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Financial Education versus Costly Counseling: How to Dissuade Borrowers from Choosing Risky Mortgages?

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Abstract

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triggered by applicant credit scores or by their choice of "risky mortgages." Low-credit score applicants for whom counselor review was mandatory did not materially alter their contract choice. Conversely, higher credit score applicants who could avoid counseling by choosing nonrisky

mortgages did so, decreasing their propensity for high-risk contracts between 10 and 40 percent. In the event, one of the key goals of the legislation—curtailment of high-risk mortgage products—was only achieved among the population that was not counseled.

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D18 Consumer Protection

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R21 Urban, Rural, Regional, Real Estate, and Transportation Economics: Housing Demand

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