" The design is nice -- it's easy to read. It's set up nicely, just the whole italic and the bold heading and the lines and so on -- it's just easy to read. It's not confusing. You know you don't have to plow through it."

"[It's] good if you were going to compare them. I mean, you can just put this one next to this one, and go: yes, yes, no, no. It's very symmetrical."

Disclosures for Real Consumers Where do we go from here?

Jeanne M. Hogarth
Consumer & Community Affairs
Federal Reserve Board

What do we want consumers to <u>do</u>?

- **Shop around**
  - **Access to information**
  - **Timing of information**

What do we want consumers to <u>do</u>?

- **Shop around**
- **Compare features**
  - **What <u>do</u> they look for?**
  - **What <u>should</u> they look for?**

What do we want consumers to <u>do</u>?

- **Shop around**
- **Compare features**
- **Optimize financial well-being & security**

What do we want consumers to <u>do</u>?

- **Shop around**
- **Compare features**
- **Optimize financial well-being & security**
- **Be a home owner, not just a home buyer**

How can we simplify an inherently complicated transaction?

- **Tiers of products?**
  - **"over the counter"**
  - **"prescription"**
  - **"controlled substances"**
- **Where do we draw the lines?**
- **What other models are there?**

What makes a disclosure effective?
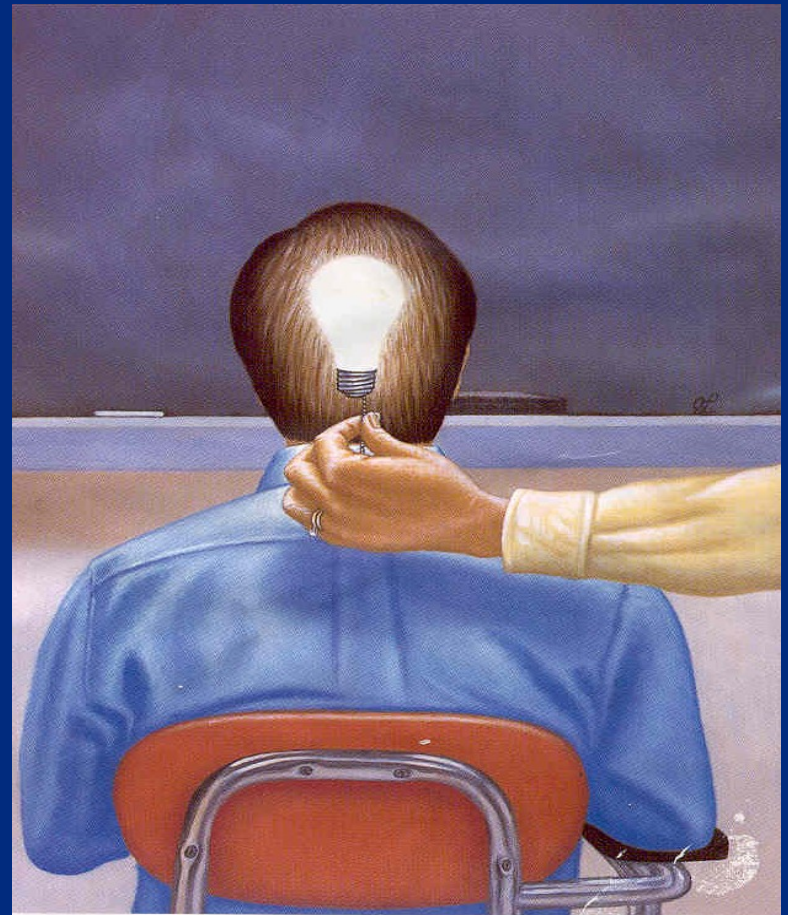
Consumers are exposed to it

What makes a disclosure effective?

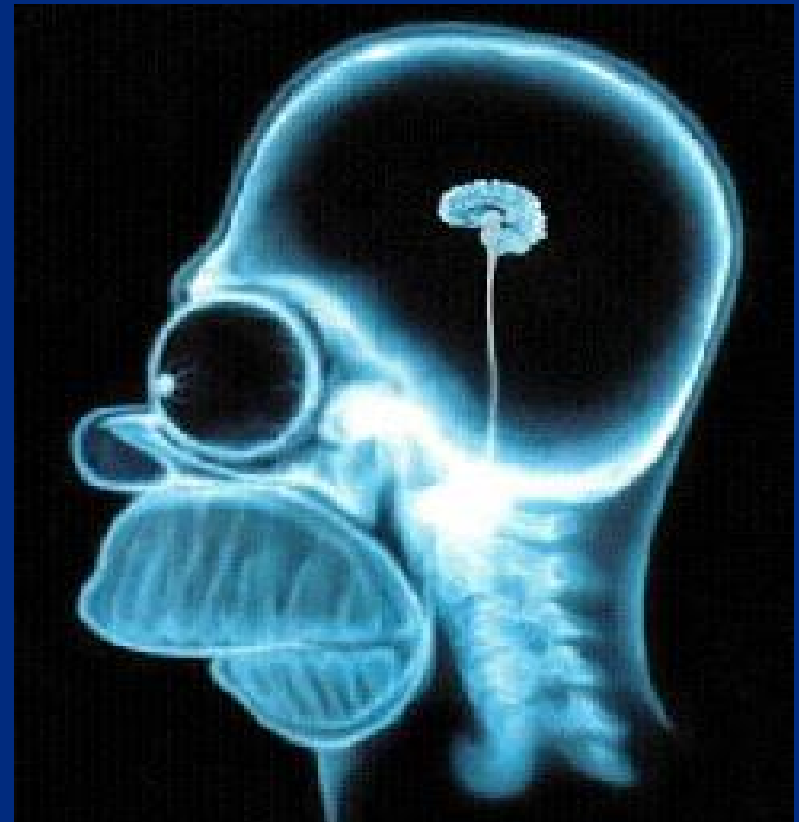**Consumers are aware of it (pay attention to it)**

What makes a disclosure effective?

Consumers can comprehend it (understand it)

What makes a disclosure effective?

Consumers can remember it when they need it

What makes a disclosure effective?

Consumers can use it -- act on it when making a decision

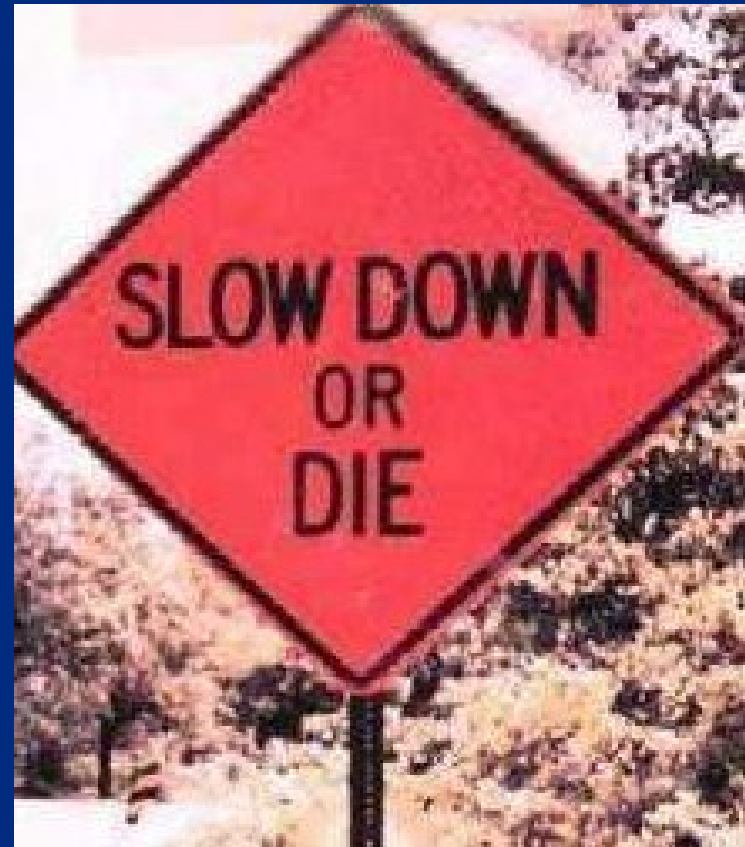# How do we get consumers to pay attention?

Consumers pay attention to novelty

New!

Improved!

Different!

Positive vs negative frame?

How can we take advantage of learning effects?

What are the "nutrients" in financial products?

- **APR or APY**
- **Fees/costs**
- **Risks and key features**

EXAMPLE 1:

Nutrition Facts

Serving Size ¾ cup
Servings per Container 11

Amount Per Serving

Calories 100   Calories from Fat 10

% Daily Value*

Total Fat 1g
  Saturated Fat 0g
Cholesterol 0mg
Sodium 150mg
Total Carbohydrate 26g
  Dietary Fiber 6g
  Sugars 6g
Protein 2g

Vitamin A 0% | Vitamin C 15%
Calcium 0% | Iron 1%

* Percent Daily Values are based on a 2,000 - calorie diet. Your daily values may be higher or lower depending on your calorie needs:

	Calories	2,000	2,500
Total Fat	Less than	65 g	80 g
Sat. Fat	Less than	20 g	25 g
Cholesterol	Less than	300 mg	300 mg
Sodium	Less than	2,400 mg	2,400 mg
Total Carbohydrate		300 g	375 g
Dietary Fiber		25 g	30 g

Calories per gram:
Fat 9   Carbohydrate 4   Protein 4

EXAMPLE 2:

Nutrition Facts

Serving Size ¾ cup
Servings per Container 13

Amount Per Serving

Calories 170   Calories from Fat 30

% Daily Value*

Total Fat 3g
  Saturated Fat 0.5g
Cholesterol 5mg
Sodium 240mg
Total Carbohydrate 29g
  Dietary Fiber 0g
  Sugars 18g
Protein 6g

Vitamin A 30% | Vitamin C 25%
Calcium 15% | Iron 25%

* Percent Daily Values are based on a 2,000 - calorie diet. Your daily values may be higher or lower depending on your calorie needs:

	Calories	2,000	2,500
Total Fat	Less than	65 g	80 g
Sat. Fat	Less than	20 g	25 g
Cholesterol	Less than	300 mg	300 mg
Sodium	Less than	2,400 mg	2,400 mg
Total Carbohydrate		300 g	375 g
Dietary Fiber		25 g	30 g

Calories per gram:
Fat 9   Carbohydrate 4   Protein 4

Plain language is necessary...
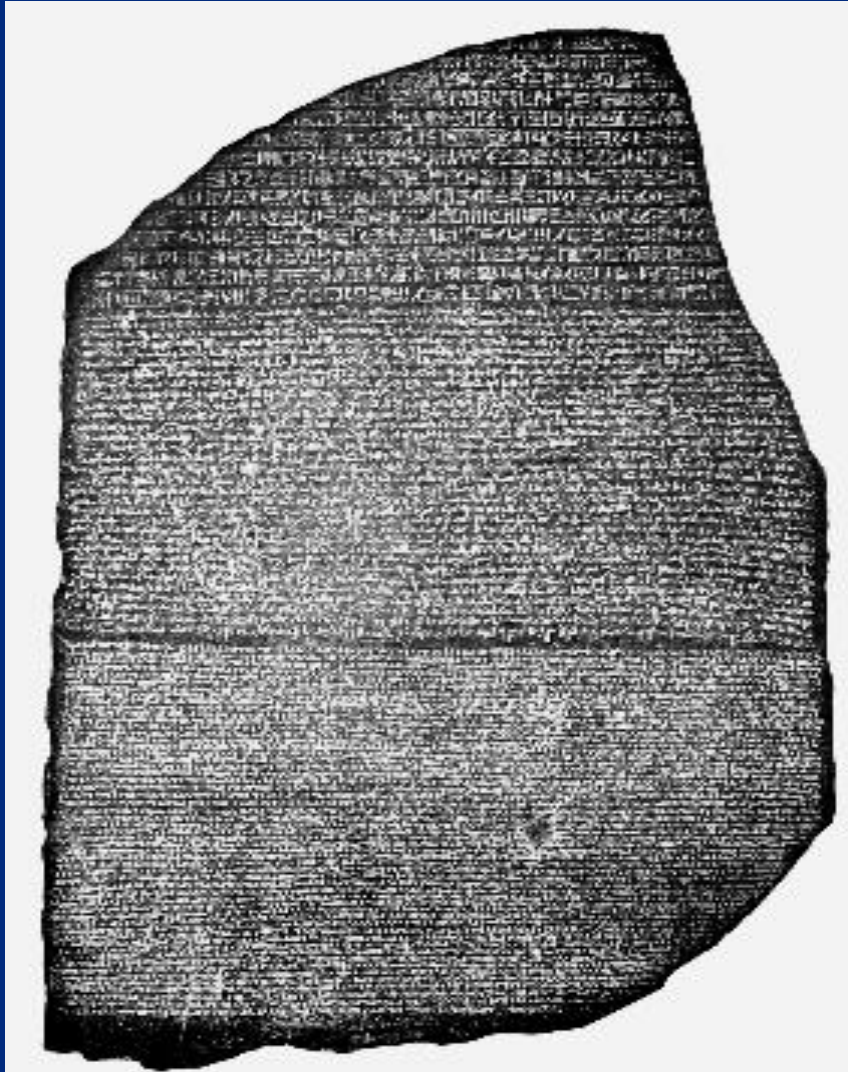
. . . but not sufficient

More than just "plain language"

How do you frame the disclosure –
   what's the context?

Opt in vs Opt out

Payment vs APR

Fee vs "discount fee"

More than just "plain language"

Is the whole equal to the sum of the parts?

- How do you organize the parts?
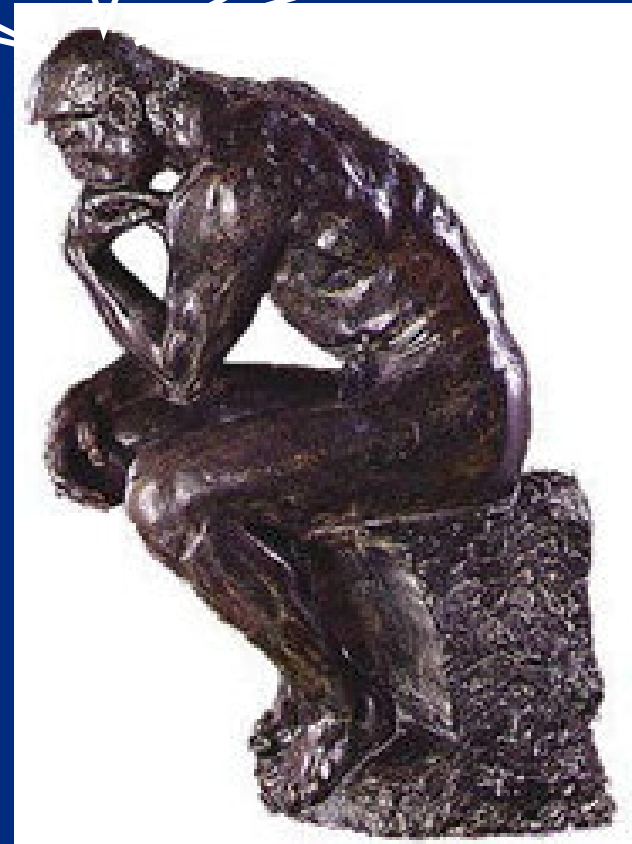
More than just "plain language"

Fees?

APR?

Monthly payment?

How do consumers process information?

WIFFM (what's in it for me?)

Disclosures as a tool

Financial products have become much more complex

Not all problems can be solved by disclosures

Tool vs Tool Box

- **Education**
- **Access to counseling, coaching, and advice**
- **Policy/regulation**
- **Disclosure**

How big of a tool box?

What kinds and how many tools do you need?

- **Different audiences**
- **Different topics**
- **Different stages of behavior**
- **Different learning styles**

Where do we go from here?

- **Where do we draw the disclosure/policy lines?**
- **What content is essential?**
- **What is "too complicated?"**
- **How do we make sure we're getting through to consumers?**
- **Are there other models we should be considering?**