



Dreaming or Drowning? The Big Picture and the Fine Print in Mortgage Advertising

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Overview

- There are a wide variety of influences on consumer borrowing decisions
- While disclosures are important, consumer research suggests that prior knowledge, information sources, and the informational environment also play a major role
- Previous research on consumer decision-making suggests 'the big picture' is as important as 'the fine print'



Advertising

- According to the FTC, ‘misleading’ mortgage advertising depends upon “...exactly what they say, how they say it, how big and bold things are titled, what they try to hide in the small print.” (Trejos 2007)
- ‘...how they say it’: How do consumers interpret advertising message content?

Message Framing Effects

- Decisions depend on framing
 - Consumers prefer 75% lean to 25% fat
- Negatively framed information often attracts more attention and is more heavily weighted in consumer decisions (prospect theory)
- Fear appeals in advertising can create fear arousal effects which increase tension, while offering the brand or lender as a solution, i.e., a coping alternative (Henthorne, LaTour and Rajan 1993)

Advertising message framing differs by market segment

- According to a study of print, tv, radio and internet advertisements promoting home mortgage products in 95 markets:
 - Ads for prime mortgage products tend to emphasize ‘the American dream of homeownership’ and low rates
 - Ads for subprime mortgage products tend to ‘scare’ consumers about credit problems or possible rejection
 - Detailed loan terms are common in prime market ads
 - Detailed loan terms are rare in subprime market ads

Dreams

- “What’s the American Dream?”
- “We don't only approve loans, we finance dreams.”
- “One simple call will make your dream come true.”
- These messages provide a frame that helps consumer form emotional bond between brand and pre-existing schemas for the “American dream” of home ownership
- “Home” carries many positive associations
 - Safety
 - Security
 - Community



Fear and Salvation

- Many subprime slogans and taglines intended to evoke anxiety or even fear
 - My bills were keeping me up at night. I just lie there worrying. I found help at Home Equity Mortgage. They helped me consolidate my debt into one manageable monthly payment.”
 - radio ad, American Equity Mortgage Company
- Other ads stress developing relationship between consumer and lender built upon trust and assistance
 - “Let us fix your broken A.R.M.!”
 - Print ad, First Platinum Capital, NY



The American Dream

Let's stop dreaming
and start doing.



Make home
improvements
happen with
M&T CHOICEquity.

M&T CHOICEQUITY
LINE OF CREDIT
REGULAR RATE

PRIME
-.50%*

For home equity, there's no place like M&T.

At M&T Bank, home equity is about more than just an attractive everyday rate. It's about using our years of know-how to make your experience easy and comfortable – and save you time and money. Example? If you want to update your home, M&T CHOICEquity is the

Ad Example



The Mortgage Store USA
"where the rates are low"

We are here to
HELP you!

Worried about your ARM? Save a LEG. Call today!

- All applications are accepted
- Rates as low as 1%
- No proof of income needed
- Bankruptcy Programs
- Lines of Credit
- Credit repair
- Refi's to 100% of value
- 100% investor program

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Mortgage Ad Examples

- Negative frame
 - “Many of you with adjustable rate mortgages are confused or anxious, but you’re not alone.”
- Positive frame
 - “This is a rate alert for June 2007. Slower economic growth has caused the Fed to keep interest rates flat and the market has responded with some of the lowest mortgage rates in years.”



The Big Picture and the Fine Print

- Previous research shows decisions depend on framing
- Negatively framed information carries more weight, but can reduce decision quality
- This issue also applies to disclosure content
- Consumer research, including qualitative techniques, is critical to understanding how information is interpreted and applied

