

Federal Reserve Forum on Consumer Research & Testing: Tools for Evidence-based  
Policymaking in Financial Services, November 9, 2010  
Introduction Anna Alvarez Boyd

Good morning it's my pleasure to welcome all of you here. We've been wanting to do this for quite some time, Jeanne and Ellen and I have been talking about bringing you all together and it really feels good to finally have this happen.

I'm going to try to set the context a little bit for the day and give you a sense of where we want to go from here and why we did this. The prevailing analysis about decision making revolves around the assumption that humans are rational – that is to say that we make decisions carefully and consciously and analyze the alternatives and carefully weigh the pros and cons. In today's fast paced world of instant information, consumers face an additional burden of sorting out an avalanche of information about what's best for them. Earlier in the year Allen Fishbein's staff did a forum on mobile banking and we contemplated the idea of how do you provide a disclosure that's really effective over an iPhone. So hopefully today you'll contemplate some of these issues as well. How do we do things differently in a world that's really changing very, very quickly?

That brings me to my own context for how I approach consumer behavior, the story of two teenagers. I'm the mother of two teenage girls, 14 and 16; you can give me your condolences later. They are financially literate because of what I do. They have been exposed over and over and over again and it never ceases to amaze me that set free in the mall with the same amount of money coming from the same family with the same context one will come back with very rational logical choices, just what she needs and the other will come back with a number of things she doesn't need which we end up having to take back at some point or that probably don't even fit because it was an impulse buy for her. In any case, personality and emotion take over invariably in those situations. I'm very much hoping that at some point when I set them free for college the rational behavior would have taken over for both of them and I'm not sure that's actually going to happen down the road. Hopefully you all can help me with some of that input today as well.

So personality, emotion, the types of things that influence our decision making, how does that play into how we provide good disclosures for people, for how we understand how people make decisions about their money, about the big purchases that they make in their lives. The Board has a long history of considering the question of what influences consumer financial decision making. We actually began in 1996, we conducted consumer focus groups to help inform the content, the language, the layout of disclosures for vehicle leases, for mortgages, for payroll cards and electronically delivered disclosures. And then in 2004, in collaboration with other federal agencies, the Board instituted more rigorous consumer testing program. We started using focus groups, cognitive interviews, usability testing, and quantitative validation surveys to

inform disclosure devolvement for privacy notices. And the Board used a similar research design work for its work on credit cards. In more recent years we've used cognitive interviews in the devolvement of disclosures from mortgages, home equity lines of credit, private student loans, and bank overdraft services.

So as you can see, you've probably seen a lot of that work coming out of here over time. We have a deep understanding at least in the disclosure space of what works and what doesn't work. It was important for us to be able to share that with you and engage in a dialogue about how to move forward with this. Engaging in these consumer testing projects has been a real learning experience for us and at lunch we're going to highlight some of the findings and challenges from these projects. Jeanne Hogarth and Ellen Merry have done a paper on the lessons learned and they'll be presenting that to you at lunch time.

As with any research endeavor one of the biggest lessons learned for us was how much there was to learn how much there was to learn. That brings me to the forum today. We want to hear your thoughts on what we need to do, what we need to make better, how we need to use the range and breadth of the research methods and perspectives that can inform our work. We welcome your input as we seek to identify what we need to know to fill gaps in our understanding of consumer financial behavior. So the take away of what we want to do for today is that we want to look at the significant challenges and opportunities that have been presented to us with understanding effective disclosure, understanding factors that influence consumer decision making -- how does emotion play into people's decision making, how does the context in which they make the decision play into that decision making process for people? How do we...how can we be strategic about where we go with the research agenda for the future?

And really the Board is going to continue to be involved in with research methodology going forward and understanding this work, so how can those of us in the trenches of policy development and those of us who are researchers continue to work on these related issues? In fact when we make better use of the tools that are already in our tool box? How can we close the important gaps in our understanding in consumer finance, incorporate key perspectives and insights from other disciplines research methods, technologies to address present and future policy questions?

I understand as well that our role is changing at the Board and that the consumer testing the way we have done it in the past perhaps is not going to be our primary objective any more; but we are going to continue to have a commitment to research that increases our understanding of consumer behavior that impacts policy and that impacts the way our agency carries out it's responsibilities for improving and supporting consumer protection and being sure that there are efficient markets.

I want to be able to actually recognize the staff that has worked on this over so many years -- Jeanne Hogarth who as really been a great leader in this area, I think starting off in 1996 and she

probably the person in the room whom most of you know because you don't normally come together in this sort of setting. Allen Fishbein who leads our consumer education and research unit, Ellen Merry who will be presenting paper to you over lunch about our lessons learned. And I also want to point out Leonard Chanin, who is our deputy director of the Division of Consumer and Community Affairs, and who has integrated the process of consumer testing into rule making and really improved our rule making to a great degree because it's grounded in some real testing. I want to thank all of them for their leadership in this area and their continued commitment.

So with that I want to thank you for joining us. We're looking forward to learning from you. I'm looking forward to your insights on what I do with my teenagers. So, thank you and I look forward to the day.