

THE EFFECT OF MINORITY BANK OWNERSHIP ON MINORITY CREDIT

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Summary

THIS PAPER

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 - cf) peer banks: Summary of Deposits and call reports
 - 2 Bank employees: Census Bureau, CSBS, TWG, Social media, Zillow, NCUA, and BrightData
 - Use Face Attribute Recognition and Bayesian Improved First and Surname Geocoding to identify race
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- Empirical identification w/ fixed-effects and diff-in-diff designs
 - FE design w/ location, period, demographics, mortgage/bank characteristics ctrlled
 - Use fraud-induced bank collapses (Abacus Federal Savings Bank and Colonial Bank)

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 - Mortgage approvals decrease for Asian borrowers after the Abacus demise
- 4 The default rate of minority banks' same-race borrowers is lower than other races
 - Robust to credit risk and loan officer race effects; mainly driven by Asian banks
 - Indicative of minority banks' better information about borrowers

Comments

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Three comments:

- 1 The Impact of Minority-owned Banks on the Welfare of Minority Borrowers
- 2 Testing the Information Channel
- 3 Minority Bank Ownership vs. Loan Officers

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⇒ Help understand the impact of minority-owned bank on the well-being of minority borrowers

DIRECT TESTING THE INFORMATION CHANNEL

- Mechanism through the reduced information asymmetry by minority bank ownership
- Inferred by the reduced default rate assoc. w/ same-race minority borrowers
 - Only evidenced for Asian banks (limited obs. for black or hispanic), specific to 2018-19
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- What are general **sorting patterns** b/w minority-owned bank and borrowers?

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- Can such **“organizational” or “spatial” network** enhance **the breadth and quality of information?**

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Review:

- Very interesting paper! – important question, rich data, clean identification, various implications
- Welfare implications for minority borrowers (financial well-being, vulnerability to shocks, etc.)
- Direct evidence or test for the information channel
- Uncovering the role and impacts of bank “ownership”
- Plentiful avenues for future exploration (policy analysis, minority entrepreneurship, inequality...)

Looking forward to the next version 😊

Thank You!

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