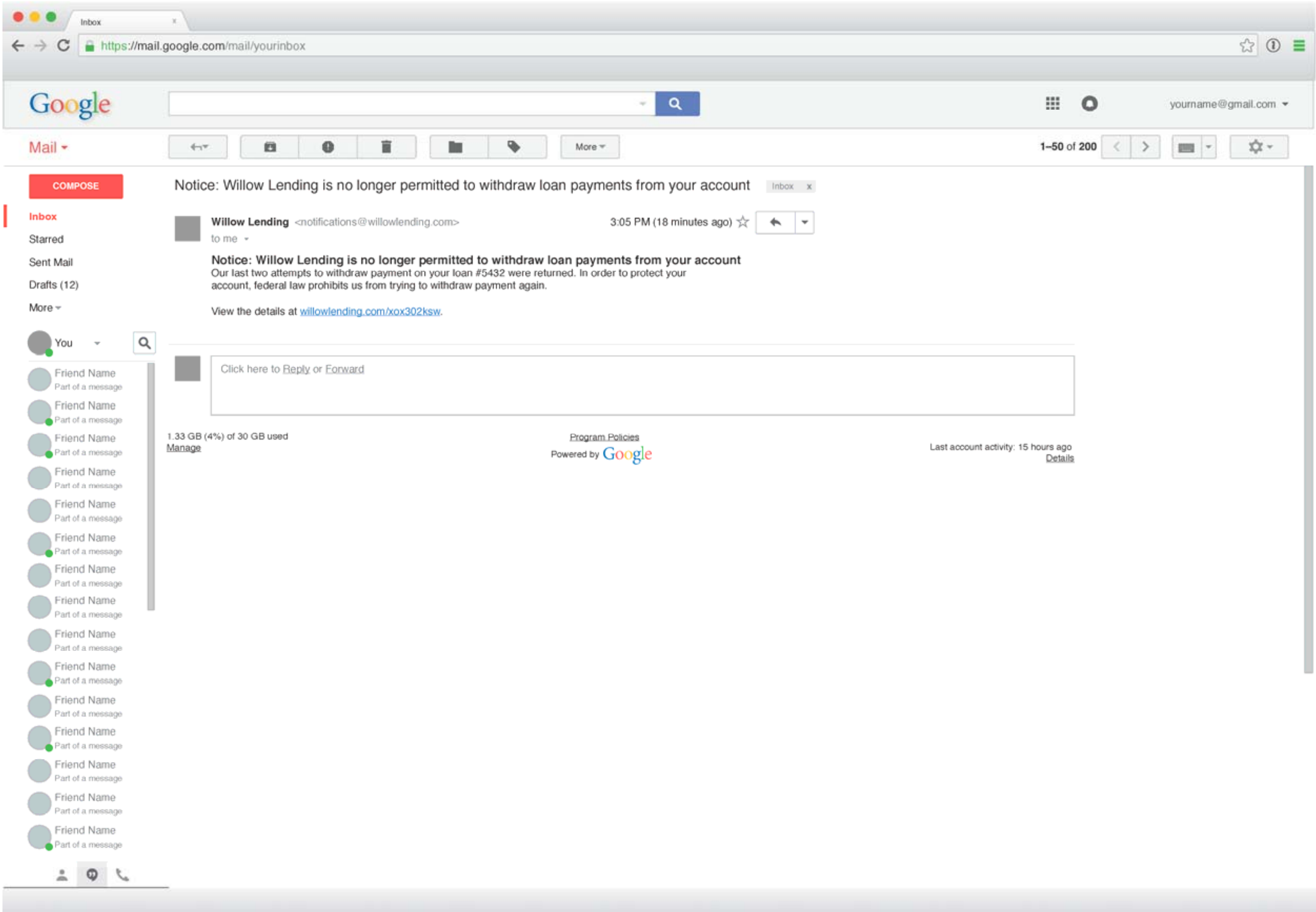
Previous payment attempts

Payment due date	Date of attempt	Amount	Fees charged by Willow Lending
November 7, 2015	November 7, 2015	$80	$25 returned payment fee
November 7, 2015	November 10, 2015	$80	$25 returned payment fee

Round 2: Expired Authorization Notice (Inbox View)



Round 2: Expired Authorization Notice (Email View)



Round 2: Expired Authorization Notice (Text View)