What's the Point(s)? Information Content and Messaging Strategies in Mortgage Loan Advertisements

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Abstract

According to the Federal Trade Commission, claims in advertisements must be truthful, cannot be deceptive or unfair, and must be evidence based. These rules apply primarily to advertisements that are informational in nature—that is, they are intended to convey verifiable facts. Many advertising messages, however, are intended to evoke an emotional or affective response to the ad; this emotional response would be transferred to the firm sponsoring the ad (Gresham and Shimp, 1985; Shimp, 1981). This widely used message tactic serves to protect advertisers from scrutiny regarding the standards for truth versus deception because of the subjective nature of the claims. The purpose of this research is to examine the thematic content of mortgage loan ads and to determine if marketing messaging tactics vary for general, African-American, and Hispanic/Latino audiences. Using our quantitative and qualitative content analyses of mortgage loan ads, we find that, although lenders rely on a number of framing and message strategies to inform and persuade their target audiences, incidences of factual or verifiable informational content in these ads, such as pricing or loan terms, are relatively rare. We also find significant differences in the use of informational versus transformational themes and in the presence of pricing information in ads placed in general versus African-American and Hispanic/Latino media. We discuss implications for public policy and lending practice.

Introduction

Multiple governmental agencies and nonprofit organizations scrutinize the advertising environment to help protect consumers in the marketplace. One concern about this environment is the extent to which the information contained in advertising messages is deceptive. According to the Federal Trade Commission (FTC), claims in mortgage advertisements must be truthful, cannot be deceptive or unfair, and must be evidence based (FTC, 2016). Further, section 5 of the Federal Trade Commission Act[1] generally prohibits advertisers from making false or misleading claims. The Mortgage Acts and Practices—Advertising Rule, enacted in 2011, provides 19 specific examples of prohibited types of deceptive claims and allows the FTC to penalize those who engage in deceptive mortgage advertising (FTC, 2011).[2]

These requirements primarily apply to advertisements that are informational—that is, the messages convey verifiable facts. Many advertising communications, however, are transformational and are intended to evoke an emotional or affective response to an ad. The expectation is that this emotional response will transfer to the firm sponsoring the advertisement, the advertised product, or both. The transformational messaging tactic is widely used and protects advertisers from scrutiny regarding the standards for truth versus deception because of the subjective nature of the claims in the advertisements.

The purpose of this research is twofold: (1) to examine the thematic content of mortgage loan ads and (2) to determine if marketing messaging tactics (informational versus transformational) for mortgage products vary across multiple communication modes (for example, traditional television, radio, print, online banner display, online video) targeted to general audiences and those targeted specifically to African-American and Hispanic/Latino audiences. This study builds on previous research by the Consumer Financial Protection Bureau (CFPB) (2015) that explored advertisements for reverse mortgages and by Perry and Motley (2009) that examined advertising messages for subprime versus prime mortgage loans. The CFPB (2015) findings indicate that many of the advertisements in their sample were deceptive and contained confusing, incomplete, and inaccurate information. Further, focus group participants were "… confused or had misconceptions about important features and terms of reverse mortgage loans" (CFPB, 2015: 3). Perry and Motley (2009) found that transformational messages were common in mortgage advertising, particularly for higher-risk subprime mortgage products; that is, communications touting subprime mortgage products used the transformational approach and provided less factual information than those for prime mortgages. Thus, it is difficult for consumers receiving these transformational messages to critically evaluate mortgage offerings. To address the research objective, we draw on the target marketing concept, and research addressing the informational/transformational content of advertisements and on message framing.

[1] 15 U.S.C. 45.

[2] "Mortgage Acts and Practices—Advertising; Final Rule," 16 CFR Part 321. Federal Register 76 (141) July 22, 2011. https://www.ftc.gov/sites/default/files/documents/federal_register_notices/16-c.f.r.part-321-mortgage-acts-and-practices-advertising-rule-final-rule-and-statement-basis-and-purpose/110719mortgagead-finalrule.pdf. See FTC (2011) for a summary of the key elements of this rule.

Foundation

Market segmentation is a longstanding concept used and strategy employed in marketing. Alfred P. Sloan is credited with developing the General Motors (GM) market segmentation strategy of "a car for every purse and purpose." His concept was explained in the GM 1924 annual report to shareholders: products in the GM product line did not compete with other GM products. As a buyer climbed the ladder of success, a GM automobile was available at a price point that met that consumer's needs and ability to pay. The Chevrolet was GM's entry-level car and the Cadillac was the premier automobile for the financially successful buyer. This strategy served GM well and allowed the company to outsell the competitor, Ford Motor Company, which offered only the Model T (Davidson, 2007).

As the GM example illustrates, market segmentation is based on the idea that it is more effective to use a "magic bullet" rather than a shotgun approach to reach consumers (Dickson and Ginter, 1987; Smith, 1956; Wedel and Kamakura, 2000). Market segmentation is prevalent in multiple industries. For example, fragrances are targeted to males and females, retailers target different age groups, and specialized television channels reach individuals with unique interests (for example, the Food Network for those interested in cooking, the Disney Channel for children, and ESPN for sports enthusiasts). This commonality can be based on needs, psychographic information, and demographic characteristics. The assumption is that consumers who share a common characteristic respond in a predictable manner to elements of the marketing mix—in particular, marketing communications (Gresham and Shimp, 1985; Shimp, 1981). Marketing messages targeted to a particular group will resonate with members of that group and the message, the firm, and the advertised offering will be more positively received than those that are targeted in a more generic fashion. This positive reception is manifested as positive attitudes, beliefs, and behaviors toward the sponsoring firm, the offering, or both (Dickson and Ginter, 1987; Smith, 1956; Wedel and Kamakura, 2012).

Caveats to ethnic-based target marketing exist, however, especially in the use of ethnic stereotypes in advertisements. These ads can be perceived as entertaining by some and offensive to others. Furthermore, the appropriation of cultural symbols can have negative consequences for the sponsoring firm, the brand, or both (Johnson and Grier, 2011). In this research, the commonality is demographic (ethnicity)[3] and is operationalized by the intended audience of the marketing media in which the message is placed; for example, the general population, African-American consumers, and Hispanic/Latino consumers.

Marketing messages can be either informational or transformational. Informational advertisements contain factual material that is concrete and verifiable (Perry and Motley, 2009; Puto and Wells, 1984). These messages help consumers develop beliefs and attitudes that are based on facts and, therefore, result in behavior that should be relatively "rational." On the other hand,

[3] The terms "race" and "ethnicity" are often used as interchangeable; however, the meanings of these categorizations differ. In general, race refers to biological components of an individual or group and includes physical characteristics such as skin color, facial features, and hair type. The three generally recognized races are Caucasoid, Negroid, and Mongoloid. By contrast, researchers suggest that ethnicity has more variability; is based on commonalities in nationality, culture, or language; and can include historical and psychological factors (Betancourt and López, 1993; Jackson, 1991). We use ethnicity in this research to reflect this distinction and to be consistent with the categories in the Competitrack database.

transformational advertisements attempt to develop a mental connection between the firm or the firm's offerings and the consumer's psychological state. These messages bypass the consumer's cognitive capacities: the response is not based on factual information but is heavily influenced by an emotional or affective response. In addition, these transformational messages are not regulated by the FTC Act or the Advertising Rule and are not scrutinized by the FTC, the CFPB, or other governmental entities. We examine whether differences exist in the informational/transformational content of mortgage ads and whether differences exist in the messages targeted to the aforementioned intended audiences.

Message framing refers to constructing the message in a manner that resonates with and is relevant to the targeted audience (Entman, 1993). With framing, the sponsoring firm emphasizes some attribute or characteristic of the offering that is important to the intended audience. In doing so, the focus attribute is made salient and this salience will influence receptivity to the message and the brand (Kahneman and Tversky, 1984, 1979; Scheufele and Tweksbury, 2007). People interpret and respond to messages based on how the messages are presented. In this research, the message frames can be either positive or negative. A positive frame is one in which the message highlights a positive outcome and represents a reward, but a negative frame focuses on an undesirable circumstance that the consumer wants to avoid. The frame provides a context and can influence the memories activated to interpret a message. For example, a home loan product ad with a headline such as "We're Here To Get You Home" will resonate with some segments of the population more than "Mortgage in Trouble?" The former is a positive frame alluding to a promise, a desired end state, or both, whereas the latter is a negative frame suggesting a condition from which one should escape. This research explores if differences exist in the message frames used in mortgage ads and if differences exist by the targeted media.

Method

To address our objectives, we performed a content analysis of ads for mortgage loan products placed in television, radio, print, and online media during the 2015 calendar year. Our sample was drawn from the Competitrack database,[4] which monitors and collects ads from 22 different types of media,[5] including traditional television, radio, and print and also online ads (for example, online banner display, online video) from all major markets in the United States and in 60 other countries. We selected ads that ran in U.S. markets anytime during 2015 in the mortgage or home equity product categories and that had been placed in general media or in multicultural media targeted to the African-American or Hispanic/Latino markets.[6] The resultant sample included all 1,358 ads that Competitrack reported during 2015 in the mortgage loan/home equity product categories. Of those ads, 246 were placed in African-American media and 192 in Hispanic/Latino media; all other

[4] https://homepage.competitrack.com/us-creative-monitoring.

[5] These media include television—network, cable, syndicated, spot; newspapers—national, local; magazines—national, local, trade, newspaper distributed; free-standing inserts; retail circulars; radio; outdoor; alternative out-of-home; online display; online video; mobile; cinema; viral; opt-in e-mail; direct mail.

[6] Competitrack offers multicultural reporting from national and local Hispanic/Latino and African-American media, using the same message-content tracking as with general market media. See https://homepage.competitrack.com/multicultural-advertising.

ads were placed in general media outlets. Spanish language ads were translated using the backward and forward translational method recommended by Brislin (1980), in which an experienced translator (one of the authors) initially translated the message from Spanish to English and another translator (a native Spanish speaker) verified the translation.

A combination of qualitative and quantitative methods was employed to evaluate the messages. Content analysis is widely used in consumer and public policy research to understand the message meanings, understand the possible impacts of media, and to gain insight into societal attitudes (Kolbe and Burnett, 1991; Shoemaker and Reese, 1996). We performed a content analysis of the ads using a deductive approach based on the framework developed by Perry and Motley (2009). This framework identified four key themes in mortgage advertising, which varied in two dimensions—(1) the message frame and (2) the informational versus transformational content. We applied this framework using MeaningCloud qualitative data analysis software.[7] We used MeaningCloud's Topics Extraction tool, which extracts salient elements from unstructured text, such as advertising slogans, taglines, and narrative content. This detection process is based on statistical classifications and rule-based filters that are used to analyze narrative text material based on its morphological, syntax, and semantic structure (MeaningCloud, 2015). In addition, the MeaningCloud Topic Extraction tool was used to identify the central topic of the ad's headline and narrative description (for example, home, dream, Obama, discount, rate, consolidate, bills, expert, adviser, stress). The sentiment analysis feature of this tool classifies the polarity of the message (positive, negative, or neutral) and the objectivity versus subjectivity of the content. These classifications roughly corresponded to the framing and informational dimensions described in the Results section and were used to aid in the assignment of ads to thematic categories. In addition, ads identified as subjective by MeaningCloud were evaluated and coded as informational versus transformational. Because these groupings are not mutually exclusive, an ad could have multiple themes. For purposes of the qualitative analysis, however, emphasis was placed on the central or main message presented in an ad (for example, the headline or tagline, a tagline attached to a picture, large versus small print, the first phrase in a voiceover) rather than on all of the messages in the ad. After ads were coded into thematic categories, we interpreted each theme, developed a descriptive characterization, and selected illustrative examples (Coffey and Atkinson, 1996; Miles and Huberman, 1994).

After these ads were assigned to thematic categories, we performed frequency analyses of ad themes and cross-tabulations by media target market, which are presented in exhibits 1 and 2. Exhibit 1 shows results for the entire sample. Because nearly one-half of the ads were online display ads dominated by a single company, we repeated this analysis after omitting those online ads. Exhibit 2 shows findings from this subsample of 509 ads.

[7] https://www.meaningcloud.com/.

Exhibit 1

Mortgage Loan Advertising Themes by Target Market (total sample)

Target Market		Advertising Theme: Negative/ Problem Framing	Positive/ Opportunity Framing	Informational	Transfor-mational	Brand/ Trust	Government/ President	Total Sample
General	Ads	58	237	46	144	164	162	811
(64.9%)	%	7.2	29.2	5.7	17.8	20.2	20.0	—
African-	Ads	30	32	28	45	51	60	246
American (19.7%)	%	12.2	13.0	11.4	18.3	20.7	24.4	—
Hispanic/	Ads	13	25	35	31	40	48	192
Latino (15.4%)	%	6.8	13.0	18.2	16.2	20.8	25.0	—
Total	Ads	101	294	109	220	255	270	1,249
(100%)	%	8.1	23.5	8.7	17.6	20.4	21.6	—

Frequency missing = 108.

Statistic	DF	Value	Probability
Chi-square	10	71.9483	< .0001
Likelihood ratio chi-square	10	70.7523	< .0001
Phi coefficient	—	0.24	—
Contingency coefficient	—	0.2334	—
Cramer's *V*	—	0.1697	—

DF = degrees of freedom.

Exhibit 2

Mortgage Loan Advertising Themes by Target Market (sample, excluding online display ads)

Target Market		Advertising Theme: Negative/ Problem Framing	Positive/ Opportunity Framing	Informational	Transfor-mational	Brand/ Trust	Government/ President	Total Sample
General	Ads	27	86	20	70	107	5	315
(62.38%)	%	8.6	27.3	6.4	22.2	34.0	1.6	—
African-	Ads	24	20	10	32	39	6	131
American (25.94%)	%	18.3	15.3	7.6	24.4	29.8	4.6	—
Hispanic/	Ads	6	8	12	12	16	5	59
Latino (11.68%)	%	10.2	13.6	20.3	20.3	27.1	8.5	—
Total	Ads	57	114	42	114	162	16	505
	%	11.3	22.6	8.3	22.6	32.1	3.2	—

Frequency missing = 24.

Statistic	DF	Value	Probability
Chi-square	10	37.9193	< .0001
Likelihood ratio chi-square	10	33.7293	0.0002
Phi coefficient	—	0.274	—
Contingency coefficient	—	0.2643	—
Cramer's *V*	—	0.1938	—

DF = degrees of freedom.

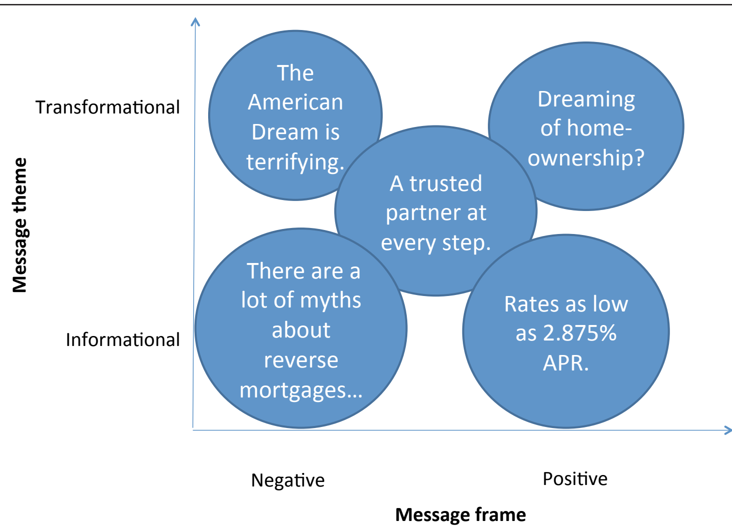
Findings

To determine if a relationship exists between the ad theme and the target audience, we performed chi-square tests of association. These results are reported in exhibits 1 and 2. Exhibit 1 shows that the proportion of ads in general media that were framed as positive opportunities was 29.2 percent compared with 13 percent of ads in both Hispanic/Latino and African-American media. Approximately 5.7 percent of general media ads fell into the informational category compared with 18.2 percent of ads in Hispanic/Latino media and 11.4 percent of ads in African-American media. These differences in proportions are statistically significant, $\chi^2(10, N = 1{,}249) = 71.9483$, $p < 0.001$. Because a single advertiser dominated the online banner ads in the sample, we repeated the chi-square analysis excluding those ads. These results, reported in exhibit 2, also support a significant association between ad theme and target audience, $\chi^2(10, N = 505) = 37.9193$, $p < .0001$. Similar to the patterns observed in exhibit 1, we find that ads framed as positive opportunities were significantly more likely to appear in general media (27.3 percent) than in African-American (15.27 percent) or Hispanic/Latino (13.56 percent) media outlets. In addition, a significantly higher share of informational ads was in Hispanic/Latino media (20.34 percent) than in general media (6.35 percent) or in African-American media (7.63 percent). We also find that ads framed in negative terms or as problems are significantly more common in African-American media (18.32 percent) than in general media (8.57 percent) or in Hispanic/Latino media (10.17 percent).

Exhibit 3 includes a framework for classifying mortgage loan ad messages based on an analysis of the content of mortgage loan ads placed in 2015. Consistent with Perry and Motley (2009), we find that these ads tend to be largely transformational ("Dreaming of homeownership?") or informational ("Rates as low as 2.875% APR [annual percentage rate]") and use either positive framing in which the

Exhibit 3

Themes and Framing of Mortgage Loan Advertisements



APR = annual percentage rate.

lender highlights an opportunity ("Great new home; great low rate") or negative framing in which the lender emphasizes problems or fear ("The American Dream is terrifying"). Exhibit 3 provides examples of ad messages with each of these themes and frames. In addition, a neutral category of ads ("A trusted partner at every step") is represented in this framework.

We also found two variants of these themes and frames: (1) ads that focus on government or Presidential sponsorship of the loan product or program and (2) ads that highlight trustworthiness and experience of the lender. Qualitative findings describing each theme and including illustrative sample ads are presented in the following sections.

Mortgage Loan Ads as Transformational: "Dreaming of Homeownership?"

Approximately 17.6 percent of the ads in our sample were transformational messages (Aaker and Stayman, 1992; Perry and Motley, 2009; Puto and Wells, 1984). Those ads include imagery and language associated with the so-called "American dream" of homeownership and its tangible and intangible benefits. The messages are intended to evoke a positive emotional response from the prospective borrower by linking positive images and memories of the homeownership experience to the lender. If the ad is able to establish an association in the consumer's mind between this imagined experience and the lender, presumably the consumer will focus on the desired end state of homeownership rather than the intermediate process of obtaining a loan.

Explicit references to the positive aspects of the "American Dream" are common.

> Sample Ad 1
> Male voiceover (v/o): *It's not just a place to live. It's an accomplishment. A dream. Park Community Credit Union is committed to help first-time buyers purchase a home with the financing program like no other. Including no downpayment, fixed rate, and no private mortgage insurance. Turn your dream of home ownership into a reality.*

In many of these ads, advertisers use imagery that focuses on the physical characteristics of the home, or they use emotional appeals that emphasize family and togetherness.

> Sample Ad 2
> *BMO Harris knows that a home is more than a place you live; it's a place you love.*
> "I love the floors in the family room, I love the open layout, love the bay window, the basement, etc."
> *Yes, there's a lot to love at the place you live. BMO Harris wants to help make it yours, from home purchase to home improvement, a home loan to help make it possible. We'll work with you from start to finish. Whether buying a new home or renovating the one you've got, we want to help you find the home loan or line of credit right for you.*
> "I think I'm in love, with the wallpaper in the bathroom."
> *Special limited-time offers are available. Stop at a nearby branch or visit [URL].*

> Sample Ad 3
> *These moments are what being home is all about, surrounded by family in a place you love. It's where you celebrate coming together and, as you start the homebuying process, the local lenders at BB&T share knowledge all along the way. Find your way home by first stopping at BBT.com.*

The following television ad explicitly associates a mortgage refinance loan with funding a college education, thereby elevating the significance of this product from mere financial savings to a mechanism for transforming a family's future.

> Sample Ad 4
> Visuals: Mom and daughter.
> Male v/o: *Lily Baker is preparing for college…her Mom just refinanced her home, putting an extra $312 a month to support Lily's education. Lily is about to take over the world. Who is with her? Buy in.*

The following radio ad begins by describing the benefits of homeownership to the macroeconomy before presenting very specific home-improvement possibilities that could be achieved with a loan from this lender. Note that this ad is both transformational and informational because it includes a specific interest rate offer.

> Sample Ad 5
> [I am] *Marc Stefanski, Chairman and CEO of Third Federal. And I'm here to tell you that when people buy homes, it creates more jobs, increases demand for products, and creates overall momentum in the economy. So wouldn't a Home Buyer's Credit help? Of course it would. I'm happy to announce Third Federal's Home Buyer's Credit. Right now, when you purchase a home and finance with Third Federal, we'll give you $1,000 Home Buyer's Credit. Use to buy new carpet, update your kitchen, enhance your landscaping or use it for whatever you want. Only available at Third Federal, where every day is sunshine and blue skies. Right now, get 3.69 percent APR, 3.78 percent on a 30-year fixed-rate mortgage. Apply on line, visit a branch, or call [800#].*

Mortgage Loan Ads as Solutions to Problems: "Mortgage in Trouble?"

Our analysis revealed that approximately 8 percent of our sample feature negatively framed messages. These messages emphasize problem situations, fear, and uncertainty. In addition, they reference credit problems, fear of the homebuying process, and the possibility of loan rejections in the case of home-purchase mortgage products. Ads for refinance, home equity, and Home Equity Conversion Mortgages (HECMs) often mentioned struggling to pay bills and the possibility of foreclosure.

According to previous research on framing and prospect theory, negative information often draws more attention than positive information (Kahneman and Tversky, 1984; Puto and Wells, 1984). Fear appeals, however, may inhibit rational deliberation in favor of more affective processing. Many of these problem-focused ads highlight financial difficulties and credit problems, as in the following sample ad.

> Sample Ad 6
> Woman says: *I was in a tough place. I had a lot of credit card debts: that was 6 years ago. Cal Coast has changed my life.*
> Text: *Zero closing cost home loans.*

In that advertisement, the consumer is presented with a negative, vulnerable financial situation (credit card debts), followed by a proposed solution from the lender (zero closing cost home loans). Zero closing costs will presumably resonate more with those facing financial hardship. In addition, the reference to changing one's life is an example of using transformational language to elicit a positive emotional response.

The following sample ad also presents a negative possibility along with a lender-provided solution. This ad is referencing the government to enhance the credibility of the lender.

Sample Ad 7
Male v/o: *Think you're going to lose your home to foreclosure? Think again. Qualifying for up to $100,000 in mortgage assistance from our free government program has never been easier.*

Mortgage Loan Ads as Financial Opportunities: "Great New Home; Great Low Rate"

Another common mortgage advertising theme (which characterized approximately 23 to 24 percent of our sample) was framed in positive terms as an opportunity for the consumer to save money, particularly for refinance loans. Many of these ads emphasize low transaction costs, such as no points or fees.

Sample Ad 8
Can you really refinance with Valley National Bank for just $499? With no points, no search and title fees, no hidden Valley fees. You can count on it. In fact it's so easy the only thing you need to worry about is what to do with the money you save.
Gerry Lipkin, Chairman and CEO of Valley National Bank: *You can refinance your home for just $499 and start saving today.*
Text: *Available for 1–4 family homes.*

These loan terms, however, tend to be fairly standard in a particular market; they are not actually differentiating attributes.

Sample Ad 9
Male v/o: *Up to $3,000 year in savings could be yours if you refinance your mortgage with the Home Affordable Refinance Program, or HARP, through Quicken Loans. Homeowners who refinance through HARP save an average of $250 a month. There's less paper work, often no appraisal required, and we'll work to get you closed in 30 days or less. It's that simple. Call Quicken Loans today.*

Statements such as those in the sample ad that provide vague estimates of prices and cost savings (for example, "up to $3,000 in savings") are known as *tensile price claims*. Tensile claims are messages that include some factual, yet vague, content that can have multiple interpretations (Biswas and Burton, 1993; Mobley, Bearden, and Teel, 1988). For example, "up to $3,000" can include any amount from zero to $2,999 in savings. Previous research on tensile pricing in advertising has found that stating a maximum of a discount range, as in this sample ad, has a significant effect on consumers' price perceptions and also on their purchase intentions. Licata, Biswas, and Krishnan (1998) found that ambiguous, even implausible, price claims can affect price perceptions and behavioral intentions. In addition, these kinds of claims avoid FTC and CFPB scrutiny because they do not explicitly offer a price.

Ads for reverse mortgages also often rely on positive framing. Some of these HECM messages highlight the elimination of mortgage payments and additional cashflow features of these products. These reverse mortgages ads also rely heavily on celebrity spokespersons (such as Fred Thompson and Henry Winkler), which research shows can enhance credibility (for example, Goldsmith, Lafferty, and Newell, 2009).

> Sample Ad 10
> Fred Thompson/Male v/o: *Turning your home's equity into tax-free cash when you need it is a simple way to eliminate your existing monthly mortgage payments, pay off debt, and gets you and your family the financial resources you need. If you're 62 or older and own your own home, you may qualify for a government-insured reverse mortgage. Call [#800] to receive a free information pack with no obligation.*

> Sample Ad 11
> Male v/o about reverse mortgages: *Myth: The bank can take away my home if I have a reverse mortgage. Fact: Reverse mortgage doesn't affect the ownership of your home.*
> John: *We're not threatened with the economy any longer. We know that we'll have a place to stay for the rest of my life or the rest of my wife's life.*
> Male v/o: *Trust Goldwater Bank for the real facts. See if a reverse mortgage is right for you. Goldwater Bank will come to you and walk you through the process with honest, personalized service.*
> Text: *Fact: You can trust Goldwater Bank to help you find out if a reverse mortgage is right for you.*

These ads, however, do not mention costs or risks associated with reverse mortgage products. These products are targeted primarily to senior citizens, who could be more susceptible to deceptive or overly aggressive marketing tactics. Previous evidence has questioned the legitimacy of lender marketing practices for these products, and several regulatory efforts have been implemented to provide increased protection for consumers from these practices (for example, consumers are required to participate in HUD-mandated in-person counseling sessions before obtaining a reverse mortgage approval). Further, a recent study by the CFPB found that these ads led to consumer confusion, inaccurate interpretations about these products, and misinformation about the role of government in providing these loans (CFPB, 2015).

Many ads mention the government, President Obama, government insurance, or government sponsorship. Extant research suggests that government and nonprofit sources are perceived to be more credible than for-profit organizational sources (Haley, 1996).

> Sample Ad 12
> *You know some people think a reverse mortgage sounds too good to be true. I mean get cash out of your home; no monthly payments and you still own your home. You think there has to be catch, right? Well there isn't. If you're 62 years and older and own your home, you may qualify for a government-insured reverse mortgage with AAG that allows you to turn the equity of your home into tax-free cash. AAG can help you to eliminate monthly mortgage payments, pay off credit card debt or other bills, and provides some retirement security. Call [#1800] to get the free information kit and bonus DVD.*

The website "lowermybills.com" mentions President Obama in numerous online display ads similar to the one in the following sample ad.

> Sample Ad 13
> *Obama waives refi requirement. If you owe less than $625,000 on your home, the President is pleading with you to refinance.*

This site promises to connect prospective borrowers with lenders based on information consumers provide on line. A number of consumer complaints have been made about this site, and several blogs have been dedicated to these concerns. The following narrative is an excerpt from the blog.

> *I was lured by the ad offering president Obama's plan to refinance my mortgage to a 15-year term. Obama's plan helped me years ago when I was late with my mortgage. So I fell in the trap. First of all, our president has nothing to do with this scam named "Lower my bills."*[8]

Lenders as Trusted Partners: "A Trusted Partner at Every Step"

Approximately 32 percent of the ads in our sample explicitly or implicitly focused on building trust, either by using language related to expertise or trustworthiness or by simply emphasizing the lender's name. Trust is an important attribute of strong brands. Thus, reinforcing the brand name is likely to resonate with consumers, especially those with whom there is an existing relationship.

> Sample Ad 14
> *WELLS FARGO. When you're looking to finance your home, look for a local mortgage consultant who is knowledgeable, cares about your goals, is accessible when you want to be in touch, and knows the neighborhood you're interested in. Make sure the home mortgage consultant and lender you choose can provide not only a competitive rate, but also the right financing options that work for your situation. Wells Fargo Bank NA, equal housing lender.*

> Sample Ad 15
> *I want to be your banker. Our local appraisers mean a better mortgage experience for you. Cutting-edge technology made simple and professional service you can count on. Because, at Southern First, we really do care. You can count on Southern First. Serving is our privilege.*

Previous research suggests that consumers rely on the trust of service providers as a signal of service quality, particularly when the provider has asymmetric information about the product or when it is difficult for the consumer to discriminate among providers (Chiou and Droge, 2006; Zeithaml, Berry, and Parasuraman, 1996). According to Johnson and Grayson (2005), in the case of financial services providers, an important distinction exists between cognitive and affective trust. These authors argue that cognitive trust, defined as a willingness to rely on the expertise or experience of the service provider, is based on the consumer's knowledge. Furthermore, "the need to trust presumes a state of incomplete knowledge" (Johnson and Grayson, 2005: 501). The emphasis on trust and the prevalence of trust-related cues in these ads implies that consumers need to rely on a lender or other third-party source to inform their decisionmaking, which further implies that consumers cannot make effective decisions on their own. Further, these trust-based ads tend to not contain information about loan costs or risks.

[8] http://reviewopedia.com/workathome/lowermybills-com-reviews-is-lowermybills-a-scam/.

Mortgage Loan Ads as Information: "Rates as Low as 2.875% APR!"

In our sample, 8.7 percent of ads could be classified as primarily informational. These messages included at least one reference to an interest rate or APR, as presented in the following sample television ad.

> Sample Ad 16
> *Get your next jumbo mortgage from Pawtucket Credit Union and get a great fixed rate as low as 3.029 percent APR. Refinance, purchase, or construction. Loans up to $1.5 million....*
> Text: *Jumbo Mortgages New Lower Fixed Rates 3.00% rate, 3.029% APR.*

The following television ad includes an average range of dollar savings from refinancing and also a prospective fixed rate on a 30-year loan. Although these amounts and rates are not necessarily intended to be firm offers, they do attract attention from those focused on obtaining the best deal.

> Sample Ad 17
> *If you've been waiting to refinance your mortgage, today is the time to act. Refinancing now could save you thousands. Shop for a refinance loan at [URL], where our average customer saves between $11,000 and $24,000 over the life of their loan. This week, 30-year fixed rates are as low as 3.5 percent APR. Go to [URL] to get multiple offers in minute. It's all free to shop and won't affect your credit. Then, just compare and choose the one you want. Act now before rates rise again. Calculate your new payment.*

These terms may be too good to be true, at least for some borrowers. As is common in these kinds of ads, important disclaimers, such as information about restrictions, limitations, and terms of these rates and fees were provided in very small print at the bottom on the screen. To illustrate, the following message was included in a font that was approximately 25 percent of the size of the rest of the print on the screen, and disappeared more rapidly than the other printed material.

> *Rates, terms, APRs, monthly payments and lender fees vary by lender and your creditworthiness. All amounts assume a credit score of 720 or higher, loan-to-value of 80% or higher, and a $225,000 loan amount. Rates and terms may not be available in all states.*

The viewer would have to be watching very carefully to read these disclaimers that were not mentioned in the voiceover.

It is also worth noting that, according to tabulations based on McDash mortgage market data for 2015, only approximately 6.6 mortgage refinance applicants met these criteria.[9] Thus, the terms mentioned in this ad would not apply to approximately 93 percent of prospective refinance borrowers who viewed this message.

[9] Estimates are based on 779,268 refinance mortgage loan originations reported by McDash Online in 2015. Of those loans, 51,064 (6.6 percent) had (1) an original loan amount of $225,000 or more, (2) an original loan-to-value ratio of 80 percent or more, and (3) a borrower credit score of 720 or more. McDash reports loan-level mortgage performance data representing nearly 70 percent of the mortgage market. See http://www.bkfs.com/Data-and-Analytics/DivisionInformation/Our-Data/Pages/default.aspx.

Mortgage Loan Ads in African-American and Hispanic/Latino Media

As shown in exhibits 1 and 2 and revealed by the chi-square analysis, a significant association exists between the type of advertising message strategy and the target market media. Negatively framed ads, particularly fear appeals, were more common in ads targeting African-American and Hispanic/Latino borrowers.

> Sample Ad 18
> *The American dream is terrifying. American history is the history of the scary thing that is the exact thing we have to do. Cross that ocean, walk on that moon, sign a 30-year mortgage on a home. Buy in.* (African-American media)

> Sample Ad 19
> *Don't let mortgage problems petrify you.... Some people who have mortgage problems stay still, but those who do something have more possibilities to get better results.* (Hispanic/Latino media)

Extensive evidence indicates that African-American and Hispanic/Latino borrowers are more likely to suffer from financial and credit difficulties, have different experiences in the mortgage market, and, as a result, might be more likely to face negative outcomes such as foreclosure (for example, Aughinbaugh, 2013; Bocian, et al., 2010; Carr, Anacker, and Hernandez, 2013; Wolff, 2015). Thus, messages that address these issues may be more likely to attract attention or resonate with members of these target markets. This messaging strategy may evoke apprehension and even fear in Hispanic/Latino consumers (Bradley and Zorn, 1996). Previous research has noted the mistrust of financial institutions among Hispanic/Latino communities stemming from historical instability in Latin American financial markets (Perry, 2008).

Consumers in these segments may rely on different sources for financial information. For example, Perry and Ards (2002) found that African-American consumers were more likely to rely on informal sources such as word of mouth from friends, co-workers, or peers. Other evidence suggests that African-American borrowers have less access to knowledge about real estate (Morrow-Jones and Haurin, 2006) or access to mainstream financial services providers (Anacker, 2015). Given what is known about the effects of fear-based appeals, this heightened exposure to negatively framed information forms the basis of a different informational environment for these consumers (Entman, 1993).

Results from these analyses (exhibits 1 and 2) also reveal that lenders are more likely to target Hispanic/Latino media with ads that include price-related information—particularly, tensile price claims.

According to a 2015 report released by the Joint Center for Housing Studies of Harvard University, African-American and Hispanic/Latino borrowers are more likely to pay high rates for mortgages and have fewer opportunities for mortgage refinancing (JCHS, 2015). This report also states that 25 percent of Hispanic/Latino borrowers and 29 percent of African-American borrowers have outstanding mortgage loan amounts that exceed the value of the home (JCHS, 2015). According to data reported by the Board of Governors of the Federal Reserve System, African-American and Hispanic/Latino homebuyers are two times more likely to obtain high-price loans than are non-Hispanic White homebuyers (Becerra and Calderon, 2014; Bhutta, Popper, and Ringo, 2015).

When considering these patterns, we would expect mortgage loan ads targeted to both of these groups to focus more on interest rates (that is, informational) and, perhaps, to emphasize credit problems (problem framing). Instead, results shown in exhibits 1 and 2 suggest that informational ads are more common in Hispanic/Latino media, and ad content focused on solving credit problems is more common in African-American media.

These findings may also reflect recent trends in homeownership and in the mortgage market for Hispanic/Latino households. For example, according to Becerra (2012), despite the significant and negative impact of the foreclosure crisis on Hispanic/Latino homeownership rates, the number of Hispanic/Latino homeowners has increased because of the growth of the Hispanic/Latino population and also because of growth in incomes. This trend may also reflect the greater incidence of multigenerational members in Hispanic/Latino households (Becerra and Calderon, 2014). Since 2010, Hispanic/Latino households have accounted for approximately one-half of the net increase in owner households in the United States, and aspirations toward homebuying were reportedly higher than ever (Becerra and Calderon, 2014). Instead of including more transformational content in their advertising messages, lenders were more likely to rely on informational appeals when targeting this segment of consumers.

Discussion and Implications

Our objective was to determine if lenders employ multiple mortgage advertising themes and frames and if differences exist among media targeted to the general population and media targeted to African-American and Hispanic/Latino markets in the United States. Findings from our quantitative analysis suggest that lenders are more likely to use positive framing when targeting general audiences. The use of informational ads is more prevalent in Hispanic/Latino-targeted media and somewhat more prevalent in African-American media as well. At the same time, advertisers are more likely to place negatively framed messages in African-American media. These tendencies may reflect the disproportionate shares of African-American and Hispanic/Latino borrowers in the subprime market and also the higher incidences of negative equity among these borrowers (Bhutta, Popper, and Ringo, 2015).

Both our qualitative content analysis and quantitative analysis of mortgage loan ads suggest that, although lenders rely on a number of framing and message strategies to inform and persuade their target audiences, incidences of factual or verifiable informational content of these ads, such as pricing or loan terms, are relatively rare. Even the informational claims tend to present information that applies to only a small segment of the market, and they do so in such a way that it would be difficult for a consumer to determine whether he or she would qualify for the stated terms without significant additional investigation. These findings suggest that ads for mortgage products cannot be relied on for their substantive and informational content. Given what we know about informational overload and decisionmaking under uncertainty, these ads may serve as a distraction rather than as a facilitator of informed decisions. It is important to note that, in general, the content of these ads is not explicitly misleading as defined by the FTC. With the themes described previously as the undergirding of the informational environment, however, these results provide a sense of what attitudes and beliefs consumers develop after repeated exposure to these messages.

Another important implication of these findings is the dearth of information about the costs or risks of mortgage loans. By contrast, direct-to-consumer (DTC) ads (targeted to consumers rather than medical professionals) for pharmaceutical drugs are regulated through the Food and Drug Administration (FDA) Division of Drug Marketing, Advertising, and Communications (DDMAC). The DDMAC ensures that all DTC is truthful, balanced, and accurately communicated. These advertisements are required to use standard language to convey information. In addition, DTC ads are mandated to include details about risks whenever promoting benefits of these products (FDA, 2015a, 2015b). Print ads are to include what is referred to as a "Brief Summary." This title is a misnomer: the summary would take a lot of time to read or scroll down a television screen. Only the most important details are included in broadcast ads; however, these ads inform consumers about how to obtain the full FDA-approved prescribing information, which describes all of the drug's risks (FDA, 2015a). These FDA regulations prohibit strictly transformational DTC advertisements. A nonscientific review of a few television ads revealed that 60-second ads included 30 seconds of risk information; these ads were both transformational and informational. The FDA uses a comprehensive surveillance, enforcement, and education program to help ensure that these requirements are met. Perhaps consumers would be more informed and, as a consequence, would make more optimal decisions if advertisements for mortgage loan products were required to adhere to guidelines similar to DTC ads for prescription drugs.

The ads in our sample included transformational themes that focused on the American dream of homeownership or on the importance of finding a trustworthy mortgage lender; however, the ads had few signals of lender quality or reliability (Boulding and Kirmani, 1993; Fluet and Garella, 2002; Linnemer, 2002). In other high-risk or high-involvement product categories, advertisers report customer satisfaction ratings or other presumably unbiased third-party endorsements. Because the mortgage industry is highly regulated, it would seem that lenders would at least include legitimate information about their standing with relevant regulatory agencies. Instead, we find ads that use language that implies that the government or the President approved or recommended the product. In addition, the advertising lender (a known and "trusted" entity) is also used as a credible resource to approve and promote the offering.

We also found significant variation in the use of these message themes, depending on the target audience, and that these themes could interact with socioeconomic characteristics and with differences in cultural meanings. For example, a local lender produced mortgage loan ads with differing themes for the general population and for the African-American media. The general market ad was informational and included both visual and written informational content (that is, billboards imbedded in house/neighborhood scenes).

> Sample Ad 20
> *Now is one of the best times in history to buy and to lock into a great low fixed interest loan before rates go back up … first time homebuyers are eligible for up to $8,000 in home tax credits … call your trusted hometown lender [###].*

The ad targeted to African-American media used a baseball game scene and nomenclature. The scene was a baseball field; the at-bat team had 2 outs, 2 strikes, and 3 balls; characters were animated zoo animals as baseball players and the coach was a human male (also animated). The players had names such as "Bearez," "Moose," and "Horsmer," and a monkey perched on the scoreboard.

Sample Ad 21
Okay guys, this is a royal opportunity to bring some runs home before interest rates go up … score big with Nutter. We're not gonna throw any curves or junk fees at ya … Well, you always save more than peanuts when you get your home loan with James B. Nutter.

The purpose of this advertisement was to amuse rather than provide specific information about the loan product. It might be perceived as portraying stereotypical ethnic images by African-American viewers and as entertaining by others.

These findings should be interpreted in light of the following caveat. In addition to advertising, consumers rely on many other sources of information when making decisions, including previous experience, advice from professionals, and a host of other formal and informal sources. Future research should explore the influence of advertising relative to other information sources, such as social media, mandatory disclosures, and homebuyer-counseling materials. This information would be important for policymakers in determining how to efficiently allocate consumer protection resources.

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