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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, 2018.
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: The Distributional Consequences of Government Lending Programs, 2018.
with Umit Gurun, Amiyatosh Purnanandam, and Daniel Weagley.

Residents of areas with a greater proportion of minorities are denied credit through the Small Business Administration's (SBA) disaster lending program at a significantly higher rate than areas with a lower proportion of minorities. This difference in denial rates is not explained by observable differences in credit risk and is larger than the corresponding difference in denial rates in private lending markets. We find no evidence that taste-based discrimination is driving this result. Rather, we find the difference in denial rates is likely driven by the SBA's use of risk-insensitive loan pricing, where the same interest rate is offered to all approved borrowers irrespective of their relative creditworthiness. This leads to outcomes where borrowers that would likely receive a loan at a higher interest rate are instead denied credit altogether. Overall, our findings highlight the importance of using market prices as a mechanism to allocate credit across borrowers. Programs that limit the use of this mechanism to ensure a "fair" price of credit across borrowers may have unintended "unfair" consequences on the quantity of credit.

The Real Costs of Corporate Credit Ratings, 2015.
[Revise and Resubmit at the Journal of Finance]

Credit rating agencies emphasize the importance of specific financial ratio thresholds in their rating process. Firms below these thresholds are more likely to receive higher ratings than similar firms that are not. I show that firms near key Debt/EBITDA thresholds are significantly more likely to reduce R&D and SG&A expenditures (boosting EBITDA) prior to bond issuance compared to observationally similar firms not near a threshold. Subsequently, they are more likely to experience declines in patent productivity, profitability, and Tobin's Q. These distortions highlight an important cost of arm's-length financing and an adverse consequence of transparency in credit rating criteria.

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.

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

American Finance Association (2015,2016,2016†,2017†,2018,2018†), Baffi Carefin-Bocconi (2013,2015), Banque du France ACPR International Conference (2015, 2015†), Barcelona GSE Summer Forum (2015), BI Conference on Corporate Governance (2015†), 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), FIRS

(2013,2014,2014†,2015, 2015†), International Conference on Sovereign Bonds (2016†), Journal of Finance, Law, and Accounting Conference (2017), LBS Summer Finance Symposium (2014†,2015†), Midwestern Finance Association (2018), NBER Corporate Finance Meeting (2017), NBER Summer Institute (2013,2015,2017), Philadelphia Federal Reserve Conference (2012,2017†), SFS Cavalcade (2013x2,2015), St. Louis Fed Community Banking Conference (2017), Tel Aviv University Finance Conference (2015), Texas Finance Festival (2015), UNC Junior Finance Roundtable (2017), Universidad Católica de Chile Finance Conference (2017) USC PhD Finance Conference (2013), Utah Winter Finance Conference (2014), Washington University Corporate Finance Conference (2013), WFA-CFAR JFI Conference (2017), WFA (2014,2015).

Bank of England, Berkeley, Boston College, Dutch Central Bank, Federal Reserve Board, Georgia Tech, George Washington, Illinois, Indiana, London Business School, Maryland, Michigan, Michigan State, North Carolina–Chapel Hill, 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, Management Science, Review of Finance, Review of Financial Studies.

Conference Committee:

EFA (2018), FMA (2015, 2016, 2017, 2018), LBS Summer Symposium (2015, 2016), Midwest Finance Association (2016), WashU Corporate Finance Conference (2018), WFA-CFAR JFI Conference (2017)

PhD Committee:

David Schoenherr (2016)

Teaching

Olin Business School, Washington University in St. Louis. Average Rating: 9.2/10.

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.

Last updated: March 2018