

Discussion of Huang, Liu, Luo, & Wu: “No Interest” Advertising in High-Cost Consumer Credit Markets

Benedict Guttman-Kenney
Rice University



RICE | BUSINESS

JONES GRADUATE SCHOOL OF BUSINESS
VIRANI UNDERGRADUATE SCHOOL OF BUSINESS

Behavioral Industrial Organization & Marketing Symposium, 8th May 2026

Three potential outcomes for this paper



No interest



Some interest



Lots of interest

What are the effects of cash advance apps advertising as “No Interest” loans to consumers?

Main Data: Sensor Tower


- **Mobile app use** based on downloads & number of active users
- **Advertising data** daily ad share & raw ad (then code up in ML)
- Cash advance app **pricing structures** (Finder.com)

What are the effects of cash advance apps advertising as “No Interest” loans to consumers?

Main Data: Sensor Tower

- **Mobile app use** based on downloads & number of active users
- **Advertising data** daily ad share & raw ad (then code up in ML)
- Cash advance app **pricing structures** (Finder.com)

Main Methodology and Key Result

- Use variation in ad impressions driven by campaign-spending commitments
- No Interest advertisements by cash advance apps cause  app usage (more downloads & more active users)

Survey Experiment

- Randomly vary “No Interest” advertising of cash advance products
- “No Interest” advertising  consumer understanding

Paper studies an interesting & topical subject

- Limited academic literature on online cash advance products / EWA
- Policy debate on interest-free advertising
 - CFPB interpretive rule (2024, 2025)
 - Court cases & state-level approaches
- Links to broader topic on teaser rates & shrouding “junk fees”
 - Drip pricing
 - 0% introductory rate on credit cards
 - Adjustable-rate mortgages
 - Introductory higher rate on savings accounts/CDs

Paper can interest readers across marketing, economics, & finance

Beyond scope of this paper but...

How often and why do consumers tip their lender?

- Interesting to understand **tipping** in this context!

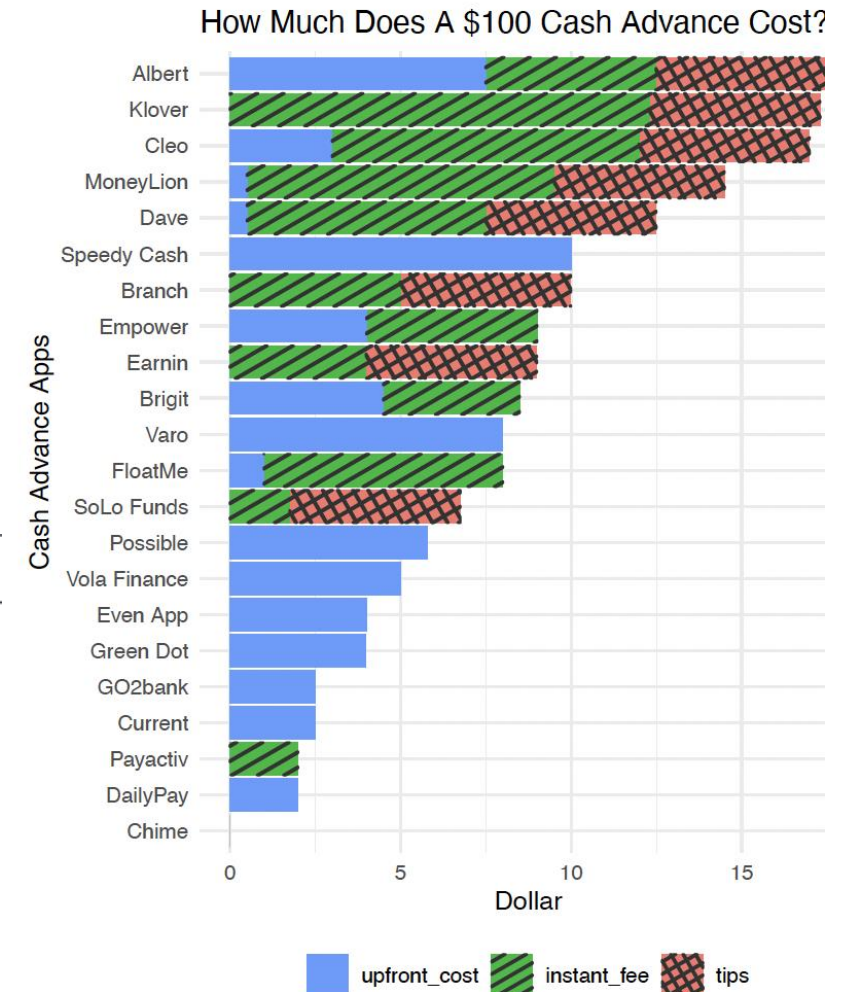
(Researchers could infer in transaction data)

- Is Chase leaving money on the table?!
- Appears different to existing tipping literature

(Haggag & Paci, 2014; Azar, 2020;




Chandar, Gneezy, List, & Muir, 2019)

Reason for tipping	United States	Israel
1. Avoid feeling guilty	60.2%	13.3%
2. Avoid embarrassment	44.1%	23.2%
3. Tipping being a social norm	84.7%	58.1%
4. Show gratitude	67.8%	68.9%
5. Waiters depend on tips	66.9%	32.4%
6. Get poor future service if I don't tip	13.6%	2.5%
7. The waiter may yell at me if I don't tip	4.2%	0.0%
Total number of reasons	3.42	1.98
Number of observations	118	241



#1: Economic Outcome

Economic outcome of interest is loan use NOT app activity!

- App activity is a **proxy** for the outcome lenders care about
 - Active user measure is a black box measure that is hard to interpret
 - Expect substantial **attrition** between proxy and **downstream outcome**
- Advert  Download App  Make Application  Complete Application

Economic outcome of interest is loan use NOT app activity!

- App activity is a **proxy** for the outcome lenders care about
 - Active user measure is a black box measure that is hard to interpret
- Expect substantial **attrition** between proxy and **downstream outcome**
Advert → Download App → Make Application → Complete Application
- Need to demonstrate **relationship** between **app downloads/activity vs. purchases**
 - Especially important as some of these firms have multiple product offerings
 - Validate this (even in other sectors?) (Shapiro, Hitsch, Tuchman, 2021)
- For marketing audience, app downloads/activity could be the objective that firm's marketing group is maximizing?

#2: Disclosure

Survey experiment order is inconsistent with consumer experience

Order in Survey Experiment:

1. App description
2. Advertisement
3. Test understanding

Survey experiment order is inconsistent with consumer experience

Order in Survey Experiment:

1. App description
2. Advertisement
3. Test understanding

Order in Decision:

1. Advertisement
2. App description

Survey experiment order is inconsistent with consumer experience

Order in Survey Experiment:

1. App description
2. Advertisement
3. Test understanding

Order in Decision:

1. Advertisement
2. App description
3. Pre-contractual disclosure (Regulation Z / TILA: Truth in Lending Act)
 - **Understanding at this stage is key: the purchasing decision!**
 - **Test TILA disclosure! Class action lawsuits, different approaches across states**
 - **Extend your data to study CFPB interpretive rule (July 2024) & reversal (Dec. 2025)**

Are advertising regulations and pre-contractual disclosures complements or substitutes?

Challenges of regulating advertising

- Advertising is increasingly challenging to monitor
 - TV, radio, social media, and paid influencer partnerships
- Advertising is harder to regulate than consumer finance disclosures
 - Requires more judgment

Are advertising regulations and pre-contractual disclosures complements or substitutes?

Challenges of regulating advertising

- Advertising is increasingly challenging to monitor
 - TV, radio, social media, and paid influencer partnerships
- Advertising is harder to regulate than consumer finance disclosures
 - Requires more judgment

Compare to disclosures

- Disclosures may not be read or understood
- Consumer finance disclosures are not designed for a digital world
- Easier to monitor whether disclosures are provided in format required

Could you speak to this bigger issue with your global data?

- Very different regulatory regimes across countries that may change over time

#3: Consumer Understanding

Results show a very high rate of consumer understanding that the product is not zero cost

- Misunderstanding changes from 1.7% (Control) to 10.6% (No Interest)
- Overwhelming majority (89%) **understand that the product is not free**

	dollar cost average	dollar cost =\$0
No interest ads	-2.268*** (0.610)	0.089*** (0.019)
Other ads	-0.706 (0.615)	0.025 (0.019)
Baseline	14.469*** (0.432)	0.017 (0.013)
Observations	868	868

Benchmarking 10.6% of Americans

- Americans (%) answering “big 3” financial literacy questions incorrectly:
16% Interest , 21% Inflation, 17% Risk

(Lusardi & Mitchell, 2020)

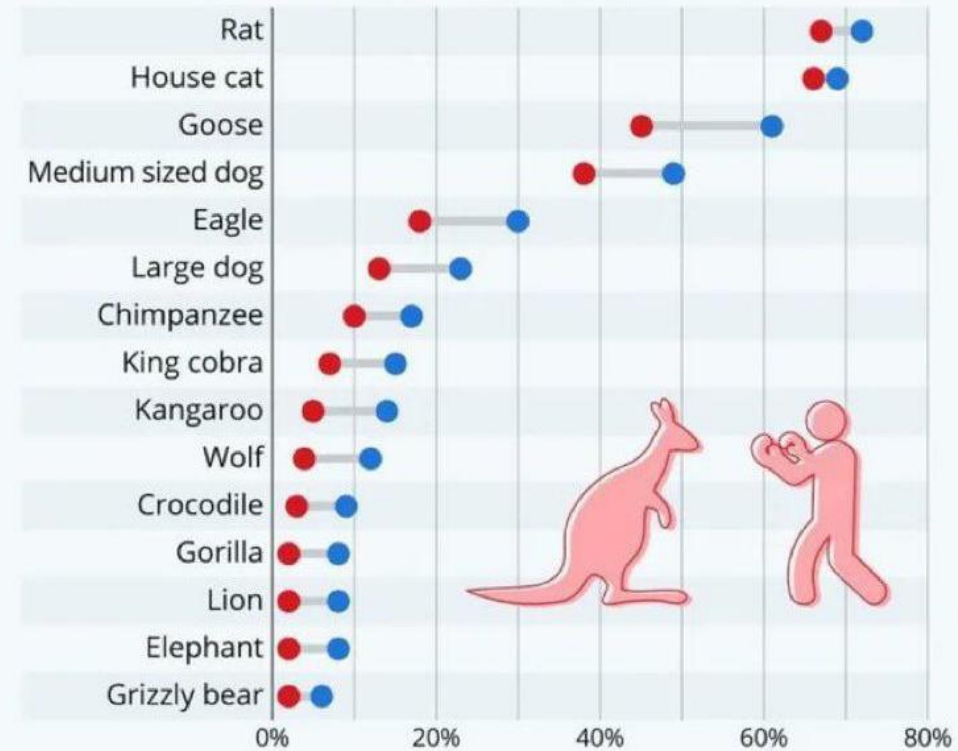
Benchmarking 10.6% of Americans

- Americans (%) answering “big 3” financial literacy questions incorrectly:
16% Interest, 21% Inflation, 17% Risk
(Lusardi & Mitchell, 2020)
- Americans (%) who think that they could beat a Wolf/Crocodile in an unarmed fight

Which Animals Could You Beat in a Fight?

"Which of the following animals, if any, do you think you could beat in a fight if you were unarmed?"

● Brits ● Americans



Survey of 2,082 GB adults (conducted 18-19 May 2021) & 1,224 U.S. adults (conducted 12-13 April 2021).

Source: YouGov

Thank You!

 www.benedictgk.com

 benedictgk@rice.edu



JONES GRADUATE SCHOOL OF BUSINESS
VIRANI UNDERGRADUATE SCHOOL OF BUSINESS

#4: What makes an effective advertisement?

- **Salient** hook for inattentive consumers
- **Informs/reminds** consumers about a brand/product
- **Memorable** ([Example 1](#))
- Advertisement content may be orthogonal to the product ([Example 2](#))

**Compare similar advertisements to pin down
salience vs. information?**

–same-app, similar quality, *different* No Interest salience.

Example of an effective advertisement

