Bryant University

HONORS THESIS

Deception Perception: The Marketing of Student Loans

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Table of Contents

ABSTRACT

Marketing from student loan servicing companies tend to omit important information, thus deceiving borrowers. These companies may be taking advantage of students' position as vulnerable consumers with limited information to maximize their own profits. This study explores the relationship between deceptive advertising from student loan servicers and its effects on consumer perceived deception, student trust in the loan servicer, and student satisfaction in their borrowing decisions. Consumer perceived deception (CPD) is the extent to which a consumer believes the ad they were exposed to tends to mislead them.

To test the hypotheses, an experiment was conducted, and a questionnaire was distributed. Participants were randomly divided into two conditions (deceptive and honest advertisements) and asked questions to determine their CPD, trust, and satisfaction. To test if learning they had been deceived further increased CPD and decreased trust and satisfaction, participants were then told if their ad was deceptive or not and asked to rate it again. Data was analyzed using one and two factor analysis of variance (ANOVA). Results showed a statistically significant increase in CPD in the deceptive ad condition, but results were not significant enough to confirm the other relationships.

These results suggest that marketing from student loan servicing companies that omit information make students feel as if they have been deceived. The effect of this perceived deception is unclear. Further research could be conducted to determine if CPD has negative effects on constructs other than the ones examined in the present study.

INTRODUCTION

As of February 2022, approximately 46 million individual Americans had outstanding student loan debt, and the U.S. Federal Reserve estimates total student debt to exceed $1.7 trillion. The average debt load for an undergraduate is $37,000, while the average debt among master's degree holders is $71,000 and over $150,000 for PhD holders (U.S. Federal Reserve). There are many moving parts contributing to the overall dysfunctionality of the current student loan system in this country, but special attention should be paid to student loan servicing companies and their marketing practices, as they may be taking advantage of students' position as vulnerable consumers with limited information.

Little research exists specifically on deceptive marketing practices by student loan servicing companies, the area in which this study will focus. The American Marketing Association (AMA) defines marketing as the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large. For student loan servicing companies, the offerings of value are their loan services, namely repayment systems. These offerings are communicated and delivered through their websites. Unfortunately, deception has become commonplace in marketing, and the student loan industry is no exception.

Student loan servicing companies are compensated by the federal government, which serves as a motive to possibly maximize profit at the expense of the students. Most borrowers' limited financial literacy further increases the opportunity to take advantage of customers. Borrowers' general lack of proper financial literacy puts them in a disadvantaged and vulnerable position, thus opening the door to deceptive marketing practices.

In the following paragraphs, I will explain how the federal student aid system works, the role that student loan servicers play, and how deception in marketing can occur.

LITERATURE REVIEW

Federal Student Loan System

The William D. Ford Federal Direct Loan Program allows students to borrow money directly from the U.S. Department of Education. Students applying for aid must fill out the Free Application for Federal Student Aid (FAFSA), which is then run through a complex algorithm that determines their Expected Family Contribution (EFC). The total Cost of Attendance (COA) minus the EFC and any grants or scholarships is considered the student's unmet financial need, for which they can be awarded loans. The government offers undergraduate students two different loan options, Direct Subsidized Loans, or loans that do not accrue interest while the student is in school and for six months after, and Direct Unsubsidized Loans, where the student is responsible for all interest that accrues over the life of the loan (Marx and Turner, 2019). The annual loan limits for undergraduate students are summarized below.

Year	Dependent Students (except students whose parents are unable to obtain PLUS Loans)
First-Year Undergraduate Annual Loan Limit	$5,500-No more than $3,500 of this amount may be in subsidized loans.
Second-Year Undergraduate Annual Loan Limit	$6,500-No more than $4,500 of this amount may be in subsidized loans.
Third Year and Beyond Undergraduate Annual Loan Limit	$7,500 per year-No more than $5,500 of this amount may be in subsidized loans.

Figure 1 – Annual Limits for Federal Direct Subsidized and Unsubsidized Loans (studentaid.gov)

All students who accept federal student loans must complete required Entrance Counseling aimed at ensuring they understand the responsibilities they assume when signing for the loan. This online course can be completed in a single half-hour session. Barr et al. suggest this training is inadequate and causes more confusion than clarity (2019).

Private Student Loans

Although federal student loans make up 90 percent of current student debt (Jackson, 2017) and about $1 trillion of the current $1.7 trillion (Minsky, 2018), many students turn to private loans when federal student loans are not enough to cover their financial need. The private student loan market developed during the 1990s out of an increase in student financial need and college tuition that was not matched by similar growth in family income or fixed federal loan amounts (Goenner, 2017). These private loans can originate from colleges, Sallie Mae, corporations such as Navient, private banks, credit unions, or any other non-government organization (Minsky, 2018).

Student Loan Servicing Companies

Once federal loans are disbursed, or paid to the colleges, they are transferred to one of the student loan servicing companies that are contracted by the Department of Education. These servicers are for-profit corporations that handle the billing and other services on student loans. Many of these corporations also offer their own private student loans. They collect payments on behalf of the federal government and act as a point of contact for students. The Department of Education pays the servicing companies a monthly rate for each account they service, which differs based on the account status. Servicers are awarded more loan accounts under performance-based contracts, a system which aims to incentivize quality customer service. A breakdown of monthly rate per borrower is below.

Borrower status	Rate per borrower
In School	$1.05
In Grace Period	$1.68
In Repayment	$2.85
Service Member	$2.85
Deferment	$1.68
Forbearance	$1.05
Delinquent 6-30 Days	$2.11
Delinquent 31-90 Days	$1.46
Delinquent 91-150 Days	$1.35
Delinquent 151-270 Days	$1.23
Delinquent 271-360 Days	$0.45
Delinquent 361 or More Days	$0.45

Figure 2 – Monthly Payment Amount to Loan Servicer Per Borrower (Jackson, 2017)

Federal student loans and some private loans come with a six-month grace period, or a period after the borrower graduates or leaves school during which no payments are due. Interest on unsubsidized loans continues to accrue during this period. After the grace period, borrowers must begin making monthly payments under the standard repayment plan they are automatically enrolled in.

Borrowers rely on their service provider "...to help them enroll in alternative repayment plans or request a modification of loan terms…" when facing financial hardship (CFPB, 2017). The government offers several programs for this purpose. Income-based repayment plans have monthly payments that are a percentage of the borrower's monthly income. The percentage depends on what the borrower qualifies for but is generally around ten percent. The remaining loan balance is forgiven after twenty to twenty-five years of on-time payments under this plan. Deferment is a program where borrowers can reduce or postpone payments for a period due to financial hardship and have the government cover accruing interest (Zachary and Gillespie, 2018; Minsky, 2018). Forbearance is a similar program, but the interest is not covered. Despite not being considered a viable long-term solution due to the accruement of interest, servicing companies have been found to be more likely to steer borrowers towards forbearance, or not inform them of other options, because "...debt can balloon under forbearance, lengthening the repayment period," and therefore the amount of time the loan is with that servicer (Jackson, 2017; Minsky, 2018). Some servicers have also been found guilty of losing paperwork, misapplying payments, and withholding information from borrowers (Consumer Reports, 2020). Borrowers of federal loans do not get to choose their provider.

<u>Marketing Deception</u>

The U.S. Federal Trade Commission, whose primary mission is consumer protection, released an official policy statement regarding deception and outlined three elements that constitute deception: (1) the advertising contained a representation, omission, or practice that is likely to mislead the consumer, (2) it was considered misleading from the perspective of a consumer acting reasonably in the circumstances, and (3) the representation, omission, or practice was a 'material' one (FTC, 1983). Unlike deception in the context of human communication, intentionality is not necessary for deception in advertising to occur (Chaouachi et al, 2012). Researchers have differentiated between explicit and implicit deception in marketing. Explicit deception would be "...an outright lie…that is demonstrably false in light of objective evidence that can be verified by comparing the actual characteristics of the product advertised and the message content of the ad" (Schmuck, Matthes, and Naderer, 2018). This differs from implicit deception, which involves factual claims with false or misleading implications that "...cannot be easily verified…[and]... prompt consumers to draw erroneous inferences about products advertised" (Hastak and Mazis, 2011; Schmuck et al., 2018).

Hastak and Mazis' "Truthful but Misleading" analysis focuses on the concept of implicit deception and offers five different types of deceptive claims. Grounded in theory, this five-part framework analyzes marketing and advertising materials for (1) omission of material facts, (2) misleadingness due to semantic confusion, (3) intra-attribue misleadingness, (4) interattribute misleadingness, and (5) source-based misleadingness.

The most common claim type used in student loan marketing is omission of material facts. Omission of material facts occurs when important information, such as terms of an offer, are left out of the claim or are only partially disclosed. The psychological theory that contributes to this type of deception is schemas, defined by the American Psychological Association (APA) as "a collection of basic knowledge about a concept or entity that serves as a guide to perception, interpretation, imagination, or problem solving". When information is left out of an advertisement, consumers fill in the gaps based on their predefined schemas. Hastak and Mazis also apply Grice's theory on conversational norms, which provides 'conversation maxims' or rules which are reasonably believed to be followed in all human interactions. One of these maxims holds that "...the provider of information is expected to make his or her contribution as informative as required…" (Hastak and Mazis, 2011). Relying on this maxim would allow consumers to infer that a half-truth expressed in an advertisement provides them all the information they need to make an informed decision.

Omission of material facts has been found in the marketing of student loans in claims such as "No payments required while you're in school". This statement stands alone, with no disclosure that making payments while in school is allowed and doing so would lower the amount paid during the lifetime of the loan. An ad for Income-Based repayment stated "Many borrowers qualify for a $0 monthly payment" (*see Appendix A*). While some borrowers do in fact qualify for this plan, it is not clear exactly how many. Those who do not qualify could be enrolled in programs where their monthly payments are up to 20 percent of their income.

RESEARCH QUESTION AND HYPOTHESES

This study aims to test students' perception of loan servicers upon learning that they either have or have not been subjected to deceptive marketing. The overarching research question this study will answer is:

> *Does consumer perceived deception impact students' trust in their loan servicer and satisfaction with their borrowing decisions?*

<u>Constructs</u>

a. Consumer Perceived Deception (CPD)

Consumer perceived deception (CPD) is a behavioral construct used in marketing to understand the extent to which a consumer believes the ad they were exposed to tends to mislead them, regardless of the advertiser's intention (Gardner, 1975; Chaouachi et al., 2012). When Nimako and Mbawuni studied the effect of CPD on general loan services, they defined CPD as "the extent to which the customer believes that the financial service provider makes a deliberate effort to hide vital information or uses deceptive practices with the intent to persuade customers to acquire and service the loan products during a given time period," (Nimako and Mbawuni, 2014).

b. Trust

Results from other studies on the relationship between deception and trust show that levels of trustworthiness towards the source of information tends to decrease in the presence of deception or misleadingness (Chaouachi et al., 2012; Romani, 2006). Nimako and Mbawuni found that deception and the withholding of information in the delivery of general loan service to customers can be detrimental to client trust in loan service providers (2014).

c. Satisfaction

Satisfaction is defined as the discrepancy between a customer's pre-purchase expectations and actual performance received (Agag and El-Masry, 2015). Agag and El-Masry showed that deception has a negative effect on consumers' satisfaction, likely due to the unrealistic expectations set by the deceptive advertising (2015). Ratcliffe and McKernan's study found that despite believing at the time that the benefits of having loans was worth the cost, many people would borrow less if they could go back and do it again (2013). This is an indication of unsatisfaction with one's borrowing decisions.

A suggested conceptual framework for the present study is below.

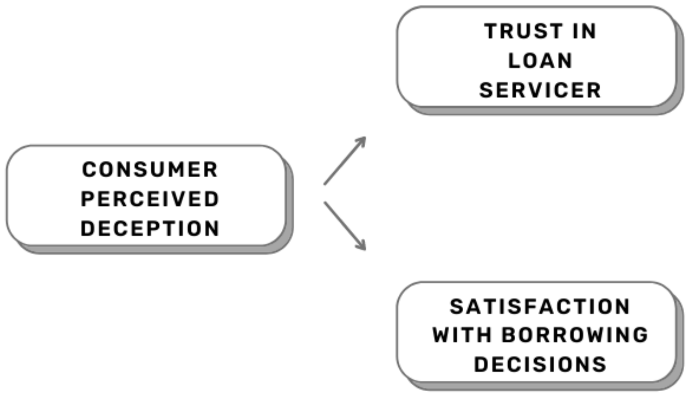


Figure 3 – Conceptual Framework for Effect of CPD on Trust and Satisfaction

The psychological reactance theory, proposed in 1966 by Jack W. Brehm, holds that if an individual feels their behavioral freedom is being threatened, the motivational state of reactance will occur and the individual will resist the outside influence and strive to restore their freedom (Miron and Brehm, 2006). It is expected that reactance theory will cause students to have an even more negative reaction to the advertisement and the loan servicer upon learning they have been deceived.

H1: Student loan advertisements that omit information will result in a higher level of CPD.

H2: Student loan advertisements that omit information will result in lower student trust in the loan servicer.

H3: Student loan advertisements that omit information will result in lower satisfaction with one's student loan borrowing decisions.

H4: Learning that information was omitted will result in a higher level of CPD (H4a), lower trust (H4b) and lower satisfaction (H4c).

> *H5: Learning that information was* not *omitted will result in a lower level of CPD (H5a), higher trust (H5b), and higher satisfaction (H5c).*

METHODOLOGY

Design

To test the hypotheses, I developed an experiment and distributed a questionnaire *(see Appendix B)*. Participants were randomly assigned one of two conditions. Qualtrics software ensured equal distribution of each condition. Both groups began by consenting to the study and answering demographic questions including age, gender, and whether they took out loans to help pay for college. One group was then shown an advertisement from an unnamed student loan servicing company that omitted information, referred to here as the deceptive advertisement. The other group viewed a similar ad which disclosed helpful information and encouraged viewers to seek out more information before making a loan decision. This is referred to as the honest ad. The ads can be seen below.

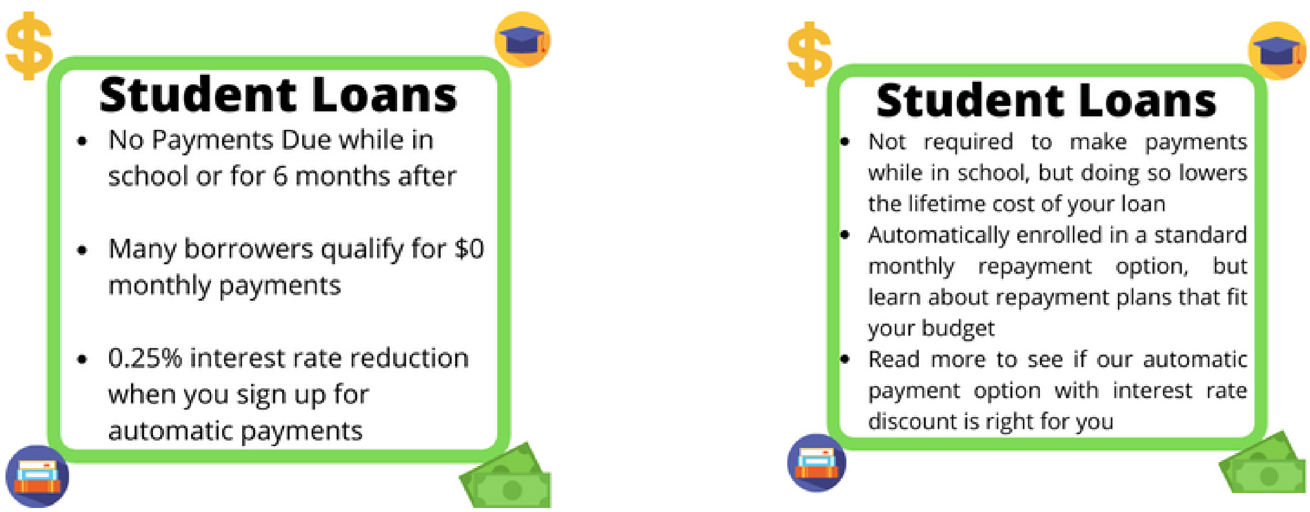


Figure 4: Deceptive and Honest Ads (left to right) shown in Questionnaire

Both groups were asked questions in relation to the ads to measure the constructs of CPD, trust in the loan servicer, and satisfaction in borrowing decisions. After answering the questions, participants viewed additional information which was intended to manipulate their CPD. The group that was presented the deceptive ad was shown educational information that highlighted what was omitted from the advertisement. The group that had seen the honest ad was told to imagine a conversation with a friend who felt deceived by their loan servicer because they were not given the information provided in the ad the participant just viewed. After at least fifteen seconds, participants in both groups were prompted to view the same ad they had seen before and rate their perception of the company again, answering the same questions on the same scales. The first set of questions is referred to as the before scores and the second set is after, as in after being informed if the ad the participant had viewed was deceptive or honest.

Participants

I distributed the questionnaire to undergraduate students at a small private university in the northeast via email. Participation was voluntary. Some professors offered some form of extra credit to students who completed the questionnaire. Of the 145 students who responded to the questionnaire, 56 percent were female, and 44 percent were male. The average age of participants was 20.5 years. Fifty-eight percent of participants (81 individuals) indicated they had taken out student loans to help pay for college. Eighty-two percent of those individuals said they were generally happy with their student loan servicer. The 145 total participants were split between the two conditions, with 74 viewing the dishonest ad condition and 71 seeing the honest ad condition. The demographic breakdowns of each condition are very similar to that of the total sample and are summarized below.

Figure 5: Deceptive and Honest Ad Condition Demographics (left to right)

Measures of Constructs

Measurement of all constructs were adapted from validated scales by other researchers. All

	count	percent
Male	33	45%
Female	41	55%
total	74	
average age	20.4 years	

	count	percent
Male	31	44%
Female	40	56%
total	71	
average age	20.6 years	

bipolar adjective and Likert scales used have seven points.

a. Consumer Perceived Deception (CPD)

The scale used to measure CPD was developed by Maddox (1982) and retested by Newell (1998). The scale uses a bipolar adjective scale to test whether the customer can identify a marketing claim that is thought to be deceptive. Participants were asked to rate the product or service advertised on a scale of accurate/misleading, truthful/deceptive, and factual/distorted (Maddox, 1982). Each of the seven points were assigned a numerical value 1-7. Responses to the three questions were summed to calculate each participant's CPD score. A higher score indicates higher perceived deception.

b. Trust

Trust in the loan servicer was measured using a scale developed by Lichtenstein and Bearden (1989) and retested by Romani (2006). Participants evaluated the company that put out the advertisement on a bipolar adjective scale containing five dimensions: sincerity, honesty, dependability, trustworthiness and credibility. Each of the seven scale points were assigned a numerical value 1-7. Responses to the five questions were summed to calculate each participant's trust score. Higher scores indicate higher levels of trust.

c. Satisfaction

Maddox's (1980) scale developed for his satisfaction decisions study was used to measure satisfaction in one's student loan borrowing decisions in the present study. Participants use a seven-point Likert scale ranging from strongly disagree to strongly agree to indicate their satisfaction with their decisions. The six statements were:

- I am satisfied with my student loan borrowing decisions
- If I had to do it all over again, I would make different borrowing decisions
- My borrowing decisions were wise
- I feel bad about my borrowing decisions
- I think I made the right borrowing decisions
- I am NOT happy with my borrowing decisions

Each of the seven points were assigned a numerical value 1-7 starting with strongly disagree, and the scale was reversed for the reverse coded questions. Responses to the six statements were summed to calculate each participant's satisfaction score. Higher scores indicate higher levels of satisfaction.

RESULTS

To test the hypotheses, I ran analysis of variance (ANOVA) tests. ANOVA is a statistical test that looks for statistical differences between the means of two or more groups. Full ANOVA results for all hypotheses are presented in Appendix C.

To test H1, I performed a one-way (deceptive vs. honest) ANOVA using the CPD scores from each of the two conditions. The results showed a statistically significant difference between the averages of the two groups ($F(1,143)=6.03$, $p=0.015$). As expected, there was a higher level of CPD reported by students who saw the ad that omitted information. This supports H1 that student loan advertisements that omit information result in a higher level of CPD.

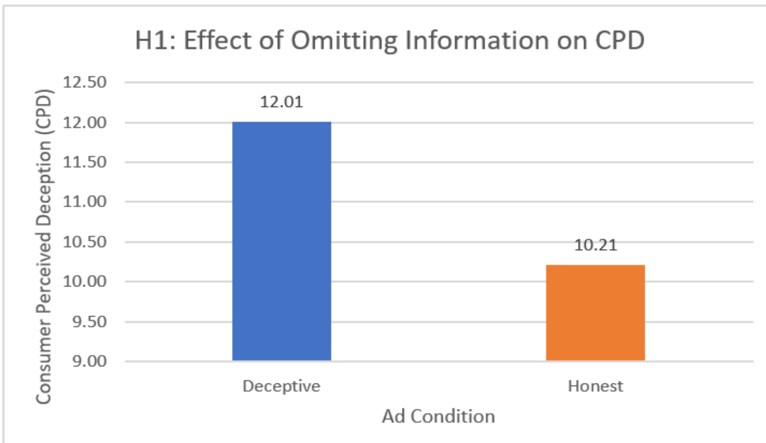


Figure 6: Effect of Omitting Information on CPD

I also performed a one-way (deceptive vs. honest) ANOVA test for H2 to compare the effect of omitting information on student trust in the loan servicer. While students in the honest ad condition did report a higher mean trust score, the ANOVA test revealed the difference was not statistically significant ($F(1,143)=3.72$, $p=0.056$). Therefore, H2 cannot be confirmed, and it cannot be proven that omitting information leads to lower trust in the loan servicer.

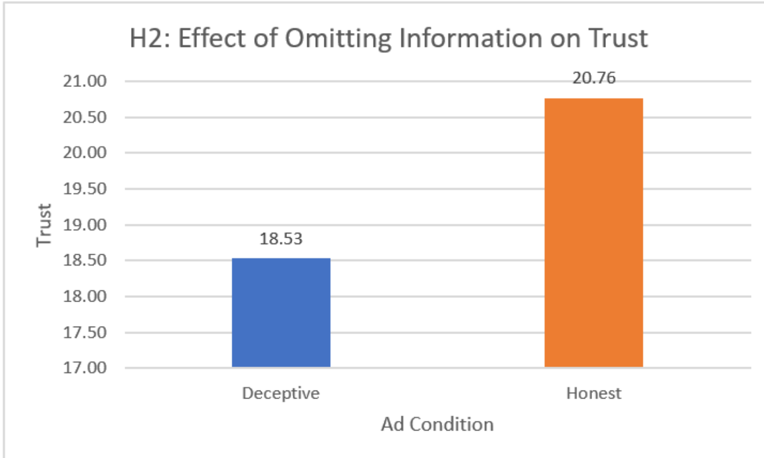


Figure 7: Effect of Omitting Information on Trust

Similarly, I ran a one-way ANOVA (deceptive vs. honest) test on the effect of omitting information on satisfaction in one's borrowing conditions. The results did not reveal a statistically significant difference, though students in the honest ad condition did report a higher mean satisfaction score. Filtering out students who did not take loans and were asked to answer hypothetically did not change the results. These results cannot confirm H3, and it cannot be proven that omitting information leads to lower satisfaction in one's borrowing decisions.

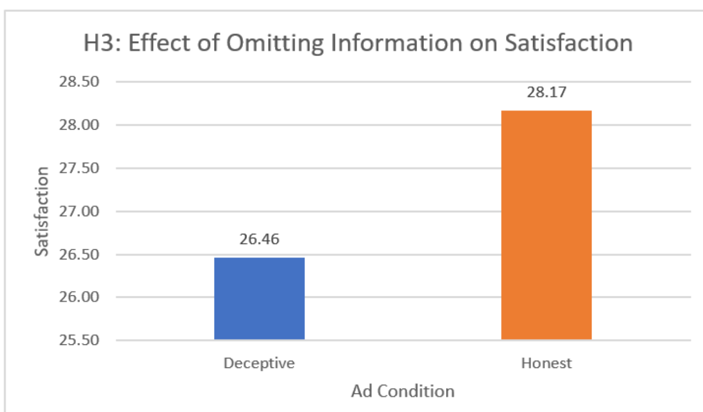


Figure 8: Effect of Omitting Information on Satisfaction

I tested H4 and H5 using several different ANOVA tests for each of the constructs considered in the hypothesis. First, I ran a one-way (before vs. after) ANOVA separately for each ad condition for CPD score. CPD scores were lower both before and after in the honest condition. The results revealed that the increase in CPD after being informed the ad was deceptive *(H4a)* were not statistically significant ($F(1,146)=3.84$, $p=0.052$). There was a statistically significant difference in CPD in the honest condition before and after being informed that the ad was honest *(H5a)* ($F(1,141)=4.65$, $p=0.033$. However, the difference was not in the direction expected, as CPD increased after being told the ad was honest. These results cannot confirm H4a and disconfirm H5a.

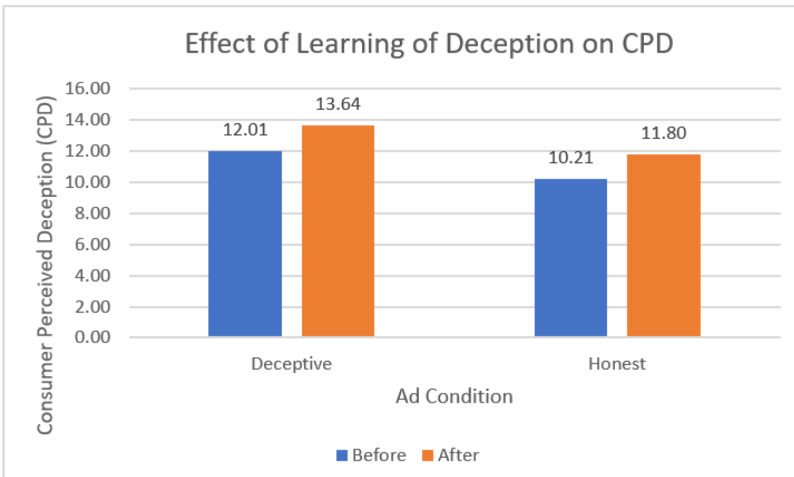


Figure 9: Effect of Learning of Deception on CPD

There were no statistically significant differences in trust before and after the participant learned which ad condition they had viewed *(H4b and H5b)* (deceptive $F(1,146)=0.33$, $p=0.566$, honest $F(1,142)=2.33$, $p=0.129$). Again, the results showed the reverse of what was expected. Trust levels decreased in both conditions, but more so when participants were informed that the ad they viewed was honest. Trust scores both before and after were still higher in the honest condition. These results cannot confirm H4b and can neither confirm nor disconfirm H5b, since they were not significant.

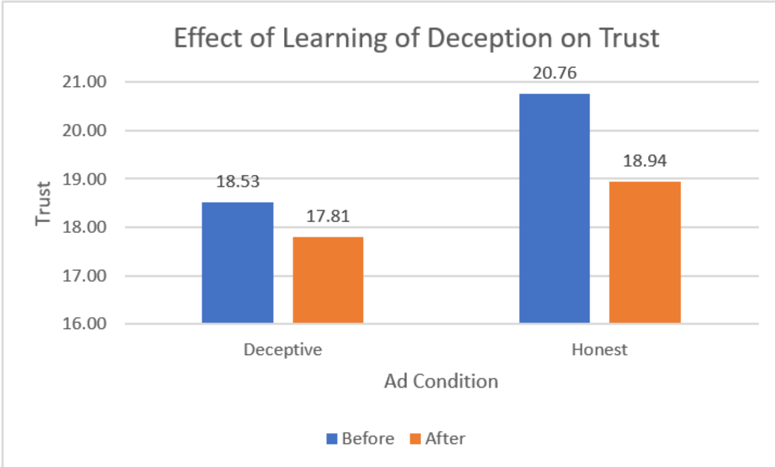


Figure 10: Effect of Learning of Deception on Trust

The results of the one-way (before vs. after) ANOVA test revealed a statistically significant decrease in satisfaction after learning of deception *(H4c)* (F(1,146)=4.38, p=0.038). The difference in satisfaction after learning the ad was honest *(H5c)* was not statistically significant (F(1,140)=2.53, p=0.114). However, as with the other two constructs, the change was not in the direction expected. Satisfaction decreased after respondents were informed their ad was honest. Satisfaction scores both before and after were higher in the honest condition. These results confirm H4c, that learning of deception decreases satisfaction.

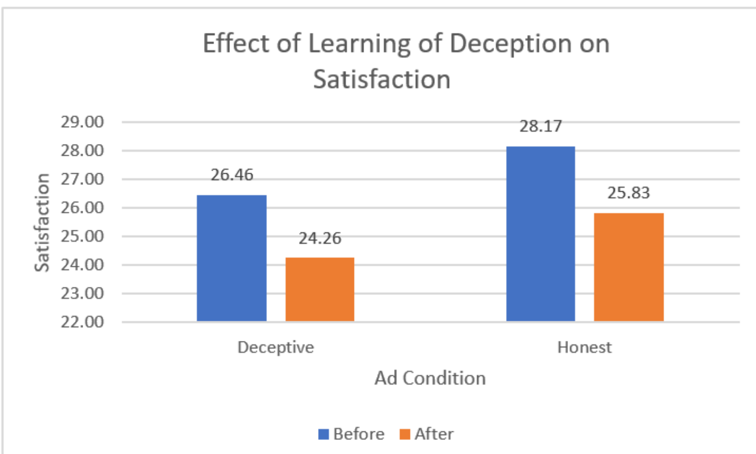


Figure 11: Effect of Learning of Deception on Satisfaction

A two-way ANOVA test revealed that there was not a statistically significant interaction between the effects of ad condition and learning of deception or honesty on CPD ($F(1,280)=0.02$, $p=0.899$), trust ($F(1,280)=0.39$, $p=0.534$) or satisfaction ($F(1,280)=6.27$, $p=0.994$). These results cannot confirm H4 or H5.

DISCUSSION

This research sought to evaluate students' response to deceptive advertising from student loan servicing companies in terms of their perceived deception, trust, and satisfaction. As student debt continues to increase, it is essential that servicing companies act in the best interest of the borrowers and that borrowers trust the information from their servicers as they make their borrowing and repayment decisions. The experiment I conducted tested this response by showing respondents an honest or deceptive ad and asking them to evaluate it. The study also tested if becoming aware of deception affected the constructs by informing the participants which ad they had viewed and asking them to evaluate it again.

The results showed that deceptive advertisements omitting information about student loans resulted in higher perceived deception. This aligns with Nimako and Mbawuni's findings that lower quality or less information on loan terms led to higher perceived deception (2014). However, this study did not uphold their findings that CPD lowers consumer trust for the loan service provider and satisfaction in loan service, though this could be attributed to differences in demographics of respondents, as the present study was limited to college students, and different measures of the trust and satisfaction constructs.

Furthermore, the results showed that informing the participant of deception resulted in lower satisfaction in one's borrowing decisions. This phenomenon is supported by the psychological reactance theory in that when faced with a perceived threat to freedom, the state of reactance will cause anger and negative thoughts in an individual (Dillard and Shen, 2005). Why this did not apply to CPD and trust is unclear. It is also unclear why reactance appeared to also apply when participants were informed of honesty in their ad condition. It is possible having participants answer the same questions twice confused them or made them think twice about their answers. Further research could amend this or look more into possible reasons behind this behavior.

The final question of the questionnaire allowed participants to leave comments with further thoughts on marketing by student loan servicing companies. Twenty-six participants filled in this field. Their comments seem to support the statistical findings. Many mentioned feeling deceived. They believed that information was kept from them or purposely made difficult to find. One student wrote, “I have had trouble with trying to find repayment options for my loans. I would like to start repaying the interest while I am still in school but am having a lot of trouble navigating the website of my loan servicer and therefore have been unable to set up that repayment.” Another felt the marketing messages were “far too concise to not be deceptive.” Several participants also noted low financial literacy, saying they and their peers had not been taught about loans, and, therefore, servicers “try to deceive students since most don’t know much about the proper loans they should be taking.” Just one comment mentioned trust, and only in reference to the actual appearance of the ad, not the claims it contained. There were no mentions of satisfaction.

<u>Limitations</u>

While the present research offers interesting insights on the effect of omission of information in the marketing of student loans, it does possess some limitations.

First, the data was collected from a convenience sample. All the participants were undergraduate students at the same university, which limited diversity in race, nationality, socioeconomic status, and education level. Since the students were all undergraduates, none of them have been required to start repayment on their loans, which possibly alters their thoughts on their servicer and the process in general.

The study also asked participants hypothetical questions, including to imagine the ad was from their own loan servicer or if the student did not take loans, to answer as if they had. This prevented participants from drawing on their own feelings and experiences when answering the questions.

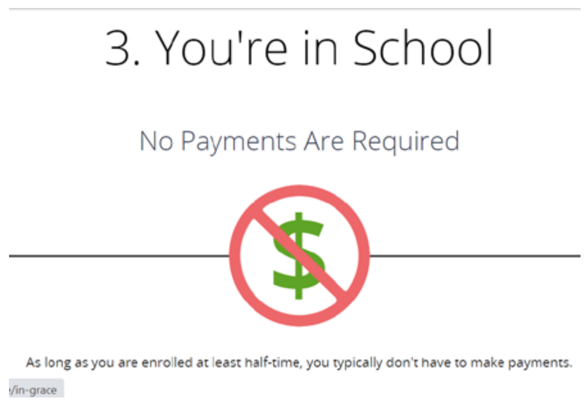
Moreover, the design of the ads may have played a role in some respondents’ analysis. The ads were created specifically for this study to contain or not contain the desired information and remove any bias respondents might have if the ad had come from a servicer they were familiar with. They were identical in design to remove any differences between the two conditions. Several participants, however, left comments regarding the ad design. One felt that "…the company would seem more credible if the graphics and poster looked more professional, at the very least I would trust them more." Another mentioned the importance they place on ad appearance, saying "Appearance makes a huge difference. I personally tend to judge by professional appearance first." If the study were to be repeated, the professionalism of the ads should be considered in their design.

Further Research

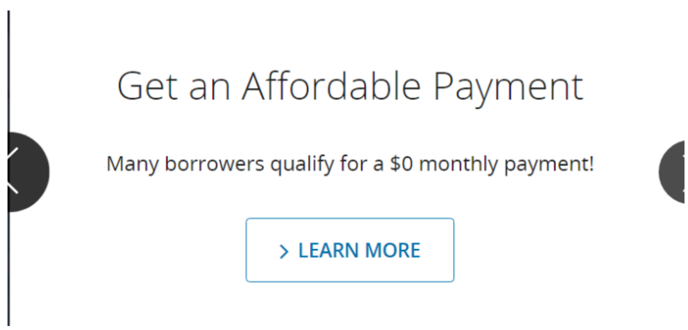
This study and others have shown that omission of information leads to higher perceived deception. In this case, the CPD did not lead to lower trust and satisfaction. Further research could attempt to uncover what CPD in student loans does affect, if anything, and how the marketing could be modified to eliminate this problem. The study could also be modified based on the limitations above and repeated with a larger random sample to see if the results are the same.

APPENDICES

Appendix A: Examples of Deceptive Marketing from Student Loan Servicers



Deception by Omission of Material Facts from Fedloan Servicing



Deception by Omission of Material Facts from Fedloan Servicing

Deception by Omission of Material Facts by EdFinancial

Appendix B: Questionnaire

Honors Thesis Survey - Updated

Survey Flow

Standard: Consent Block (1 Question)
Block: Default Question Block (4 Questions)

BlockRandomizer: 1 - Evenly Present Elements

Standard: Dishonest Ad Block (10 Questions)
Standard: Honest Ad Block (10 Questions)

Standard: Block 4 (1 Question)

Page Break

1. Statement of purpose

You are invited to participate in a study of Marketing by Student Loan Servicing Companies. We hope to learn your perception of Student Loan Servicing Companies based on their Marketing. You were selected as a possible participant in this study because you are currently an undergraduate student, the target demographic for student loans.

2. Description, Including Risks and Benefits

If you decide to participate, you will be asked to complete a brief survey. This should take no longer than 10 minutes. You will be shown an advertisement and asked several questions about your perception of the company. You will not be asked to disclose any personal financial information.

3. Confidentiality

Any information obtained in connection with this study will remain confidential and will not be disclosed to the general public in a way that can be traced to you. In any written reports or publications, no participant other than the researchers will be identified, and only anonymous data will be presented. Your name or email address are not attached to your survey response in any way.

4. Statement that Participation Is Voluntary

Your participation is totally voluntary, and your decision whether or not to participate will not affect your future relations with Bryant University or its employees in any way. If you decide to participate, you are also free to discontinue participation at any time without affecting such relationships. However, it is requested that you notify the investigator of this.

5. Persons to Contact

If you have any questions, please contact:

Lauren Roth

(860) 682-2981

lroth@bryant.edu

If you have any additional questions later, we will be happy to answer them. You can have a copy of this form to keep.

6. Signature Indicating Informed Consent

Please sign below if you have decided to participate. Your signature indicates only that you are at least 18 years of age and have read the information provided above. Your signature does not obligate you to participate, and you may withdraw from the study at any time without consequences.

Default Question Block

Age

Gender

○ Male
○ Female
○ Non-binary / third gender
○ Prefer not to say

Did you take out student loans to help pay for college?

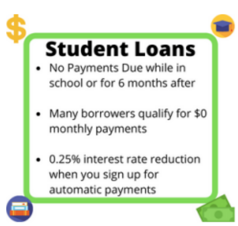
○ No
○ Yes
○ Prefer Not to Answer

Are you generally happy with your loan servicing company?

○ No
○ Yes

Dishonest Ad Block

Imagine you see this advertisement from your student loan servicing company, then answer the following questions.



Rate the advertisement in terms of its description of the service offered

Accurate	○	○	○	○	○	○	○	Misleading
Truthful	○	○	○	○	○	○	○	Deceptive
Factual	○	○	○	○	○	○	○	Distorted

Rate the company based on the advertisement

Insincere	○	○	○	○	○	○	○	Sincere
Dishonest	○	○	○	○	○	○	○	Honest
Not Dependable	○	○	○	○	○	○	○	Dependable
Not Trustworthy	○	○	○	○	○	○	○	Trustworthy
Not Credible	○	○	○	○	○	○	○	Credible

Imagining the advertisement was from your own loan servicer and with your personal borrowing decisions in mind, indicate the extent to which you agree with the following statements. If you do not have student loans, answer hypothetically as if you did.

	Strongly disagree	Disagree	Somewhat disagree	Neither agree nor disagree	Somewhat agree	Agree	Strongly agree
I am satisfied with my student loan borrowing decisions	○	○	○	○	○	○	○
If I had to do it all over again, I would make different borrowing decisions	○	○	○	○	○	○	○
My borrowing decisions were wise	○	○	○	○	○	○	○
I feel bad about my borrowing decisions	○	○	○	○	○	○	○
I think I made the right borrowing decisions	○	○	○	○	○	○	○
I am NOT happy with my borrowing decisions	○	○	○	○	○	○	○

Now read the following information that was omitted from the advertisement. The continue button will display after 15 seconds.

- While no payments are required while enrolled in school at least half-time and for the grace period of 6 months after leaving school, making optional payments would lower the total amount you pay on your loan. Interest accrues daily and may be capitalized, or added to the principal amount of the loan, increasing the amount on which interest is accruing.

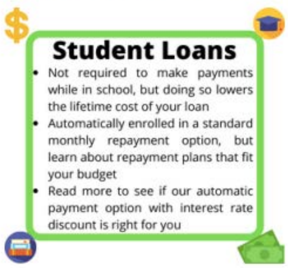
- While some borrowers can qualify for monthly payments of $0 in certain versions of Income-based Repayment (IBR) Plans , this is not typical. The standard repayment plan sets a monthly payment amount every month for usually 10 years. Borrowers facing financial difficulty can apply for an IBR, but the monthly repayment amount could be up to 20% of discretionary income in some circumstances.

- Some servicers offer automatic payment plans with some restrictions that allow for a 0.25% interest rate reduction. However, the process of unenrolling from automatic payments is difficult and takes time for the company to process, making it harder to change your repayment plan in times of financial difficulty.

Now view the original advertisement and answer the questions again.

Honest Ad Block

Imagine you see this advertisement from your student loan servicing company, then answer the following questions.



Rate the advertisement in terms of its description of the service offered

Accurate	○ ○ ○ ○ ○ ○ ○	Misleading
Truthful	○ ○ ○ ○ ○ ○ ○	Deceptive
Factual	○ ○ ○ ○ ○ ○ ○	Distorted

Rate the company based on the advertisement

Insincere	○ ○ ○ ○ ○ ○ ○	Sincere
Dishonest	○ ○ ○ ○ ○ ○ ○	Honest
Not Dependable	○ ○ ○ ○ ○ ○ ○	Dependable
Not Trustworthy	○ ○ ○ ○ ○ ○ ○	Trustworthy
Not Credible	○ ○ ○ ○ ○ ○ ○	Credible

Imagining the advertisement was from your own loan servicer and with your personal borrowing decisions in mind, indicate the extent to which you agree with the following statements. If you do not have student loans, answer hypothetically as if you did.

	Strongly disagree	Disagree	Somewhat disagree	Neither agree nor disagree	Somewhat agree	Agree	Strongly agree
I am satisfied with my student loan borrowing decisions	○	○	○	○	○	○	○
If I had to do it all over again, I would make different borrowing decisions	○	○	○	○	○	○	○
My borrowing decisions were wise	○	○	○	○	○	○	○
I feel bad about my borrowing decisions	○	○	○	○	○	○	○
I think I made the right borrowing decisions	○	○	○	○	○	○	○

Imagine you are talking to a friend about their Student Loan Servicer. They feel deceived by their servicer because information about how payments while in school

could help them save money, different repayment plan options, and the details and restrictions of automatic repayment were not provided to them.

The continue button will appear after 15 seconds.

Survey Powered By Qualtrics

Block 4

Do you have any comments or thoughts regarding marketing by student loan servicing companies? *(optional)*

Appendix C: ANOVA results

Anova: Single Factor

SUMMARY

Groups	Count	Sum	Average	Variance
Deceptive	74	889	12.01351	22.56146
Honest	71	725	10.21127	16.31187

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	117.6929	1	117.6929	6.034845	0.015223	3.907312
Within Groups	2788.817	143	19.50222			
Total	2906.51	144				

Effect of Omitting Information on CPD

Anova: Single Factor

SUMMARY

Groups	Count	Sum	Average	Variance
Deceptive	74	1371	18.52703	56.1431
Honest	71	1474	20.76056	40.81328

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	180.7624	1	180.7624	3.71641	0.055862	3.907312
Within Groups	6955.376	143	48.63899			
Total	7136.138	144				

Effect of Omitting Information on Trust

Anova: Single Factor

SUMMARY

Groups	Count	Sum	Average	Variance
Deceptive	73	1952	26.73973	34.63965
Honest	71	2000	28.16901	64.28531

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	73.52893	1	73.52893	1.492861	0.223798	3.907782
Within Groups	6994.027	142	49.25371			
Total	7067.556	143				

Effect of Omitting Information on Satisfaction

Anova: Single Factor

SUMMARY

Groups	Count	Sum	Average	Variance
Before	74	889	12.01351	22.56146
After	74	1009	13.63514	28.07053

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	97.2973	1	97.2973	3.843313	0.051848	3.905942
Within Groups	3696.135	146	25.31599			
Total	3793.432	147				

Effect of Learning of Deception on CPD

Anova: Single Factor

SUMMARY

Groups	Count	Sum	Average	Variance
Before	72	735.2113	10.21127	16.08213
After	71	838	11.80282	22.90342

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	90.55136	1	90.55136	4.651153	0.032728	3.908258
Within Groups	2745.07	141	19.46858			
Total	2835.622	142				

Effect of Learning of Honesty on CPD

Anova: Single Factor

SUMMARY

Groups	Count	Sum	Average	Variance
Before	74	1371	18.52703	56.1431
After	74	1318	17.81081	58.78563

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	18.97973	1	18.97973	0.330287	0.566375	3.905942
Within Groups	8389.797	146	57.46437			
Total	8408.777	147				

Effect of Learning of Deception on Trust

Anova: Single Factor

SUMMARY

Groups	Count	Sum	Average	Variance
Before	72	1494.761	20.76056	40.23844
After	72	1363.944	18.94366	61.91232

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	118.8407	1	118.8407	2.326771	0.12939	3.907782
Within Groups	7252.704	142	51.07538			
Total	7371.545	143				

Effect of Learning of Honesty on Trust

Anova: Single Factor

SUMMARY

Groups	Count	Sum	Average	Variance
Before	74	1958	26.45946	39.97779
After	74	1795	24.25676	42.08386

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	179.5203	1	179.5203	4.375254	0.038196	3.905942
Within Groups	5990.5	146	41.03082			
Total	6170.02	147				

Effect of Learning of Deception on Satisfaction

Anova: Single Factor

SUMMARY

Groups	Count	Sum	Average	Variance
Before	71	2000	28.16901	64.28531
After	71	1834	25.83099	89.05674

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	194.0563	1	194.0563	2.531026	0.113883	3.908741
Within Groups	10733.94	140	76.67103			
Total	10928	141				

Effect of Learning of Honesty on Satisfaction

Appendix D: IRB Approval Letter

March 2022

Lauren Roth:

RE: IRB Proposal #2022-0319
TITLE: Marketing and Student Loans

Dear Lauren:

Your proposal, entitled "Marketing and Student Loans" was considered under IRB Guidelines for expedited review. The IRB Committee of Bryant University approved the proposal on March 19, 2022.

Bryant University is strongly committed to adhering to the basic ethical principles related to the conduct of research involving human subjects as set forth in *The Belmont Report: Ethical Principles and Guidelines for the Protection of Human Subjects of Research*. The submission of your proposal to the IRB Committee supports the goals of Bryant University and the IRB Committee and ensures that research involving any members of the Bryant community is in strict accordance with these ethical principles and guidelines.

Thank you for your submission, and good luck with your research.

Very truly yours,

Sukki Yoon
Chair, IRB Committee

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