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Naomi Sachie Miyamoto for the degree of Master of Science
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Title: AN INVESTIGATION OF CONSUMERS' KNOWLEDGE AND USE OF THE REAL ESTATE SETTLEMENT PROCEDURES ACT OF 1974 AS AMENDED IN 1975

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Martha A. Plonk

Consumers' knowledge and use of the information booklet, Your Guide to Settlement Costs, the loan cost estimate, and the settlement disclosure statement as provided by the Real Estate Settlement Procedures Act (RESPA) of 1974 as Amended in 1975 were studied.

Of the 300 mailed questionnaires to home buyers of new single family detached houses in the cities of Corvallis and Eugene, Oregon, 92 completed questionnaires were returned.

Forty-one percent of the home buyers were young married couples between the ages of 19 to 29 years old. The median household income was $20,907. Sixty-two percent of the household heads and 44 percent of spouses had 16 years or more years of education.

Thirty-eight percent of the home buyers were buying their first house. The average purchase price of these new houses was $52,995

with 59 percent of the home buyers borrowing less than 75 percent of the purchase price. Sixty-six percent of the home buyers obtained financing from the savings and loans. For 58 percent of the home buyers, the interest rates paid were between 8.75 and 9.25 percent. The mean closing cost was $1,250.

Forty-eight percent of the home buyers shopped for credit. Of the home buyers shopping for credit, 32 reported investigating savings and loan associations, 31 investigated banks, six investigated credit unions, three investigated mortgage companies, and one contacted a relative. The seven items buyers shopped for were interest rates, loan fees, homeowner's insurance, reserve for taxes, appliances, prepayment penalty, and mortgage insurance.

The Pearson Product Moment Correlation (r) and Chi-Square (X^2) were used to test four hypotheses of the home buyer's knowledge and use of the items provided by RESPA.

The major conclusions from this study were:

1. Home buyers tended to have a low to medium level of awareness of the RESPA Amendments.
2. As the home buyer's knowledge of the information booklet and the loan cost estimate increased, the use of these items increased.
3. There was not a significant relationship between the knowledge of the settlement disclosure statement and dollar amount of closing costs.
4. The home buyer's level of awareness of the RESPA Amendments varied with the difference sources of loans.

5. Although home buyers investigated banks as another source of financing, most of them obtained financing through savings and loan associations.
6. The main reason for obtaining real estate financing through the particular financial institutions was interest rate.
7. The one day advance disclosure of the closing costs of the settlement disclosure statement tended not to help consumers shop for these costs.

Implications from this study were:

1. Even though the settlement disclosure statement did not help home buyers shop for closing costs, it did expose and familiarized home buyers with the real estate disclosure information.
2. Government regulations can require certain information to be available, but unless home buyers feel a need to learn the information and use it to shop for closing costs, buyer behavior will tend not to change.
3. Various agencies such as Extension Service, housing authorities, and consumer organizations could help educate home buyers on how to use the disclosure information and help them realize the payoffs of searching.

An Investigation of Consumers' Knowledge and Use of the Real Estate Settlement Procedures Act of 1974 as Amended in 1975

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Redacted for Privacy

Head of the Department of Family Resource Management

Redacted for Privacy

Dean of Graduate School

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I. INTRODUCTION

The purchase of a home is often the largest single financial transaction families make. Whether a family buys a new home or an older home, there is one part of that transaction which all home buyers face when purchasing a home--the closing costs. Frequently in the past, the financial shock of closing costs did not come until closing day when the buyer and seller are asked to pay for undisclosed settlement charges.

Depending on the place of residence, handling of closing costs, and source where the home mortgage was secured, closing costs varied from a low of $50.00 to a high of $2,000.00 (37:6562). In response to an increasing number of problems and complaints about settlement charges, Congress passed the Real Estate Settlement Procedures Act (RESPA) on December 22, 1974 to be effective June 20, 1975. Before the act became effective, the act was amended in 1975 with an effective date of June 30, 1976. The RESPA with its Amendments is intended

> to further the national goal of encouraging homeownership by regulating certain lending practices and closing and settlement procedures in federally related mortgage transaction . . . and to end unnecessary costs and minimize the difficulties of purchasing housing . . . (36:1724).

It required that lenders provide home buyers with the information booklet, <u>Your Guide to Settlement Costs</u>, the loan cost estimate, and the settlement disclosure statement. Policy makers anticipated that the predisclosed information would aid home buyers in shopping for settlement services and help make informed decisions.

Need for the Study

Historically, public policy makers legislated consumer information policies that insured consumers of accurate or at least not misleading information. Recently, policy makers have extended their concern to the "right kinds" of information in the "right amounts", in the "right places", and at the "right times" (39:44). And in an attempt to provide the "right kinds" of information, policy makers are showing an increasing interest in information disclosure as a basis for assisting or protecting consumers (16:21). Greater attention to disclosures as a means of efficient and comparative information may be in demand.

Uncertainty still exists about the possible effects that persist after the disclosure information policy has been implemented (16:21). The demand for more disclosure information is growing even with the small amount of concrete evidence that past disclosures have any effect on consumer or market behavior (14:42). Thus far, there has been limited research available to policy makers to forecast the impact of the new disclosure requirements (16:21).

The insufficient evidence on the effects of all types of information disclosure is due to the relative newness of requirements and difficulties in designing and implementing the appropriate evaluation research (14:42). The lack of evidence is compounded by the lack of a conceptual framework for understanding how home buyers use information (14:42). Thus the field of consumer information research is rapidly becoming an accepted way of examining how home buyers or consumers choose among many products, services, and brands that are available in the marketplace (23:3).

Limited research has been conducted which deals specifically with the consumer's knowledge and use of required consumer information. Based on the literature reviewed, there have been no studies conducted regarding the consumer's knowledge and use of RESPA of 1974 as amended in 1975. Consumer information research which has been done centers on awareness levels of "Truth-in-Lending" and the effectiveness of a variety of marketing practices such as unit pricing, nutritional labeling, and beef grading (9, 17, 22, 24, 30, 41, 43).

"Every individual is in need of information to perform the necessary economic function of consumption; yet he must be able to understand and relate this information to his situation" (7:55). Furthermore, Bymers states that ". . . almost no effort on the part of economists has been devoted to studying either the content of the communication effort or whether what has been transmitted has been understood" (8:60). If policy makers are to determine the need and the desirability of information regarding purchasing a home and settlement charges, then research is needed to determine if consumers (1) understand the information and (2) use the information.

Statement of the Problem

The purpose of the study is to investigate the consumers' knowledge and use of the information booklet, Your Guide to Settlement Costs, the loan cost estimate, and the settlement disclosure statement as provided by the Real Estate Settlement Procedures Act (RESPA) of 1974 as amended in 1975.

Objectives of the Study

Objectives of this study were:

1. To explore the knowledge and use made by home buyers of the Real Estate Settlement Procedures Act (RESPA) Amendments of 1975 when they purchased a home.
2. To learn if home buyers were knowledgeable about the purpose and if they used the information booklet, Your Guide to Settlement Costs, the loan cost estimate, and the settlement disclosure statement when they obtained financing for their home.
3. To determine if there was a difference in the level of awareness of the RESPA Amendments among home buyers who received their home loans from different types of lenders.

Hypotheses of the Study

This study tested the following hypotheses:

1. There is no relationship between the level of awareness of the RESPA Amendments among home buyers and the (a) educational level and (b) income level of home buyers.

2. There is no relationship between the knowledge and use of (a) information booklet, Your Guide to Settlement Costs, by home buyers, (b) the loan cost estimate by home buyers, and (c) settlement disclosure statement by home buyers.
3. There is no relationship between the home buyers' knowledge of the settlement disclosure statement and the dollar amount of closing costs.
4. There is no difference between the home buyers' level of awareness of the RESPA Amendments and the home buyers' source of the loan.

Assumptions of the Study

This research was conducted on the premise of the following assumptions:

1. The test questions chosen to measure the knowledge of RESPA were appropriate measures.
2. The respondents answered the questionnaire completely and truthfully.
3. Questionnaires completed by one member of the family would not significantly differ from those completed by both the husband and wife.

Limitations of the Study

The limitations of this study were:

1. This study was limited to the population of Corvallis and Eugene, Oregon that met the criteria specified.

2. The information obtained was by recall.
3. A questionnaire was used as the only source for the data collection.
4. The conclusions were based on information from the completed questionnaires.
5. The RESPA Amendments were effective on June 30, 1976. This study is limited to the period that RESPA has been a law.
6. The sample was limited to buyers of new homes. Generalizations are limited by the size, location, and specificity of the sample.

Definitions of Terms

Definitions of terms used in this study follow:

"Good faith" loan cost estimate is a dollar amount or range of each charge for a settlement service provided by the lender to the borrower of costs to be incurred in the locality. The lender shall provide the loan cost estimate within three business days after written application (56:22705).

Settlement Disclosure Statement is a completed statement available for inspection one business day prior to settlement, of charges to be paid by the borrower and the seller in connection with the settlement, except those charges not imposed upon the borrower or seller by the lender and which the borrower and seller contract to pay outside the settlement. The borrower may waive the right of the completed form (56:22706).

Federally Related Mortgage Loan includes lenders whose intention is to sell their loans to the Federal National Mortgage Association (FNMA), Government National Mortgage Association (GNMA), or the Federal Home Loan Mortgage Corporation (FHLMC), and whose deposits and acccounts are insured by the Federal Savings and Loan Insurance Corporation (FSLIC), the Federal Deposit Insurance Corporation (FDIC), or any other agency of the Federal Government (56:22704).

Closing Costs are miscellaneous charges over and above the cost of the house and downpayment paid by the buyer and seller at the closing of the loan, when the deed to the property is transferred from the seller to the buyer (5:164). The main classes of costs and adjustments to be met in closing are: (1) commissions and escrow fees, (2) title assurance charges and legal fees, (3) loan related charges and fees, and (4) property taxes and other charges and adjustments (13:263).

Knowledge is the ". . . recall of specifics and universal [information] the recall of methods or processes, or recall of pattern, structure, or setting" (6:39).

II. REVIEW OF LITERATURE

The literature review of this chapter has been divided into four sections: (1) legislative history of the settlement charge issue, (2) provisions of the bill, (3) consumer information processing, and (4) hierarchy of effects model.

Legislative History of the Settlement Charge Issue

Over the years Congress has received complaints about excessive settlement charges imposed on home buyers and sellers. Home buyers were being charged with such high closing costs that it was ". . . making it impossible for moderate income families to afford to purchase a home" (37:6558). As a result, in 1970 Congress dealt with the problem by enacting Section 701 of the Emergency Home Finance Act of 1970 (P.L. 91-351). The act authorized the Secretary of Housing and Urban Development (HUD) and the Administrator of the Veteran's Administration (VA) to prescribe standards governing the amounts of settlement costs allowed on Federal Housing Administration (FHA) insured and VA guaranteed mortgage loans. Also, it directed HUD and VA to undertake a joint study of settlement costs and to report to Congress by July 24, 1971, the legislative and administrative actions that should be taken to reduce and standarize mortgage settlement costs (37:6558).

As a result of this legislation, HUD and VA released a comprehensive joint report of settlement charges called the Mortgage Settlement Cost Report on February 17, 1972. A main finding was that much variation existed in settlement charges among metropolitan areas and variation even within the same area. The conclusions of the HUD-VA study were summarized on March 1, 1972 by Secretary George Romney in his testimony before the Senate Banking Committee. The highlights of the conclusions from his testimony follow:

> Settlement costs and practices vary widely within the same geographic area. . . . Costs are unreasonably high in many areas, but not all. . . . State regulation of title insurance and other title related costs is largely ineffective. . . . In most cases, competition in the conveyancing industry is directed toward other participants in the industry and not toward the home buying public. . . . It is evident from these findings that serious problems exist in the conveyancing industry, and that such problems demand immediate attention in order to assure that the public is not charged more for settlement costs that is reasonable (37:6562).

The Mortgage Settlement Cost Report also proposed regulations setting specific dollar limits for settlement services in six high-charging metropolitan areas. These regulations were issued in July 1972, in draft form, pending publication of the preliminary regulations and further study by HUD. In the report and subsequent hearings by the Housing Subcommittee of the House Banking Committee, three major problem areas were found in keeping settlement costs within reasonable bounds. They were: (1) abusive and unreasonable practices within the settlement charge industry that increased settlement costs to home buyers without providing any benefits, (2) lack of understanding about the settlement process and its costs by most of the home buyers, and (3) complexities and inefficiencies in recording land titles (37:6547).

In addition, the HUD-VA Report on mortgage settlement cost recommended that the Federal Government take immediate action to establish maximum allowable settlement charges on FHA-VA home mortgages. Also, the report recommended that in specifically designated areas, FHA-VA would exempt ". . . loan discount payments and charges fixed by State and local governments, and to require use of a uniform settlement statement and submission of estimated settlement costs and related information prior to settlement" (37:6547).

Prior to the HUD-VA Report, U.S. Senator William Proxmire had introduced Senate Bill 2775 which would require the lender to bear certain settlement costs with the assumption that lenders have the sophistication and bargaining power to keep the costs down. The response to Senate Bill 2775 was not favorable. Except for hearings, no action was taken.

In the meantime, on March 2, 1972, the Senate passed the Omnibus Housing and Urban Development Act of 1972 which contained provisions authorizing HUD to regulate settlement charges of FHA-VA mortgages and other federally related mortgages, to prohibit real estate kickbacks, and to require regulations limiting settlement charges to be issued within six months of its passage.

Similarly, the Housing Subcommittee of the House Banking Committee of the U.S. House of Representatives approved its version of the Housing and Urban Development Act of 1972 on May 11, 1972, which required that all settlement charges be fully disclosed in advance and prohibited kickbacks. In addition, the House bill eliminated authority of HUD to prescribe maximum limits for settlement services. On July 20, 1972, HUD proposed regulations subject to the passing of the 1972 settlement legislation that would have reduced certain settlement charges on FHA transactions by an average of 30 percent in the metropolitan areas.

The real estate settlement industry was still hopeful of side-tracking the passing of the federal regulation of settlement charges. On August 4, 1972, 22 large title insurance companies enlisted the services of the Washington law firm of Sharon, Pierson, Semmes, and Finley to help them stop the federal regulation of settlement charges. The law firm designed a strategy calling for the repeal of Section 701 (a) authorizing the regulation of settlement charges in return for adopting the least offensive disclosure and other reforms in the House and Senate bills. Those who voted for the bill could claim that they were for reducing settlement charges while at the same time repealing the only law regulating these charges. Section 701 (a) of the Emergency Home Finance Act of 1970 still remained on the books, and from the settlement industry's standpoint still represented a threat to their industry.

Later, on September 13, 1972, U.S. Congressman Robert G. Stephens of Georgia introduced a substitute amendment to the Housing and Urban Development Act of 1972 to the House Subcommittee generally along the lines of Sharon, Pierson, Semmes, and Finley firm recommendations. The amendment was approved in Committee and included in the Omnibus

1972 Housing bill. This bill failed to obtain a ruling from the Rules Committee, and the entire settlement cost legislation died in the 92nd Congress.

In the 93rd Congress, two settlement cost bills and one resolution bill were introduced. On July 23, 1973, Senate Bill 2228 which was similar to U.S. Congressman Robert G. Stephens' substitute amendment of the 1972 Omnibus Housing bill was introduced by U.S. Senator Bill Brock. On July 30, 1973, U.S. Senator William Proxmire introduced Senate Bill 2288 which was similar to the settlement cost legislation included in the Senate's version of the 1972 Omnibus Housing bill. Lastly, on August 3, 1973, a comparable resolution, House Resolution 9989, was introduced by U.S. Congressman Robert G. Stephens in the U.S. House of Representatives.

Although these two bills, Senate Bill 2228 and Senate Bill 2288, addressed the same problem in some respects, they differed in their solutions to regulate charges for settlement services. Senate Bill 2228 proposed to eliminate HUD and VA's authority to prescribe settlement costs standards contained in Section 701 of the Emergency Home Finance Act of 1970. On the other hand, Senate Bill 2288 proposed to retain HUD and VA's authority to regulate settlement costs not only on FHA and VA transactions but also on conventional mortgages. In addition, this bill proposed to regulate the limiting of settlement charges within six months after the passing of this bill.

On July 30, 1973, seven days after it was introduced, the Senate Banking Committee held hearings on the Brock bill, Senate Bill 2228. Within this short time, between the bill's introduction and hearings, the real estate settlement industry was able to get 15 witnesses to furnish the Committee with lengthy written testimonies. All of the witnesses were familiar with the terms of the Brock bill and they supported this bill. Sometimes the witnesses referred to the Brock bill as "our bill." Because of the imbalanced representation for the testimonies, the Committee invited additional testimony on October 31, 1973, on the settlement charge issue from consumer spokespersons and other experts not affiliated with the settlement industry.

Only three witnesses appeared on October 3, 1973, supporting the Proxmire bill and opposing the Brock bill. Since their testimonies were squeezed in after 19 witnesses on the 1973 Administration housing proposal, the impact on the Committee of the real problem of the real estate settlement problem was nil.

Late in 1973, Senator Brock then offered Senate Bill 2228 to the Committee as an amendment to the 1973 Housing and Community Development legislation. No action was taken.

On December 14, 1973, the Senate Banking Committee met in attempt to resolve the differences between the Proxmire bill and the Brock bill. The committee voted nine to six approving a compromise offered by Senator Cranston. In this compromise, HUD would retain the authority to regulate settlement charges. However, the authority could not be used for a three year period. After this period, if HUD found charges too high, regulations limiting settlement charges on conventional and FHA transactions could be issued. The differences between the Proximire bill and the Brock bill seemed great, and the

Committee decided to exclude the settlement charge issue from the 1974 Omnibus Housing bill.

Over in the House, the Housing Subcommittee of the House Banking Committee held hearings during December 1973 and January 1974 on House Resolution 9989, U.S. Congressman Stephens' counterpart of the Brock bill. Twenty-nine settlement industry witnesses testified and supported House Resolution 9989. However, seven consumer oriented witnesses supported an alternative approach to rate regulation. The alternative approach would require lenders to pay all settlement charges as a condition for making the loan. The approach also assumed that (1) lenders will initially increase interest rates to cover the cost of settlement charges, (2) over time, the superior economic bargaining power of lenders will force reduction in excessive or unnecessary settlement charges, and (3) competition between lenders will result in savings being passed on to the public. This testimony represented a shift in the consumer group opinion from the testimony received on Senate Bill 2775 in 1971.

With no resolution to the settlement charge issue, the 2nd session of the 93rd Congress came to order in 1974. Senator Brock introduced another bill, Senate bill 3164, which broadened the scope of Senate Bill 2228. This bill added the requirement that HUD study and report to Congress the need for legislation which would require lenders to bear the settlement costs, regulate maximum settlement rates, and assist local government to modernize title recordation procedures (37:6548).

Later, on March 26, 1974, Senator Proxmire introduced Senate Bill 3232 which required lenders to bear the closing costs as a condition for making a loan. This was the approach suggested by the consumer oriented group.

The Senate Banking Committee met in executive session and adopted Senate Bill 3164 without amendment on May 2, 1974. However, when the bill went to the House, the Housing Subcommittee of the House Banking Committee disagreed with Senate Bill 3164 and amended Senate Bill 3164 by inserting their own text after the enacting clause. The Senate disagreed with the House's amendments and decided to hold a joint meeting between the House and Senate Banking Committees. On December 9, 1974, the committee reported a compromise between the House and Senate on Senate Bill 3164. Senate Bill 3164 was passed in lieu of House Resolution 9989. Senate Bill 3164 was finally approved as the Real Estate Settlement Procedures Act (RESPA) of 1974 on December 22, 1974 as Public Law 93-533, effective June 20, 1975.

After the original law was passed, RESPA seemed to create more problems than it solved. Many comments were submitted indicating general acceptance of the RESPA requirements but also included numerous specific comments directed at improving or deleting particular sections.

These recommendations were incorporated into the RESPA Amendments of 1975 and signed into law on January 2, 1976. Included in the RESPA Amendments was the authorization to change the effective date until June 30, 1976. This would allow time for implementation and interpretation (37:6558).

Provisions of the Bill

The major provisions of the Real Estate Settlement Procedures Act of 1974 and its 1975 amendments include the following:

1. Lending institutions are required to give home buyers a copy of the information booklet, Your Guide to Settlement Costs, within three business days after the written loan application,
2. Lending institutions are expected to give home buyers a written "good faith" loan cost estimate of charges that the borrower is likely to incur at settlement within three business days after the written loan application,
3. Lending institutions are required to provide the settlement disclosure statement one business day in advance of closing of the loan,
4. Upon the borrower's request, a borrower may sign a waiver forfeiting his rights to have the settlement disclosure statement available one business day before closing,
5. No persons shall accept any fees, kickbacks, or thing of value for services other than services actually performed. The only persons who may receive payment of fees are attorneys, title companies, lenders, and bona fide persons whose services were actually performed or facilities actually furnished,
6. The seller cannot require as a condition to selling the property that title insurance be purchased by the buyer from any particular title company,

7. No lender shall require the borrower to deposit in an escrow account, taxes and insurance premiums prior to or upon the date of settlement a sum in excess of one-twelfth of the total amount of estimated taxes and insurance premiums, and
8. If anyone is in violation with these regulations, heavy penalties, imprisonment, or both may be prosecuted (50).

Consumer Information Processing

A wave of consumerism in the 1930's was prompted by health problems related to sanitation and safety in foods, drugs, and cosmetics. Consumer grievances and dissatisfactions with products and service performances activated another wave of consumerism in the 1960's (19). Such grievances and dissatisfactions can be partially understood in theory by surveying the conditions of consumer sovereignty. A review of the basic concept of consumer sovereignty follows.

Consumer Sovereignty

According to Adam Smith, the "father" of economics, ". . . consumption is the sole end and purpose of all production" (44:620). Consumption of goods and services gives satisfaction or utility to consumers, and the ". . . interest of the producer ought to be attended so far as it may be necessary for promoting that of the consumer," meaning that producers should supply goods and services that consumers want and need (44:620).

Consumer sovereignty is the condition under which ". . . all economic processes are ultimately focused toward satisfying wants of the ultimate consumer" (40). Economists have found that perfect market competition best fosters the achievement of consumer sovereignty.

The conditions of perfect competition are:

1. There are many producers/sellers in the market so that no single seller can influence industry's price or output.
2. There are many consumers so that no single consumer can influence price or output.
3. There is perfect information. Producer/seller of final products, suppliers of inputs, and consumers obtain at no cost the complete and accurate information needed to act effectively and possess understanding of perfect competition.
4. There are perfect mobile resources. Inputs of labor, natural resources, capital, and entrepreneurial capacities move freely and at low cost from one usage to another.
5. Products are of uniform quality (28:251).

Perfect competition results in consumers receiving the quality and kinds of goods and services that provide maximum satisfaction at the lowest possible cost. Realistically, because all the conditions of perfect competition cannot be met, it seldom exists in the marketplace. Therefore, consumer sovereignty in its purest form will not exist. However, perfect competition can still be a goal toward which an economy may direct itself.

Consumer Information

There are five reasons why the problem of consumer information is an obstacle to consumer sovereignty (28:256). First, modern technology, while making life a little easier physically, contributes to the complexity of daily living. Products, brands, models, and services offered have become more multiformed and have proliferated to an astounding extent within the past thirty years (47:66).

Second, our society is one of mass production with mass consumption inviting mass distribution and mass promotion (47:19). Increasingly, there has been a reduction in personal contact between the buyer and seller causing the redress of grievances to be more difficult. Third, discretionary income in the last seven years has increased 49 percent (51:6). A great number of consumers are no longer preoccupied with the problem of subsistence; instead, prosperity has brought the challenge of resource allocation and brand selection (26:20). Furthermore, increased affluence has brought sophisticated goods to more buyers, including those who have ". . . little personal experience with these goods and have less education than traditional middle class" (26:20).

Fourth, scarcity of time is one of the most important reasons why the information problem has increased. "As affluence increases, each hour becomes more valuable" (28:321). A recent survey from the Survey Research Center of the University of Michigan indicated that there is strong positive correlation between family income and being "harried"/rushed (2). "Time is at a premium," and consumers are able and willing to pay for it with their discretionary income (26:4).

Fifth, there is a lack of incentive to search for information (28:321). "Too few consumers know how informationally imperfect many of the market systems really are and therefore underestimate the payoffs of searching" for information (28:321). Consumers will find it profitable to search for information when: (1) an item constitutes a significant proportion of a long run household budget; (2) the consumer is less affluent; (3) the cost of search is low; or (4) the expected variation in money price/quality, or both, is large (28:21). Consumers will first have to feel a need to search for information and then put the information to use.

Two areas of consumer information processing relate to disclosure regulations. They are: (1) consumer policy and (2) human information processing.

Consumer Policy

Konsumentpolitik, translated as consumer policy, originated in highly consumer conscious Scandinavian countries and has been defined as ". . . measures taken to implement consumer interest" (48:192). The implementation of consumer policy includes: (1) education, (2) information, and (3) protection.

Consumer education provides the knowledge necessary to develop the skill to make intelligent choices. This includes providing information about marketing functions, consumer decision process, and consumer rights and responsibilities. Consumer information, on the other hand, includes specific information about brands, models, qualities, and various options oriented toward buying decisions. Consumer protection refers to measures taken to safeguard consumer rights. The distinction between education, information, and protection is still not clear and includes many overlapping areas (47:25).

Two characteristics of consumer policy are tradeoffs and reinforcements. Tradeoffs, when one item is substituted for another (48:197), exist when consumer information and education policy are replaced by consumer protection policy (federal legislation). Consumer protection frequently substitutes the judgement of policy makers for that of the individual and provides protection in the form of information. The mandatory information provides (1) more and better information for consumer decision making; (2) information for product safety/quality; and (3) for treatment of dissatisfaction after purchase. Examples of these requirements are: nutritional labeling, truth-in-lending, truth-in-packaging, Real Estate Settlement Procedures Act, and unit pricing.

Reinforcement, on the other hand, exists when a joint effect is greater than an individual in isolation (48:197). Examples of reinforcement are consumer education and consumer information. Consumer education reinforces the consumer's ability to receive and evaluate the consumer information. Without consumer information consumer education cannot take place. Here reinforcement works both ways.

Human Information Processing

The human information processing factors can be divided into three sections: (1) attention, (2) memory function, and (3) processing of alternatives. Attention involves the selection and intensity of a stimulus. While some information bits from the stimulus are selected, others are forgotten. Insensity is the frequency of a stimulus. Kahneman found that attention is related to the cognitive activities of memory and processing (25). Attention in a memory task may be equivalent to rehersal of the stimulus and thus may measure intensity (33). In general, attention occurs if there is a mismatch between stimulus and expectations or if there is an intention or goal directed factor involved (25).

The memory system can be divided into three sections: (1) short term sensory storage, where information through sense organs is received and stored for a few seconds; (2) short term memory (STM), where information maintained temporarily for a few minutes is organized for permanent storage; and (3) long term memory (LTM), where short term memory input is being transferred to permanent records. The transfer of material from short term to long term memory is thought to require rehersal of material in the short term memory (18). Attention is an important factor because it affects the rehearsals needed to transfer material from short term to long term memory. If the material is not rehearsed, then it is lost from short term memory and forgotten within 30 seconds. In addition, repetition of the STM information affects the formation of chunks of information (29) which will be recalled from the long term memory whenever a decision is to be made (32).

Processing of alternatives (making choices) can be simplified and organized by attribute or dimension of the alternative (4, 35). Attributes and dimensions are qualities and characteristics of alternatives. Attribute is a term used in consumer research while dimension is the term used in psychology. Russo and Dosher reported that people process by attribute, comparing alternatives within attributes and then combining the attributes. Russo and Dosher also found that respondents had a difficult time using more than two attributes (42). Tversky developed a choice model which suggests that alternatives are compared directly with other dimensions. He goes on to say that intradimensional evaluations are easier than interdimensional because alternatives can be compared. Evaluating each alternative at a time is more difficult than evaluating all alternatives on a single dimension and combining these dimensions. Processing by dimensions requires only half as many interdimensional evaluations as processing by alternatives (49). In summary, the factors of human information processing attention, memory function, and processing by alternatives all contribute in understanding the total consumer information process.

Hierarchy of Effects Model

The Hierarchy of Effects Model is a model that relates specifically to disclosure requirements. Since the implementation of a number of new disclosure requirements, policy makers have found it difficult to determine if disclosure requirements are successful. This model was developed to help policy makers forecast the impact of new disclosure requirements (14:42). Due to the newness of these regulations, there is a lack of empirical evidence on the behavioral effects of disclosure information. Most of the current disclosure information esearch deals primarily with the cognitive effects of grocery product information (9, 17, 21, 24, 30, 41).

The Hierarchy of Effects Model consists of four segments: (1) cognitive, (2) affective, (3) behavioral, and (4) post purchase.

The cognitive section includes the information and compliance with regulations, awareness of the information disclosure, and the comprehension of the information. Day states that cognitive effect (long term memory information stimulus) is a necessary condition for subsequent change in the attitude and behavior. Change in a prior stage is presumed to be a necessary condition for a change in a future behavior (14:44). Comprehension of the information is another variable necessary for change in attitude and behavior. According to research in the area of comprehension of disclosure requirements, ". . . there is much less than full awareness and even less comprehension of meaning of the information while the behavior effects are usually negligible or non-existent" (14:44).

The affective section includes consideration and use of information in choice decisions and attitudes toward choice alternatives. Day believes awareness, comprehension, and consideration of information must produce a change in attitude before choice behavior can be changed (14:44). He hypothesizes that the disclosure will have its maximum effect when the buyer has access to information at the point of sale, can readily comprehend and process the information, and can use it to make direct comparisons of choices (14:44). Jacoby agrees with Day and suggests that ". . . a consumer must logically be aware of nutrition labeling before he can intend to use it . . . (he) must understand the information before his intention to use it can have any meaning" (24).

The behavioral segment of the model deals directly with choice behavior, search/number of alternatives, choice criteria, and choice/abilities to match product with needs. Day suggests that there is little evidence that information disclosures had significant effects on buyer behavior, especially on those buyers who have the greatest need for consumer protection of assistance in making more informed choices (14:51). Low income buyers often lack education and knowledge and are unaware of the benefits of comparative shopping. For example in the case of credit, economic circumstances place severe constraints on their choice of credit sources and credit plans. One reason for the lack of effect is that that low income buyers are influenced by the availability of credit and the size of the monthly payment rather than the annual percentage ratio (APR) or total cost of credit (43).

Day suggests several reasons why behavioral changes do not occur even if information is available. First, buyers may not have any choices. Second, previous choices may better match the buyers' needs. Third, buyers may prefer certain brands. And lastly, the information obtained may not be relevant. Information on an unimportant attribute will have little effect (14:48).

The post purchase segment includes usage behavior according to (1) direction and consumption patterns, (2) satisfaction with the purchase process, and (3) satisfaction with performance. The basic hierarchy of effect process must be completed in order for consumers to feel completely satisfied with the purchase process (14:51). Day goes on to say that ". . . more information enhances confidence in choice and possible satisfaction with the purchase, through assuring the buyer that the product is correct, that mistakes have not been made and that the price is justified" (14:51). The available information does seem to ". . . enhance confidence by assuring buyers of the correctness of their choices" (14:46). Thus, satisfaction and confidence may be the principal outcomes of most disclosure requirements (14:46). With continued exposure to disclosure information, consumers will become familiar with the information and develop a greater sensitivity to its value and situations in which it can be used (14:50).

In summary, the Hierarchy of Effects Model includes cognitive, affective, behavioral and post purchase segments. This model will hopefully be used to understand the behavioral as well as the cognitive effects on consumers as they use the mandatory disclosure information in their decision-making process.

III. METHODOLOGY

This chapter describes the questionnaire development, the selection of the sample, the sample criteria, the collection of data, and the analysis of data.

Questionnaire Development

After the study of the RESPA Amendments and a review of literature on the history of RESPA, a questionnaire was developed to get information from new home buyers about the knowledge and use of the information booklet, Your Guide to Settlement Costs, the loan cost estimate, and settlement disclosure statement and to obtain demographic data about these buyers.

First, the questionnaire was submitted to the Family Resource Management faculty for their evaluation. Based on their recommendations, the questionnaire was revised, then submitted to the statistical consultants for their evaluation. Their suggestions were used to revise the questionnaire. After this revision, the questionnaire was pretested by homeowners who recently purchased a home and who were not in the sample. After the pretest, modifications were made from the suggestions received and incorporated in the final form of the questionnaire (Appendix A p. 64). Finally, the questionnaire was also submitted for review to the Oregon State University Committee for the Protection of Human Subjects and approved on February 13, 1978.

Selection of the Sample

The sample was selected from the list of Occupancy Certificates addresses of newly constructed single family dwellings from the cities of Corvallis and Eugene, Oregon. Newly constructed dwellings were used because this was the accessible resource for the sample. The researcher contacted the county records and licenses offices, banks, the multiple listing service realtors, title companies, and cities' building divisions to get names and addresses of people purchasing homes, but the only available and feasible source for new homeowners was the list of Occupancy Certificates from the cities' building divisions.

For the sample, 150 consecutive addresses were drawn from the Eugene's list of Occupancy Certificates dating from August 1, 1977 to November 1, 1977. In Corvallis, 150 consecutive addresses were drawn from the list of Occupancy Certificates dating from December 1, 1976 to November 1, 1977.

Sample Criteria

The respondents in the study met the following criteria:

1. Respondents purchased a home after the effective date of the RESPA Amendments, June 30, 1976.
2. The closing/settlement of the loan took place after June 30, 1976.
3. Respondents lived in Corvallis and Eugene, Oregon and indicated they had not waived their rights to review the settlement disclosure statement.

Collection of Data

The questionnaire with a self-addressed stamped envelope was mailed to 300 addresses from the list of Occupancy Certificates on February 21, 1978. Of the 300 questionnaires, 90 respondents returned the questionnaire by the deadline of March 9, 1978. A follow-up of 200 questionnaires was mailed to the list of addresses which did not respond by the deadline. By April 7, 1978, the second deadline, 24 respondents returned the questionnaire.

From the two mailings, a total of 114 questionnaires, 37 from Eugene and 77 from Corvallis, was received from respondents. Of these, 92 respondents met the sample criteria, 20 did not meet the criteria, and two did not wish to participate in the study.

Analysis of Data

The data collected were coded for computer tabulation and key-punched. The following statistical tests were used to analyze the data for this study: (1) Pearson Product Moment "r" Correlation Coefficient and (2) Chi-Square (X^2).

Pearson Product Moment "r" Correlation Coefficient

The Pearson Product Moment "r" Correlation Coefficient or more commonly known as Pearson "r" (45) was used to test Hypotheses One through Three. Rejection level was set at .05 significance level. This statistic was used for determining the degree of linearity relation which exists between two measures (11).

Chi-Square (X^2)

To test Hypothesis Four, the chi-square (X^2) statistic was used (45). The rejection level was set at .05 significance level. The chi-square is a non-parametric test used to determine if two variables are independent of each other (11).

IV. FINDINGS

In this study new home buyer's knowledge and use of the RESPA Amendments were investigated. This chapter includes: (1) the description of the sample, (2) characteristics of the home mortgages, (3) home buyer's knowledge and use of the information booklet, loan cost estimate and settlement disclosure statement, and (4) test of hypotheses.

Description of Sample

Data for the study were obtained from 92 home buyers who returned the mailed questionnaires. These home buyers had purchased a newly constructed single family detached house in the cities of Corvallis and Eugene, Oregon between June 30, 1976 and April 7, 1978. The sample was limited to home buyers of new homes. Thus generalizations to the general population of all home buyers are limited by the size, location, and the specificity of the sample.

Educational Levels of Heads of Households and Their Spouses

Table 1 gives the education levels of the heads of households and their spouses. Overall, the home buyers tended to have more education than the median years, 12.3, completed by Oregonians (54:137). Sixty-two percent of the heads of households and 44 percent of the spouses completed 16 or more years of school. About ten percent of the heads of households and 21 percent of spouses received a high school education or less.

Table 1. Education Level of Heads of Households and Their Spouses

Highest Grade Level Completed	Head of Household		Spouse	
	Number	Percent	Number	Percent
9-12 (no diploma)	1	1.1	1	1.2
High School (diploma)	8	8.7	16	20.0
Some College	24	26.0	27	33.8
Bachelor's Degree	19	20.7	18	22.5
Beyond Bachelor's	8	8.7	12	15.0
Professional Degree	5	5.4	1	1.2
Master's Degree	16	17.4	4	5.1
Doctoral Degree	9	9.8	0	0
Not Given	2	2.2	1	1.2
TOTAL	92	100.0	80	100.0

Household Income of Home Buyers

The median income of the home buyers was $20,907. The majority of the home buyers' incomes (79.0%) were above the average 1977 Oregon median income of $16,768 (34:44). Slightly over one-fourth of (28.2%) home buyers had incomes over $25,000. Table 2 summarizes the total household income of the home buyers.

Table 2. Household Income of Respondents

Yearly Income	Number	Percent
Under $7,000	2	2.2
$7,000 to 13,000	7	7.6
$13,001 to 19,000	23	25.0
$19,001 to 25,000	31	33.7
$25,001 to 31,000	17	18.4
$31,001 to 37,000	6	6.5
Over $37,000	3	3.3
Not given	3	3.3
TOTAL	92	100.0

Occupations of Heads of Households and Their Spouses

Hollingshead's Two Factor Index of Social Position (20) was used to classify the occupations of the heads of household and their spouses. In addition to the Hollingshead's classification, unemployed and homemakers were included as two separate categories. A summary of the occupations of heads of households and their spouses is provided in Table 3.

Heads of households tended to have either professional or lesser professional types of occupations (71.8%) while the employed spouses tended to have clerical or managerial (50.0%) jobs. Sixty-four percent of the spouses were employed. One-tenth of the spouses reported they were unemployed; however, none of the heads of the households were unemployed. Over a fourth of the spouses reported their occupation as homemaker.

Table 3. Occupations of Heads of Households and Their Spouses

	Head of Household		Spouse	
Occupational Category	Number	Percent	Number	Percent
Higher executives, major professionals	39	42.4	2	2.5
Business managers, lesser professionals	27	29.4	16	20.0
Administrative personnel, minor professionals	9	9.8	5	6.3
Clerical and sales, technicians	10	10.8	24	30.0
Skilled manuals	4	4.3	2	2.5
Semi-skilled	1	1.1	1	1.1
Unemployed	0	0	9	11.3
Homemakers	0	0	21	26.3
Not given	2	2.2	0	0
TOTAL	92	100.0	80	100.0

Ages of Heads of Households and Their Spouses

Table 4 summarizes the ages of heads of households and their spouses. The largest number (45.7%) of home buyers were between the ages of 19 years old and 29 years old. However, ages of the household heads ranged from 19 years old through 62 years old. Over half of the spouses (55.0%) were between the ages of 19 years old and 29 years old.

Table 4. Ages of Heads of Households and Their Spouses

	Head of Household		Spouse	
Ages in Years	Number	Percent	Number	Percent
19-29	42	45.7	44	55.0
30-39	33	35.9	26	32.5
40-49	10	10.8	7	8.7
50-62	4	4.3	2	2.5
Not given	3	3.3	1	1.3
TOTAL	92	100.0	80	100.0

Marital Status

Eighty-seven percent of the home buyers were married. There were the same number of single home buyers as divorced home buyers. Table 5 summarizes the marital status of the home buyers.

Table 5. Marital Status of Heads of Households

Marital Status	Number	Percent
Single	5	5.4
Married	80	87.0
Divorced	5	5.4
Other	1	1.1
Not given	1	1.1
TOTAL	92	100.0

Ages of the Children

Exactly half (46) of the home buyers had children living in their households. The children's ages ranged from under one year old to 18 years old. Seventy-nine percent of the home buyer's children were 11 years old and under. Fifty-six percent of the home buyer's children were under five years of age.

Characteristics of the Home Mortgages

Fifty-nine percent of the home buyers who purchased these new single family houses were previous home owners. Thirty-eight percent of the home buyers were purchasing their first house. Table 6 provides a summary of the number of homes previously owned by 92 home buyers.

Table 6. Number of Homes Previously Owned by 92 Home Buyers

Number of Homes Previously Owned	Number	Percent
0	35	38.0
1	26	28.3
2	17	18.5
3	5	5.4
4	2	2.3
5	3	3.2
6	1	1.1
Not given	3	3.2
TOTAL	92	100.0

Purchase Price

The prices of the new homes ranged from $28,000 to $94,000. The average purchase price of the new house was $52,995. This is above the 1977 median U.S. sales prices of new single family homes of $48,700 (52:12). A summary of the purchase price of these new single family dwellings is provided in Table 7.

Table 7. Purchase Price of the 92 New Single Family Detached Homes

Purchase Price	Number	Percent
Less than $30,000	4	4.4
$30,000 - 39,999	8	8.7
$40,000 - 49,999	28	30.4
$50,000 - 59,999	22	23.9
$60,000 - 69,999	11	11.9
$70,000 - 79,999	6	6.5
Over $80,000	2	2.3
Not given	11	11.9
TOTAL	92	100.0

Amount Borrowed

Not all the home buyers obtained new mortgages. Eighteen home buyers assumed existing mortgages. The remaining 74 obtained new loans. The average borrowed for home mortgages was $42,071. The size of the home mortgages ranged from $21,750 to $79,650. Seventy percent of the loans were under $50,000. Fifty-four home buyers borrowed between 76 to 80 percent of the purchase price and 15 borrowed greater than 95 percent. Sixty-seven home buyers closed their loans between January 1, 1977 and December 31, 1977, two between June 30, 1976 and December 31, 1976, and 17 between January 1, 1978 and April 7, 1978. Table 8 summarizes the amount borrowed by home buyers for their home mortgages.

Table 8. Amount Borrowed for Financing New Single Family Houses by 92 Home Buyers

Amount Borrowed	Number	Percent
$20,000 - 29,999	10	10.9
$30,000 - 39,999	20	21.7
$40,000 - 49,999	35	38.1
$50,000 - 59,999	8	8.7
Over $60,000	7	7.6
Not given	12	13.0
TOTAL	92	100.0

Sources of the Loans

Table 9 gives the sources of the loans for the 92 home buyers. Savings and loan associations were a major source of home mortgages. Sixty-six percent of the home buyers obtained their financing through the savings and loan association. The home buyers' second most frequent source of financing was the bank. One home buyer obtained his financing through the mortgage company. The Federal Veterans

Administration program and Oregon State Veterans Administration program were included in the category ")ther".

Table 9. Sources of the Loans for Home Mortgages of the 92 Home Buyers

Lender	Number	Percent
Savings and loans	61	66.3
Bank	16	17.4
Mortgage Company	1	1.1
Other	14	15.2
TOTAL	92	100.0

Interest Rates

A summary of the interest rates obtained by the home buyers for their home mortgages is given in Table 10. Fifty-eight percent of the home buyers obtained interest rates between 8.75% and 9.25%. Ten home buyers with the 5.90% interest rate were home buyers who obtained financing through the state of Oregon's Department of Veterans Affairs. Employees of financial institutions were able to obtain financing below the interest rate normally quoted to customers. Fourteen of the 18 home buyers who assumed the home mortgages reported paying the following interest rates: one each for 8.50%, 9.25%, and 9.50%, three 9.00%, and eight 8.75%.

Closing Costs

Table 11 summarizes the closing cost paid by the 92 home buyers. The closing costs for the home mortgages ranged from $151 to $6,500.

Table 10. Interest Rates of Home Mortgages Obtained by 92 Home Buyers

Interest Rate %	Number	Percent
5.90	10	10.9
6.00	1	1.1
8.00	3	3.3
8.25	4	4.3
8.50	1	1.1
8.75	20	21.7
9.00	20	21.7
9.25	13	14.2
9.50	6	6.5
9.75	2	2.2
Not given	12	13.0
TOTAL	92	100.0

Table 11. Closing Costs Paid by the 92 Home Buyers

Dollar Amount of Closing Costs	Number	Percent
Less than $200	2	2.2
$200 - 399	9	9.8
$400 - 599	10	10.9
$600 - 799	7	7.6
$800 - 1,199	9	9.8
$1,200 - 1,699	9	9.8
$1,700 - 1,999	5	5.4
Over $2,000	7	7.6
Not given	34	36.9
TOTAL	92	100.0

The mean dollar amount of closing cost was $1,250, and the median percent of closing cost to the amount borrowed was 0.39 percent. About 37 percent of the home buyers did not report the closing costs for their home loans.

Shopping for Credit

The number (44) of home buyers shopping for credit was lower than for home buyers that did not investigate any other source. Of the 48 who did not shop for credit, 18 assumed the builder's existing mortgages.

Of the 44 home buyers shopping for home mortgages, 32 reported they investigated savings and loan companies, 31 investigated banks, six found they could not make loans through the credit union, three investigaged mortgage companies, and one contacted a relative. There were seven items that the 44 home buyers shopped for when they were investigating home mortgages. All shopped for interest rates, 34 mentioned they shopped for loan fees, and 17 shopped for homeowners' insurance. Other items shopped for were reserves required for taxes, two; and one each shopped for appliances, prepayment penalty, and mortgage insurance.

The reasons why home buyers obtained their financing through their respective sources are reported in Table 12. Respondents gave multiple responses for choosing to borrow money at a particular institution. One of the major reasons for borrowing from a particular institution was lower interest rates. Under "Other" the following reasons were included: 11, loan assumptions; four, employees of a

Table 12. Reasons 92 Home Buyers Chose to Borrow Money from Particular Institutions for Their Home Mortgages

Reasons	Savings and Loan (n=61)	Bank (n=16)	Mortgage Company (n=1)	Other (n=14)
1. Lower interest rate	25	9	--	10
2. Convenient location	6	3	--	--
3. Financing arranged when purchased	14	2	1	--
4. General preference for dealing with institution	7	4	--	1
5. Present or past experience dealing with institution	9	4	--	1
6. Amount of loan beyond other lenders limit	6	4	--	--
7. Lower downpayment	4	1	--	3
8. No downpayment	--	--	--	1
9. Lower monthly payments, longer maturity	1	1	--	1
10. FHA loan available	--	--	--	--
11. VA loan available	--	--	1	12
12. Only place could get loan	4	--	--	--
13. Only place applied for loan	15	3	--	5
14. Referred to institution by real estate agent	20	3	--	--
15. Referred to institution by builder	15	4	1	--
16. Other	20	5	--	--

bank; three, lower closing costs; two, each for no prepayment penalty, and referred to by banker, and only place construction loan available. The data on shopping for credit suggests and supports Day's hypothesis that the disclosure will have its maximum effect when the buyer has access to the information at the point of sale (14:44).

Home Buyers' Knowledge and Use of the Information Booklet, Loan Cost Estimate, and the Settlement Disclosure Statement

Knowledge of the Information Booklet, Loan Cost Estimate, and Settlement Disclosure Statement

To test the home buyers' knowledge of the information booklet, Your Guide to Settlement Costs, the loan cost estimate, and the settlement disclosure statement, multiple choice and true-false questions were developed and included in the questionnaire. Correct responses to both types of questions were given one point. No points were given for incorrect responses and no replies. Table 13 gives the questions used to test home buyers' knowledge of the information booklet, loan cost estimate and the settlement disclosure statement.

To get the mean knowledge score, correct responses to three multiple choice knowledge questions (9a, 10, and 14) on the information booklet were totalled (Table 13). Scores ranged from zero to three. The mean knowledge score for the information booklet was 0.888.

For the loan cost estimate knowledge score, correct responses to two multiple choice (9c and 17) and one true-false (8) questions were

Table 13. Questions Used to Test Home Buyer's Knowledge and Use of the Information Booklet, the Loan Cost Estimate and the Settlement Disclosure Statement

QUESTIONS	Information Booklet Knowledge Questions	Use Questions	Loan Cost Estimate Knowledge Questions	Use Questions	Settlement Disclosure Statement Knowledge Questions	Use Questions	Level of Awareness Questions
8. For which of the following did you shop? (Shopping is defined as calling or visiting the agencies to find out and compare costs.) ( ) loan fees ( ) interest rates ( ) homeowner's insurance ( ) other (describe)________________________ ( ) none of the above						X	
9. As a homebuyer, I became aware of the Federal law called Real Estate Settlement Procedures Act that required I be given: ( ) an informational booklet	X						X
( ) a settlement disclosure statement					X		X
( ) a "good faith" loan cost estimate			X				X
( ) was not aware of the above items							
10. Did the lender give you or mail you an information booklet called Your Guide to Settlement Costs? ( ) Yes ( ) No ( ) Don't Remember	X						X
11. If your answer was yes, how much of the booklet did you read? ( ) All ( ) Part ( ) None ( ) Don't remember		X					
12. If you read the booklet, was the information booklet helpful in shopping for settlement costs? ( ) 1 ( ) 2 ( ) 3 ( ) 4 ( ) 5 Very helpful ... No help at all		X					
13. If you read the booklet, did the booklet prepare you for knowing what types of settlement costs you were going to be incurring on the day of closing? ( ) 1 ( ) 2 ( ) 3 ( ) 4 ( ) 5 Very helpful ... No help at all		X				X	
14. Suppose a person applied for a home mortgage on Friday, and did not receive the information booklet, Your Guide to Settlement Costs at the time of application, by what day do you think that person should have received this booklet in the mail? ( ) 1. Monday ( ) 4. Thursday ( ) 7. Don't know ( ) 2. Tuesday ( ) 5. Friday ( ) 3. Wednesday ( ) 6. Saturday	X						X
15. Did you find the lender's "good faith" loan cost estimate easy to use? ( ) Yes ( ) No ( ) Did not use it				X			
16. Did you use the "good faith" loan cost estimate to help you choose the lender for your home loan? ( ) Yes ( ) No ( ) Did not use it ( ) Not applicable in my situation because________________________				X			
17. Suppose a person applied for a home mortgage on Friday and did not receive the "good faith" loan cost estimate at the time of application, by what day do you think that person should have received the loan cost estimate in the mail? ( ) 1. Monday ( ) 4. Thursday ( ) 7. Don't know ( ) 2. Tuesday ( ) 5. Friday ( ) 3. Wednesday ( ) 6. Saturday			X				X
18. The lender is require to give the home buyer a "good faith" estimate for reserves deposited with them. Reserves includes homeowner's insurance and property taxes.			X				X
19. One business day before closing/settlement of the loan, the home buyer has the right to inspect the settlement disclosure statement on which service fee charges are itemized.					X		X
20. When the buyer inspects the settlement disclosure statement the day before closing/settlement of the loan, the lender must have all costs available for inspection on that day.					X		X
21. At the time of closing/settlement, the settlement disclosure statement will be completely filled.					X		X
Maximum Score	3	3	3	2	4	2	10

used (Table 13). Scores ranged from zero to three with a mean knowledge score of 0.708.

One multiple choice (9b) and three true-false (19, 20, and 21) questions were used to ascertain the respondents' knowledge of the settlement disclosure statement (Table 13). The number of correct responses were totalled and ranged from zero to four. The settlement disclosure statement mean knowledge score was 2.265.

<u>Use of the Information Booklet, Loan Cost Estimate and Settlement Disclosure Statement</u>

Test questions were developed and included in the questionnaire to find out if home buyers used the information booklet, loan cost estimate, and the settlement disclosure statement. Respondents were given one point if they used each of the above mentioned items and no point if they did not report using each item. Table 13 gives the test questions used to test home buyers' use of the information booklet, loan cost estimate, and settlement disclosure statement.

Three multiple choice questions (11, 12, and 13) on the information booklet were used to get the information booklet use score. Scores ranged from zero to three. The information booklet mean use score was 2.014.

To get the loan cost estimate use score, multiple choice questions (15 and 16) were used. Scores ranged from zero to two. For the loan cost estimate use test, the mean use score was 0.710.

Two multiple choice questions (8 and 13) were used to get the use score for the settlement disclosure statement The number of positive responses was totalled and ranged from zero to two. The mean settlement disclosure statement use score was 1.459.

Level of Awareness

The level of awareness score is the sum of the combined knowledge scores for the information booklet, the loan cost estimate, and the settlement disclosure statement. Table 13 gives the questions used to get the level of awareness score. The scores ranged from zero to 10. The mean level of awareness score was 3.86.

A level of awareness score was established based on the range of correct responses given to the test questions. Six to ten correct responses corresponded to a high level of awareness; three to five correct responses to a medium level of awareness; and zero to two correct responses to a low level of awareness. Slightly fewer than 59% of the home buyers had a low level of awareness of the RESPA Amendments and 41% possessed a medium level of awareness. No home buyer had a high level of awareness score. These findings tend to support Day's statement that there is much less than full awareness and even less comprehension of disclosure information (14:44).

Test of the Hypotheses

To test Hypotheses 1, 2, and 3, the Pearson Product Moment "r" Correlation Coefficient was used to obtain the "r" value. The correlation value "r" can range from -1.00 to +1.00 with a zero value indicating no correlation. A small absolute value is considered to indicate a correlation. The higher the absolute value, the stronger the correlation. (See Table 14 for the summary of the Pearson "r" Coefficients).

Table 14. Pearson Correlation Coefficients for Hypotheses 1, 2, and 3.

H_o	Correlation	Coefficient	Significance
1	Level of awareness and		
a	educational level	.1946	.06
b	income level	.1701	.11
2	Knowledge and use of:		
a	information booklet	.7170	.00001*
b	loan cost estimate	.2656	.01*
c	settlement disclosure statement	.1324	.21
3	Dollar cost of closing cost and knowledge of settlement disclosure statement	.1361	.30

* significant at the .05 level

The chi-square test of independence was used for Hypothesis 4 to test the relationship between the home buyers' level of awareness and the source of the loan. For both the "r" and the chi-square values, the rejection level was set at .05 level of significance.

Hypothesis 1: There is no relationship between the level of awareness of the RESPA Amendments among home buyers and the (a) educational level and (b) income level of home buyers.

There was a positive but not significant correlation between the level of awareness of RESPA and (a) educational level and (b) income level of home buyers. The r values for Hypotheses 1a and 1b were not significant at the .05 level. The r value for Hypothesis 1a was

0.1946 which was significant at the .06 level. For Hypothesis 1b, the r value was 0.1701, significant at the .11 level. Thus, there was insufficient evidence to reject Hypotheses 1a and 1b.

Respondents in this study had higher incomes and educational levels than the Oregon population as a whole. Since significance is approached using a sample ranging primarily from middle to upper levels of education and income, a sample which includes respondents with lower educational levels and income levels is warranted.

Hypothesis 2: There is no relationship between the knowledge and use of: (a) the information booklet, Your Guide to Settlement Costs, (b) the loan cost estimate, and (c) the settlement disclosure statement by home buyers.

The r values for Hypotheses 2a and 2b were significant at the .05 level while the r value for hypothesis 2c was not significant at this level.

Information Booklet

As the home buyers' knowledge about the information booklet increased, the use of the information booklet increased. The r value of 0.7101 for Hypothesis 2a was significant at the .00001 level, and Hypothesis 2a was rejected.

Loan Cost Estimate

As the home buyers' knowledge about the loan cost estimate increased, the use of the loan cost estimate increased. The r value of 0.2656 for Hypothesis 2b was significant at the .01 level, and Hypothesis 2b was rejected.

<u>Settlement Disclosure Statement</u>

Although the home buyers' knowledge and use of the settlement disclosure statement indicated a positive relationship, the r value of 0.1324 was not significant at the .05 level. It was significant at the .21 level so there was insufficient evidence to reject Hypothesis 2c.

The results of Hypothesis 2c tended not to support Day's hypothesis that ". . . disclosures will have their maximum effect when the buyer has access to the information at the point of sale" (14:44). However, in a real estate transaction, the point of sale is at closing. After home buyers invest a considerable amount of time and money to get to the point of closing and they are not completely satisfied, the payoffs from not searching could be possibly outweighed by the payoffs of additional searching at this point.

Hypothesis 3: There is no relationship between the home buyers' knowledge of the settlement disclosure statement and the dollar amount of closing costs.

The dollar amount of closing costs did not seem to be a reason or an incentive for home buyers to be aware of the settlement disclosure statement. The point at which information on dollar amount of closing costs might be important is when home buyers are shopping around for a real estate loan and not at closing. At closing, information on dollar amount of closing costs may not be relevant information and thus would not change the buyer's behavior even if the information were available (14:48). In addition, the overall dollar amount of closing costs is probably directly related to factors other than information about costs, such as purchase price, amount of the mortgage, taxes, insurance, etc. The r value of 0.1361 for Hypothesis 3 was not significant at the .05 level but significant at the .30 level. Hypothesis 3 was not rejected.

Hypothesis 4: There is no difference between the home buyers' level of awareness of RESPA and the home buyers' source of loan.

The source of loan did make a difference in the home buyers' level of awareness of RESPA. The chi-square value of 6.081 was significant at the .05 level (the actual significance at the .0478 level). Table 15 summarizes the home buyers' level of awareness and the sources of the loan.

Home buyers who borrowed from mortgage companies and other sources (Federal Veterans Administration and State Department of Veteran Affairs) showed a low level of awareness. Home buyers borrowing from banks and savings and loan associations had a higher level of awareness of RESPA.

Table 15. Sources of Loans Reported by 90 Home Buyers by Level of Awareness

	Sources of Loans				
Level of Awareness	Savings and Loans (n=60)	Bank (n=15)	Mortgage Co. and other (n=15)	Number	Percent
Low	31	9	13	53	58.9
Medium	29	6	2	37	41.1
Total	60	15	15	90	100.0

X^2 = 6.08108, 2 d.f., significance = .0478

V. SUMMARY, CONCLUSIONS, RECOMMENDATIONS AND IMPLICATIONS

This study explored the home buyers' knowledge and use of the information booklet, Your Guide to Settlement Costs, the loan cost estimate, and the settlement disclosure statement as provided by the RESPA Amendments of 1975.

Summary

To collect data for the study, 300 questionnaires were mailed to addresses of new home buyers of new single family detached houses in the cities of Corvallis and Eugene, Oregon. Ninety-two home buyers returned usable questionnaires that met the sample criteria of purchasing a house after June 30, 1976.

Forty-one percent of the home buyers were young married couples between the ages of 19 to 29 years old; however, ages of the home buyers ranged from 19 years old to 62 years old. Exactly half of the home buyers had children living in their household. About 80 percent of these children were 11 years old and under.

The median household income was $20,907 with 57 percent of the home buyers having incomes over $19,000. Sixty-two percent of the heads of households and 44.5 percent of the spouses held a bachelor's degree or additional education. Seventy-nine percent of the heads of households held professional or business managerial types of jobs;

however, 64 percent of the spouses were employed at clerical or managerial types of jobs.

Thirty-eight percent of the home buyers were first time home buyers. The prices of these new single family detached houses ranged from $28,000 to $94,000. The average purchase price of the new homes was $52,995.

Eighty percent of the home buyers obtained new loans while the remaining twenty percent of the home buyers assumed the existing mortgages. The average amount borrowed or average home mortgage was $42,071 with a range of $21,750 to $79,650. Fifty-nine percent of the home buyers borrowed less than 75 percent of the purchase price and 14 borrowed greater than 95 percent.

The most frequent source (66.3%) of the home mortgages was the savings and loan association. Banks (17.4%) and Federal VA/Oregon State VA (15.2%) were also sources for loans. Fifty-eight percent of the home buyers obtained interest rates between 8.75 percent and 9.25 percent. Eleven percent of the home buyers took advantage of the 5.90 percent home mortgages under the Oregon State Department of Veteran's Affairs low interest program.

Closing costs paid by the 92 home buyers ranged from $151 to $6,500. The mean dollar amount of closing cost was $1,250.

Forty-eight percent of the home buyers reported they shopped for credit for their home loans. Of the home buyers that did investigate other sources of credit, 32 reported checking on the savings and loan, 31 investigated banks, six investigated the credit unions, three investigated mortgage companies, and one contacted a relative. All shopped for interest rates, 34 shopped for loan fees, and 17 shopped for homeowner's insurance. Other items shopped for were reserves for taxes, appliances, prepayment penalty, and mortgage insurance.

The following null hypotheses were tested at the .05 level of significance.

Hypothesis 1. There was no relationship between the level of awareness of the RESPA Amendments among home buyers and the (a) educational level and (b) income level of the home buyers. This hypothesis could not be rejected at the .05 level of significance. However, the relationship between the home buyers' level of awareness of RESPA and educational and income levels was positive. Home buyers tended to have a low to medium level of awareness of the RESPA Amendments.

Hypothesis 2. There was no relationship between the knowledge and use of (a) information booklet, Your Guide to Settlement Costs, by home buyers, (b) the loan cost estimate by home buyers, and (c) the settlement disclosure statement by home buyers. Hypothesis 2, (a) and (b), were rejected at the .05 level of significance. As the home buyers' knowledge of the information booklet and loan cost estimate increased, so did the use of them. Hypothesis 2 (c) was not rejected at the .05 level of significance, although there was a weak positive relationship between the knowledge and use of the settlement disclosure statement.

Hypothesis 3. There was no relationship between the home buyers' knowledge of the settlement disclosure statement and the dollar amount of closing costs. This hypothesis was not rejected at the .05 significance level.

Hypothesis 4. There was no difference between the home buyers' level of awareness of the RESPA Amendments and the home buyers' source of the loan. This hypothesis was rejected at the .05 level of significance. The source of the loan or where the home buyer obtained the loan seemed to make a difference in the home buyers' level of awareness. Home buyers' level of awareness was low to medium with no one having had a high level of awareness.

A summary of the hypotheses investigated follows:

Summary of Hypotheses - Not Rejected and Rejected

Hypothesis 1:	Not rejected
There is no relationship between the level of awareness of the RESPA Amendments among home buyers and the (a) educational level and (b) income level of home buyers.	
Hypothesis 2:	
There is no relationship between the knowledge and use of (a) information booklet, Your Guide to Settlement Costs, by home buyers.	Rejected
(b) the loan cost estimate by home buyers.	Rejected
(c) the settlement disclosure statement by home buyers.	Not rejected
Hypothesis 3:	Not rejected
There is no relationship between the home buyers' knowledge of the settlement disclosure statement and the dollar amount of closing costs.	

Hypothesis 4: Rejected

There is no difference between the home buyers' level of awareness of the RESPA Amendments and the home buyers' source of the loan.

Conclusions

The required RESPA information that is given to home buyers may or may not be understood and used by home buyers. According to the data, the more knowledgeable the home buyer was about the information booklet, Your Guide to Settlement Costs, the more likely the home buyer was to make use of it. A statistically significant relationship was found to exist between the home buyers' knowledge and use of the information booklet. Also, the more knowledgeable the home buyers are about the loan cost estimate, the more likely they are to use it. These two conclusions reemphasize and tend to support Day's hypothesis that information disclosure will have its maximum effect when the buyer has access to information and can use it to make direct comparisons (14:44).

Moreover, these home buyers had a low or medium level of awareness of the RESPA Amendments. No one had a high level of awareness. The source of the loan also seems to make a difference inthe level of awareness of the home buyers.

Forty-one percent of the home buyers who bought these new single family detached houses were young married couples. Thirty-eight percent of the buyers were first time home buyers.

One of the major reasons for borrowing from the specific financial institution was the lower interest rates. Home buyers tended to understand the interest rate and its effects on the cost of the loan. This conclusion is based on the fact that all the home buyers who shopped for home mortgages specifically investigated interest rates. Real estate agents also played an important role in directing hom buyers to financial institutions.

The one day advance closing cost estimate of settlement services did not tend to help consumers shop for settlement services. The information booklet, Your Guide to Settlement Costs, and loan cost estimate tended to help consumers shop for credit. Consumers were knowledgeable about and did use the information booklet and the loan cost estimate only to a very limited degree.

Recommendations

Future investigation could include home buyers from larger metropolitan areas, small towns under 25,000 people, and rural nonfarm areas. Data are needed from home buyers who earned between \$7,000 to \$13,000, who had high school educations, and were blue collar workers to see what type of housing they are buying.

Future research could include a study of a before and after situation of first time buyers and their use and knowledge of the provisions of the 1975 RESPA Amendments.

If the study is to be repeated for further research, the researcher would recommend that the study include home buyers of already existing single family detached houses, townhouses, condominium units, and mobile homes. A more representative sample would need to include all income, age, and educational levels.

In this study, real estate agents tended to play an important role in referring home buyers to financial institutions. Further research is warranted to find out more about the role of the real estate agent as a source of information.

Fifty-four home buyers borrowed less than 75 percent of the purchase price. Further research could investigate the home buyers' source of downpayment especially those first time home buyers.

Further research could also be done on home buyers' process of finding credit for home mortgages. Further research could be designed to find out why home buyers do not shop for home mortgages since single home buying is a large investment.

Implications

1. There is a lack of felt need for home buyers to search for information. Government regulations can require information but unless home buyers feel the need and thus change their present attitude about using consumer information, buyer behavior will tend not to change. Day suggests that a change in attitude is the first step in changing home buyers' behavior (14:44).
2. Extension agents, community service agencies, housing authorities, local neighborhood groups, and consumer organizations can play a vital role in disseminating the information. These agencies could help teach home buyers how to use the information

and help them realize the payoffs of searching. The disclosure will have its maximum effect when the home buyers can comprehend and process the information and use it to make direct comparisons (14:44).

3. Lastly, with continued exposure to the RESPA disclosure information, home buyers will become familiar and develop a greater sensitivity to its value and situations in which it can be used.

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APPENDICIES

APPENDIX A

School of Home Economics
Oregon State University
Corvallis, Oregon 97331 (503) 754-3551

February 20, 1978

Dear Homeowner:

As a new homeowner, you probably had to go through "tons" of paper work and so called "red tape" to own your new home. Well, before you decide if this is just another piece of "junk mail", I would appreciate you giving me a chance to explain my situation.

I am a graduate student in the Department of Family Resource Management working towards a Master's degree in Housing. My research project involves a study of consumer's reaction to a recent homeowner's consumer protection law that became into effect on June 30, 1976. In order to complete this study, I need your help!

In order to keep this survey as anonymous as possible, you were selected to be in the sample by addresses instead of by names from the City of Eugene's Occupancy Certificates. As a result, I had no way of knowing if you were a renter or homeowner. If you are a renter, could you please check RENT on the questionnaire and mail the questionnaire back to me. If you are a homeowner, I would very much appreciate your helping me by completing the questionnaire designed to examine consumer's reaction to the Real Estate Settlement Procedures Act.

Will you take the time to complete the enclosed questionnaire with answers which best describes your situation. A numbered self-addressed stamped envelope is enclosed for your convenience. The envelopes, instead of the questionnaires, are numbered so that, one, you will not be identified in any way, and two, so I know which questionnaires have been returned so I don't trouble you again. Your answers will be treated with complete confidentiality and be used only for statistical analysis.

Would you return the questionnaire at your earliest convenience or by March 9, 1978. Thank you very much for your help!

Sincerely yours,

Naomi S. Miyamoto

Martha A. Plonk, Advisor

School of Home Economics
Oregon State University
Corvallis, Oregon 97331 (503) 754-3551

Dear Homeowner:

As a new homeowner, you probably had to go through "tons" of paper work and so called "red tape" to own your new home. Well, before you decide if this is just another piece of "junk mail", I would appreciate you giving me a chance to explain my situation.

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Would you return the questionnaire at your earliest convenience or by March 9, 1978. Thank you very much for your help!

Sincerely yours,

Naomi S. Miyamoto

Martha A. Plonk, Advisor

School of
Home Economics

Oregon
State
University

Corvallis, Oregon 97331 (503) 754-3551

March 13, 1978

Dear Homeowner:

I don't want to sound persistent, but I desperately need your response to complete the study. If you don't remember who I am or what I'm doing, I'll refresh your memory. I am a graduate student at Oregon State University and University of Oregon working towards a joint Master's program in Housing and Real Estate. A questionnaire regarding a consumer protection law was mailed to your home on February 20th. As of March 10, I did not hear from you so I am enclosing another questionnaire along with a stamped self-addressed envelope.

I would appreciate it very much if would take about 15 minutes to fill out the questionnaire and mail your response back to me as soon as possible. If you already sent in the questionnaire, please excuse this reminder. It probably got crossed in the mail.

Thank you very much for your time. I hope to hear from you soon!

Sincerely yours,

Naomi S. Miyamoto

QUESTIONNAIRE

Instructions: You have been selected as part of my sample to study consumer's reaction to a consumer protection law. Will you please complete ALL questions that apply to your household by checking ( ) the appropriate square and/or filling in the blanks when further information is requested. Thank you.

1. I presently ( ) rent ( ) own this house.

   If you checked rent, you have completed the questionnaire. Will you please return the questionnaire in the enclosed envelope. Thank you for your cooperation.

   If you own this house, please complete the questionnaire.

2. Did you take out a new mortgage___ OR did you take over an existing mortgage____ to buy your home?

3. In what month and year did you obtain your present mortgage?____________________

4. From what type of institution or lender did you borrow the money for the first mortgage on this particular house?
   ( ) 1. savings and loan association
   ( ) 2. bank
   ( ) 3. insurance company
   ( ) 4. credit union
   ( ) 5. mortgage company
   ( ) 6. relative
   ( ) 7. other (describe)________________

5. For which of the following reasons did you choose the lender to borrow the money for your mortgage? (check as many as would apply to your situation)

   ( ) 1. lower interest rate;
   ( ) 2. convenient location;
   ( ) 3. financing arranged where purchased-everything taken care of at one time;
   ( ) 4. general preference for dealing with institution;
   ( ) 5. present or past experience for dealing with institution;
   ( ) 6. amount of loan beyond other lenders limit;
   ( ) 7. lower downpayment;
   ( ) 8. no downpayment necessary;
   ( ) 9. lower monthly payments, resulting in longer maturity;
   ( )10. FHA loan available;
   ( )11. VA loan available;
   ( )12. only place I could get it;
   ( )13. only place I applied for a loan;
   ( )14. referred to institution by real estate agent;
   ( )15. referred to institution by builder;
   ( )16. other (describe) ________________________________

6. Did you investigate any other source of credit for the first mortgage?
   ( ) Yes
   ( ) No

7. If you investigated other sources of credit, what other sources did you investigate? (check as many as would apply to your situation)
   ( ) 1. savings and loan association
   ( ) 2. bank
   ( ) 3. insurance company
   ( ) 4. credit union
   ( ) 5. mortgage company
   ( ) 6. relative
   ( ) 7. other (describe)________________

8. For which of the following did you shop? (Shopping is defined as calling or visiting the agencies to find out and compare costs.)
   ( ) loan fees
   ( ) interest rates
   ( ) homeowner's insurance
   ( ) other (describe)____________________
   ( ) none of the above

9. As a homebuyer, I became aware of the Federal law called Real Estate Settlement Procedures Act that require I be given:
   ( ) an informational booklet
   ( ) a settlement disclosure statement
   ( ) a "good faith" loan cost estimate
   ( ) was not aware of the above items

10. Did the lender give you or mail you an information booklet called "Your Guide to Settlement Costs?"
   ( ) Yes
   ( ) No
   ( ) Don't Remember

11. If your answer was yes, how much of the booklet did you read?
   ( ) All
   ( ) Part
   ( ) None
   ( ) Don't Remember

12. If you read the booklet, was the information booklet helpful in shopping for settlement costs?
   ( ) 1 ( ) 2 ( ) 3 ( ) 4 ( ) 5
   Very helpful — No help at all

13. If you read the booklet, did the booklet prepare you for knowing what types of settlement costs you were going to be incurring on the day of closing?
   ( ) 1 ( ) 2 ( ) 3 ( ) 4 ( ) 5
   Very helpful — No help at all

14. Suppose a person applied for a home mortgage on Friday, and did not receive the information booklet, "Your Guide to Settlement Costs" at the time of application, by what day do you think that person should have received this booklet in the mail?
   ( ) 1. Monday
   ( ) 2. Tuesday
   ( ) 3. Wednesday
   ( ) 4. Thursday
   ( ) 5. Friday
   ( ) 6. Saturday
   ( ) 7. Don't know

15. Did you find the lender's "good faith" loan cost estimate easy to use?
   ( ) Yes
   ( ) No
   ( ) Did not use it

16. Did you use the "good faith" loan cost estimate to help you choose the lender for your home loan?
   ( ) Yes
   ( ) No
   ( ) Did not use it
   ( ) Not applicable in my situation because ____________________

17. Suppose a person applied for a home mortgage on Friday and did not receive the "good faith" loan cost estimate at the time of application, by what day do you think that person should have received the loan cost estimate in the mail?
   ( ) 1. Monday
   ( ) 2. Tuesday
   ( ) 3. Wednesday
   ( ) 4. Thursday
   ( ) 5. Friday
   ( ) 6. Saturday
   ( ) 7. Don't know

True False

( ) ( ) 18. The lender is required to give the homebuyer a "good faith" estimate for reserves deposited with them. Reserves includes homeowner's insurance and property taxes.

( ) ( ) 19. One business day before closing/settlement of the loan, the homebuyer has the right to inspect the settlement disclosure statement on which service fee charges are itemized.

( ) ( ) 20. When the buyer inspects the settlement disclosure statement the day before closing/settlement of the loan, the lender must have all costs available for inspection on that day.

( ) ( ) 21. At the time of closing/settlement, the settlement disclosure statement will be completely filled.

22. On or before closing/settlement, I waived my rights to inspect the settlement disclosure statement?
( ) Yes
( ) No
( ) Don't Remember
( ) Was not aware

23. How many homes have you previously owned that you have lived in?________

24. What was the purchase price of this home exclusive of closing costs? $________

25. What was the amount borrowed $________for how many years_____at ______interest rate.

26. What was the dollar amount of closing costs?________

27. Number of people currently living in the household:________

28. Occupation: Head of Houshold ________
Spouse________

29. Age of: Head of Household ________
Spouse________
If children are in the household, list ages:________
Other ________

30. Highest educational level attained by:

Head	Spouse		Head	Spouse	
( )	( )	1. 1-8 grade	( )	( )	6. Course work beyond Bachelor's
( )	( )	2. 9-12 grade	( )	( )	7. Professional Degree
( )	( )	3. High School Diploma	( )	( )	8. Master's Degree
( )	( )	4. Some College 1-4 years	( )	( )	9. Doctoral Degree
( )	( )	5. Bachelor's Degree			

31. TOTAL Household Income:

( ) 1. under 7,000	( ) 6. 19,001-22,000	( ) 11. 34,001-37,000
( ) 2. 7,000-10,000	( ) 7. 22,001-25,000	( ) 12. 37,001-40,000
( ) 3. 10,001-13,000	( ) 8. 25,001-28,000	( ) 13. 40,001-43,000
( ) 4. 13,001-16,000	( ) 9. 28,001-31,000	( ) 14. 43,001-46,000
( ) 5. 16,001-19,000	( ) 10. 31,001-34,000	( ) 15. 46,001-49,000
		( ) 16. over 49,000

32. Sex of respondent: ( ) Male ( ) Female

33. Marital Status: ( ) 1. Single ( ) 2. Married ( ) 3. Separated ( ) 4. Divorced
( ) 5. Widowed ( ) 6. Other

APPENDIX B-1. Level of Awareness Questions

	APPENDIX B-1. Level of Awareness Questions	No. of Respondents w/ Correct Responses	No. of Respondents w/ Incorrect Responses	No Reply	No. of Respondents
9.	As a home buyer, I became aware of the Federal law called Real Estate Settlement Procedures Act that required I be given:				
	(*) an information booklet	24	68	0	92
	(*) a "good faith" loan cost estimate	29	63	0	92
	(*) a settlement disclosure statement	21	71	0	92
	( ) was not aware of the above items				
10.	Did the lender give you or mail you an information booklet called <u>Your Guide to Settlement Costs</u>? (*) Yes ( ) No ( ) Don't remember	25	67	0	92
14.	Suppose a person applied for a home mortgage on Friday, and did not receive the <u>information booklet Your Guide to Settlement Costs</u> at the time of application, by what day do you think that person should have received this booklet in the mail? ( ) 1. Monday ( ) 2. Tuesday (*) 3. Wednesday ( ) 4. Thursday ( ) 5. Friday ( ) 6. Saturday	16	29	47	92
17.	Suppose a person applied for a home mortgage on Friday and did not receive the <u>"good faith" loan cost estimate</u> at the time of application, by what day do you think that person should have received the loan cost estimate in the mail? ( ) 1. Monday ( ) 2. Tuesday (*) 3. Wednesday ( ) 4. Thursday ( ) 5. Friday ( ) 6. Saturday	13	33	46	92
18.	The lender is required to give the home buyer a "good faith" estimate for reserves deposited with them. Reserves include homeowner's insurance and property taxes. ( ) True (*) False	12	49	31	92
19.	One business day before closing/settlement of the loan, the home buyer has the right to inspect the settlement disclosure statement on which service fee charges are itemized. (*) True ( ) False	54	5	33	92
20.	When the buyer inspects the settlement disclosure statement the day before closing/settlement of the loan, the lender must have all costs available for inspection on that day. (*) True ( ) False	8	56	28	92
21.	At the time of closing/settlement, the settlement disclosure statement will be completely filled. (*) True ( ) False	60	6	26	92

APPENDIX B-2. Information Booklet, Your Guide to Settlement Costs

	No. of Respondents w/ Correct Responses	No. of Respondents w/ Incorrect Responses	No Reply	No. of Respondents
A. Knowledge Questions				
9. As a home buyer, I became aware of the Federal law called Real Estate Settlement Procedures Act that required I be given: (*) an informational booklet ( ) a "good faith" loan cost estimate ( ) a settlement disclosure statement ( ) was not aware of the above items	24	68	0	92
10. Did the lender give you or mail you an information booklet called Your Guide to Settlement Costs ? (*) Yes ( ) Don't remember ( ) Not	25	67	0	92
14. Suppose a person applied for a home mortgage on Friday, and did not receive the information booklet, Your Guide to Settlement Costs at the time of application, by what day do you think that person should have received this booklet in the mail? ( ) 1. Monday ( ) 5. Friday ( ) 2. Tuesday ( ) 6. Saturday (*) 3. Wednesday ( ) 7. Don't know ( ) 4. Thursday	16	29	47	92

	No. of respondents who used	No. of respondents who did not use	No Reply	No. of Respondents
B. Use Questions				
11. If your answer was yes, how much of the booklet did you read? (*) All ( ) None (*) Part ( ) Don't remember	24	12	56	92
12. If you read the booklet, was the information booklet helpful in shopping for settlement costs? (*) 1 (*) 2 (*) 3 ( ) 4 ( ) 5 very helpful ... No help at all	14	9	69	92
13. If you read the booklet, did the booklet prepare you for knowing what types of settlement costs you were going to be incurring on the day of closing? (*) 1 (*) 2 (*) 3 ( ) 4 ( ) 5 Very helpful ... No help at all	17	6	69	92

APPENDIX B-3. Loan Cost Estimate

	No. of Respondents w/ Correct Responses	No. of Respondents w/ Incorrect Responses	No Reply	No. of Respondents
A. Knowledge Questions				
9. As a home buyer, I became aware of the Federal law called Real Estate Settlement Procedures Act that required I be given: ( ) an informational booklet (*) a "good faith" loan cost estimate ( ) a settlement disclosure statement	21	71	0	92
17. Suppose a person applied for a home mortgage on Friday and did not receive the "good faith" loan cost estimate at the time of application, by what day do you think that person should have received the loan cost estimate in the mail? ( ) 1. Monday ( ) 5. Friday ( ) 2. Tuesday ( ) 6. Saturday (*) 3. Wednesday ( ) 7. Don't know ( ) 4. Thursday	13	33	46	92
18. The lender is required to give the home buyer a "good faith" estimate for reserves deposited with them. Reserves include homeowner's insurance and property taxes. ( ) True (*) False	12	49	31	92

	No of Respondents who used	No of Respondents who did not use	No Reply	No. of Respondents
B. Use Questions				
15. Did you find the lender's "good faith" loan cost estimate easy to use? (*) Yes ( ) Did not use ( ) No	40	34	18	92
16. Did you use the "good faith" loan cost estimate to help you choose the lender for your home loan? (*) Yes ( ) Did not use it ( ) No ( ) Not applicable in my situation because ______	10	49	33	92

APPENDIX B-4. Settlement Disclosure Statement	No. of respondents w/ Correct Responses	Incorrect Responses	No Reply	No. of Respondents
A. Knowledge Questions				
9. As a home buyer, I became aware of the Federal law called Real Estate Settlement Procedures Act that required I be given: ( ) an informational booklet; (*) a settlement disclosure statement; ( ) a "good faith" loan Cost estimate; ( ) was not aware of the above items	29	63	0	92
19. One business day before closing/settlement of the loan, the home buyer has the right to inspect the settlement disclosure statement on which service fee charges are itemized. (*) True ( ) False	54	5	33	92
20. When the buyer inspects the settlement disclosure statement the day before closing/settlement of the loan, the lender must have all costs available for inspection on that day. (*) True ( ) False	8	56	28	92
21. At the time of closing/settlement, the settlement disclosure statement will be completely filled. (*) True ( ) False	60	6	26	92

	No. of respondents who used	did not use	No Reply	No. of Respondents
B. Use Questions				
8. For which of the following did you shop? (Shopping is defined as calling or visiting the agencies to find out and compare costs). (*) loan fees; (*) interest rates; (*) homeowner's insurance; ( ) other (describe)______; ( ) none of the above	59	23	10	92
13. If you read the booklet, did the booklet prepare you for knowing what types of settlement costs you were going to be incurring on the day of closing? (*) 1 very helpful (*) 2 (*) 3 ( ) 4 ( ) 5 No help at all	17	6	29	92