The Effect of Minority Bank Ownership on Minority Credit

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Discussion by

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Summary

- Question
  - How and why does minority ownership affect minority credit?
- Approach
  - Summarize lending behavior across bank type
  - Compare outcomes across race of lender-borrower matches
  - DiD exploiting bank failure for minority-owned bank
- Key Results
  - MO Banks: More real estate, portfolio loans, minority borrowers
  - Same-race matches: Ownership has sizeable effect on approval rates and delinquency
  - Bank failures: Negative effect from relationship breakdown
- Comments
  - Relevant Control
  - Empirical Design
  - Additional Channels

Relevant Control

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  - Defaults: Other-race borrowers at Same-Race Bank

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- Mechanism: Minority Ownership relative to Minority Boards

Empirical Design

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      $\Rightarrow$ Demand side: Already originated

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Conclusion

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- Paper tackles important policy question using rich data
- Involved approach provides several angles at complex problem
- Could pin down mechanism using alternative designs and channels