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Abstract

The marketing of debt consolidation loans to consumers faced with mounting debt has become a major industry. The authors argue that debt consolidation loans can help consumers (e.g., lower monthly payments) and reduce their financial stress (e.g., longer repayment and more total interest paid). Two experiments demonstrate that a financial literacy intervention combining information about loans and lenders can help consumers understand and respond to debt consolidation loan marketing (whereas a basic financial numeracy intervention does not). Implications for consumers, marketers, public policy makers, and researchers who work in the area of financial literacy are discussed.

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