Lending Competition and Non-Traditional Mortgages

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Abstract

We provide new perspectives on the rampant growth of non-traditional mortgages (NTMs) prior to the Great Recession by showing that local lending competition contributed significantly to the early growth of NTMs while growth of non-bank lending played an important role in expanding NTMs at a later stage. We also find that state level anti-predatory lending laws were more (less) effective in restraining the origination of NTMs in markets with higher (lower) levels of lending concentration.