

Predatory lending behaviour

Po Yu Lin
link5@lsbu.ac.uk

Gurjeet Dhesi
dhesig@lsbu.ac.uk

London South Bank University

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Abstract

This paper surveys the literature on predatory lending behaviour in the banking system. We define predatory lending behaviour, discuss the problems arising from this bank lending model and review the work that studies the detection of predatory lending, optimal borrowing and the social welfare implications of predatory lending behaviour. The above is further examined by reflecting on the Subprime Mortgage Crisis and the financial regulations (pre and post crisis) framework.

Key words: Predatory lending, Subprime Mortgage, Financial Regulation.