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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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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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