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Academic Employment

Olin Business School, Washington University in St. Louis

Assistant Professor of Finance, 2016–present.

London Business School

Assistant Professor of Finance, 2014–2017 (on leave from Fall 2016).

Education

University of Michigan, Ross School of Business

Ph.D. in Finance, 2009–2014.

University of Kentucky

M.S. Electrical Engineering, 2009.

B.S. Electrical Engineering, Summa Cum Laude, 2005.

Research Interests

Financial intermediation and regulation, corporate finance, financial contracting, information economics.

Published Papers

Design of Financial Securities: Empirical Evidence from Private-Label RMBS Deals, 2017.
[Review of Financial Studies (2017) 30 (1): 120-161] [SSRN Version]

with Amiyatosh Purnanandam.

We study the key drivers of security design in the residential mortgage-backed security (RMBS) market during the run-up to the subprime mortgage crisis. We show that deals with a higher level of equity tranche have a significantly lower delinquency rate that cannot be explained away by the underlying loan pool's observable credit risk factors. The effect is concentrated within pools with a higher likelihood of asymmetric information between deal sponsors and potential buyers of the securities. Further, securities that are sold from high-equity-tranche deals command higher prices conditional on their credit ratings. Overall our results show that the goal of security design in this market was not only to exploit regulatory arbitrage, but also to mitigate information frictions that were pervasive in this market.

The Strategic Underreporting of Bank Risk, 2017.
[Review of Financial Studies (2017) 30 (10): 3376-3415] [SSRN Version]

with Amiyatosh Purnanandam and KC Zheng.

We show that banks significantly under-report the risk in their trading book when they have lower equity capital. Specifically, a decrease in a bank's equity capital results in substantially more violations of its self-reported risk levels in the following quarter. The under-reporting is especially high during the critical periods of high systemic risk and for banks with larger trading operations. We exploit a discontinuity in the expected benefit of under-reporting present in Basel regulations to provide further support for a causal link between capital-saving incentives and under-reporting. Overall, we show that banks' self-reported risk measures become least informative precisely when they matter the most.

Working Papers

Color and Credit: Race, Regulation, and the Quality of Financial Services, 2019.
[Revise and Resubmit]
with Amiyatosh Purnanandam.

The incidence of mis-selling, fraud, and poor customer service by retail banks is significantly higher in markets with lower income and educational attainment. Further, areas with a higher share of minority population experience significantly worse outcomes even after controlling for factors such as income, education, and house price changes. Regulations aimed at improving access to credit to such areas are partly responsible for these findings. Specifically, low-to-moderate-income (LMI) areas targeted by the Community Reinvestment Act have significantly worse outcomes and this effect is magnified further for LMI areas with high-minority population. The results highlight an unintended adverse consequence of such *quantity*-focused regulations on the *quality* of credit to poor and minority customers.

Disaster Lending: "Fair" Prices, but "Unfair" Access, 2020.
with Umit Gurun, Amiyatosh Purnanandam, and Daniel Weagley.

We find that under risk-insensitive loan pricing – a feature present in many government programs – marginal credit quality borrowers are less likely to receive credit. By restricting price flexibility, marginal applicants that would likely receive a loan at a higher interest rate are instead denied credit altogether. Our particular setting is the Small Business Administration's disaster-relief home loan program, where risk-based pricing is absent, but screening on credit quality remains. We find that this program denies more loans in areas with larger shares of minorities, subprime borrowers, and higher income inequality, even relative to private market denial rates. Thus, despite ensuring "fair" prices, risk-insensitive pricing may lead to "unfair" access to credit. As a consequence, the government's own lending program ends up denying credit to minority and poor borrowers at a higher rate than private markets.

Small bank lending in the era of fintech and shadow banking: a sideshow? 2020.
with Kandarp Srinivasan.

The share of mortgage lending by four largest banks (Big4) dropped from about 30% to 23% of the market from 2009-2013 following the crisis-related fines and heightened regulatory burden. Aggregate patterns suggest this gap was filled by shadow banks and fintech lenders whose respective shares rose from 24% to 30% and from 2% to 7%. Despite this secular rise in nonbank lending, we present new cross-sectional facts showing that small banks were twice as responsive as shadow banks to fill the gap left by the Big4 retreat, and more than four-times more responsive than fintech lenders. Using granular lender-county data, we use within-bank variation and county fixed effects to show a strong reallocation of lending for small banks toward areas where the Big4 withdrew. We provide evidence that institutional features of the mortgage market and consumer preference for banks play important roles in our findings. Our results highlight the continued importance of small banks despite the rise of shadow banks and financial technology disruption.

Dream Chasers: The Draw and the Downside of Following House Price Signals, 2020.
with Peter Haslag and Daniel Weagley.

We study individual labor market decisions during the house price run-up of the early 2000s using the career paths of nearly 7 million workers. We find that individuals switch careers to become real estate agents (REAs) at higher rates in areas with stronger house price growth, despite little or no growth in average REA wages. We find that those drawn into real estate come from virtually all parts of the skill, wage, and education spectrums, and respond to both fundamental and non-fundamental house price growth. Examining wages, we find that those drawn into REA near the peak of the run-up experienced substantially lower wage paths than similar non-entrants through the end of our sample in 2017. These effects are particularly severe for entrants in areas with higher non-fundamental growth. Overall, we shed light on some important consequences of house price fluctuations, both fundamental and non-fundamental, on labor market outcomes.

The importance of financial experience for first-time homeowners, 2019.
with Radhakrishnan Gopalan, Naser Hamdi, and Rodrigo Moser.

We use individual-level data to quantify the effect of getting a mortgage on non-mortgage credit outcomes. We use a regression discontinuity design and find that individuals that transition to homeownership increase their credit card and auto balances by $8,300 and $14,800, suggesting a debt spillover effect from home ownership. This increase in debt is equivalent to 13% of the average mortgage loan, and we provide evidence that it is mainly driven by a change in credit demand. We find that this increase in debt is driven by individuals with higher financial experience, while their overall ability to service their debt remains unchanged. In contrast, low-experience individuals do not increase their debt, but are relatively more likely to experience a deterioration in their financial health. Taken together, these results highlight the role financial experience plays in managing the debt burden associated to a new home.

Signaling, Financial Constraints, and Performance-Sensitive Debt, 2013.

This paper examines how good borrowers use the design of performance-sensitive debt contracts to alleviate financial constraints. I show that borrowers use a convex pricing grid (i.e., a contract where the increase in the loan spread following a decline in performance exceeds the decrease in the spread following a performance improvement) to signal their unobservable creditworthiness and receive better bank loan terms. I find that constrained firms that use convex pricing grids receive loans that are 21-28% larger with a spread that is 31-37 basis points lower than observationally similar borrowers that use fixed spread loans. Consistent with the notion that a costly signal should positively correlate with future financial health, I find that constrained borrowers that use a loan with a convex pricing grid are one third less likely to experience financial distress during the term of their loans.

Permanent Working Papers

The Real Costs of Corporate Credit Ratings, 2015.

Conference and Seminar Presentations (†*indicates conference discussant*)

American Finance Association (2015,2016,2016†,2017†,2018,2018†,2020x2), Atlanta Fed (2019x2), Baffi Carefin-Bocconi (2013,2015), Banque du France ACPR International Conference (2015, 2015†), Barcelona GSE Summer Forum (2015), BI Conference on Corporate Governance (2015†), Chicago Financial Institutions Conference (2019), Conference on Financial Economics and Accounting (2012, 2014), December International Paris Finance Meeting (2014 Best Paper Award, 2014†), Dutch Central Bank Macroprudential Regulation Conference (2015), Erasmus Credit Conference (2014), European Banking Center Network Conference (2019), Finance Down Under Conference (2019,2020),Front Range Conference (2019), FIRS (2013,2014,2014†,2015, 2015†), International Conference on Sovereign Bonds (2016†), ITAM Finance Conference (2019), Journal of Finance, Law, and Accounting Conference (2017), LBS Summer Finance Symposium (2014†,2015†), Midwestern Finance Association (2018,2019), MoFiR Workshop on Banking (2019), NBER Corporate Finance Meeting (2017), NBER Summer Institute (2013,2015,2017), Philadelphia Federal Reserve Conference (2012,2017†,2019), Red Rocks Finance Conference (2018), SFS Cavalcade (2013x2,2015), St. Louis Fed Community Banking Conference (2017,2019), Tel Aviv University Finance Conference (2015), Texas Finance Festival (2015), UNC Junior Finance Roundtable (2017), Universidad Católica de Chile Finance Conference (2017), University of Kentucky Finance Conference (2019), USC PhD Finance Conference (2013), Utah Winter Finance Conference (2014), UT-Dallas Finance Conference (2019†), Washington University Corporate Finance Conference (2013), WFA-CFAR JFI Conference (2017), WFA (2014,2015), Yale Junior Finance Conference (2018).

Bank of England, Berkeley, Boston College, Dutch Central Bank, Federal Reserve Board, George Mason, George Washington, Georgia Tech, Illinois, Indiana, London Business School, Maryland, Miami, Michigan, Michigan State, Missouri, North Carolina–Chapel Hill, Oklahoma State, Penn State, Princeton, Rochester, Stockholm School of Economics, Surrey, U of Amsterdam, Washington (Foster), Washington University-St. Louis (Olin), Wharton.

Service

Refereeing:

International Review of Finance, Journal of Banking and Finance, Journal of Finance, Journal of Financial and Quantitative Analysis, Journal of Financial Economics, Journal of Financial Intermediation, Management Science, Review of Finance, Review of Financial Studies.

Conference Committee:

AFA Session Chair (2021), EFA (2018,2019,2020), FIRS (2019), FMA (2015, 2016, 2017, 2018,2019), LBS Summer Symposium (2015, 2016), Midwest Finance Association (2016), WashU Corporate Finance Conference (2018,2019), WFA-CFAR JFI Conference (2017)

PhD Committee:

David Schoenherr (2016), Rodrigo Moser (current)

Teaching

Olin Business School, Washington University in St. Louis. Ratings: average 9.6/10, median 10/10.

Advanced Financial Management (BSBA), 2016–.

London Business School. Average Rating: 4.7/5.

Advanced Corporate Finance (EMBA, MBA, MiF), 2015–2016.

Econometrics I (PhD), 2016.

Ross School of Business, University of Michigan. Average Rating: 4.9/5.

Finance 317: Corporate Financing Decisions (BBA), Fall 2011.

EMBA 602: Managing Capital (EMBA), Teaching Assistant, Fall 2011, 2012.

EMBA QSW: Quantitative Skills Workshop (EMBA), Summer 2011, 2012, 2013.

Coursera: Introduction to Finance, 2012.

Honors, Awards, & Fellowships

Distinguished Referee Award, Review of Finance, 2017.

Best Paper, December International Paris Finance Meeting, 2014.

Deloitte Institute of Innovation and Entrepreneurship Grant, 2014-2015.

Stark Fellowship for academic excellence, 2013-2014.

Dykstra Fellowship for academic and teaching excellence, 2012-2013.

Nasdaq Fellowship, 2012-2013.

Thomas William Leabo Memorial Award for outstanding performance, 2011-2012.

Mitsui Life Award for best overall performance in the second year, 2011.

Rodkey and Ross School of Business Fellowship, 2009-present.

H. Boyd McWhorter SEC Scholar-Athlete of the Year Post-Graduate Scholarship, 2006.

University of Kentucky Scholar-Athlete of the Year Fellowship sponsored by State Farm Insurance, 2006.

ESPN Academic All-American, Football, 2005.