

Financial Media as a Money Doctor: Evidence from Refinancing Decisions

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Brief Summary: Research Questions

- Impact of **Financial TV Media** on **Loan Refinancing** decisions?
- Two Possible Reasons
 - Nudge against inertia
 - Education/Information
- Apriori – What should we expect?
 - Prior research suggests exposure to news media **hurts** equity **market participants**
 - Borrowers?

Empirical Design

1. Staggered entry of Fox Business Network
 - Difference-in-differences
 - Treated and Control **Zipcodes** within the **same county**
2. Channel lineup rank
 - Lower rank => greater exposure
3. Triple difference (DIDID)

Main findings

- Entry of FBN is **positively** associated with an increase in **refinancing activity**
- Channel rank is **negatively** associated with **refinancing activity**
- Consistent with **both - nudges** and **information** channel
 - Fewer incomplete applications
 - Greater mortgage shopping
- Financial Media substitutes for mortgage counsellors
- Stronger effect for non-conventional loans (low credit score) and low-income borrowers

My Take

- Interesting, and important question!
 - Clearly motivated
 - Novel
 - Policy relevant
- Easy to follow
- Empirically – carefully executed
 - Have preempted most concerns
- **Difficult to think of additional suggestions/criticisms**
 - **Couple of suggestions on expanding the scope**

Plausible?

- Yes!
 - Entry of FBN is associated with 7% increase in refinancing activity
 - 13 bps lower rates for refinanced loans
- I got Nudged!

Big Picture – Equity vs Borrowing

- Effect on news media on equity market participants
 - Negative (Barber and Odean (2008), Engelberg and Parsons (2011), Peress (2014))
- However, positive effect on borrowers
- **Why?**
- Why doesn't news media improve decisions of equity investors? What's different about borrowers?
- Conflict of interest in case of equity?
 - Stock 20:20 (CNBC Awaaz)
 - [Sebi bars TV anchor Hemant Ghai, wife and mother for 'fraud in trading'](#)
- **Some commentary on the contrast may be useful!**

Big Picture – Equity vs Borrowing

- Does news media impact other debt outcomes?
 - Loan to income?
 - Loan Approval rate? – See Kumar (2021)
 - Loan defaults?
 - Loan Applications? – Could have adverse consequences?
 - Credit Score (GSE data – Fannie and Freddie)
- Does experience matter? – First-time borrowers vs. others
- Otherwise, one wonders **what is special about refinancing?**
- **Will help provide a holistic view of the impact on borrowers**

Impact on Banks?

- Possible to comment on lender performance?
- Informed choice by borrowers => Lower profits?
- But informed borrower => lower defaults?
- Identification may be a challenge!
 - But possibly still interesting
 - Data from Call reports - Treatment based on exposure to treated zipcodes?

Overall

- Interesting Paper!
- Well written
- Carefully executed
- Good luck!