

Discussion of:
**Bank Lending During the
Financial Crisis of 2008**


Victoria Ivashina

David Scharfstein

Discussant: Daniel Paravisini

Columbia Business School

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Overview

- Facts
 - New syndicated loans dropped during the 4th quarter of 2008
 - Spike in C&I loans on balance sheets: borrowers drew down credit lines after Lehman failures
- Question
 - Did stress on bank liquidity lead banks to cut lending?
- Approach: banks reduce lending more if
 - Less deposit finance
 - Co-syndicated credit lines with Lehman

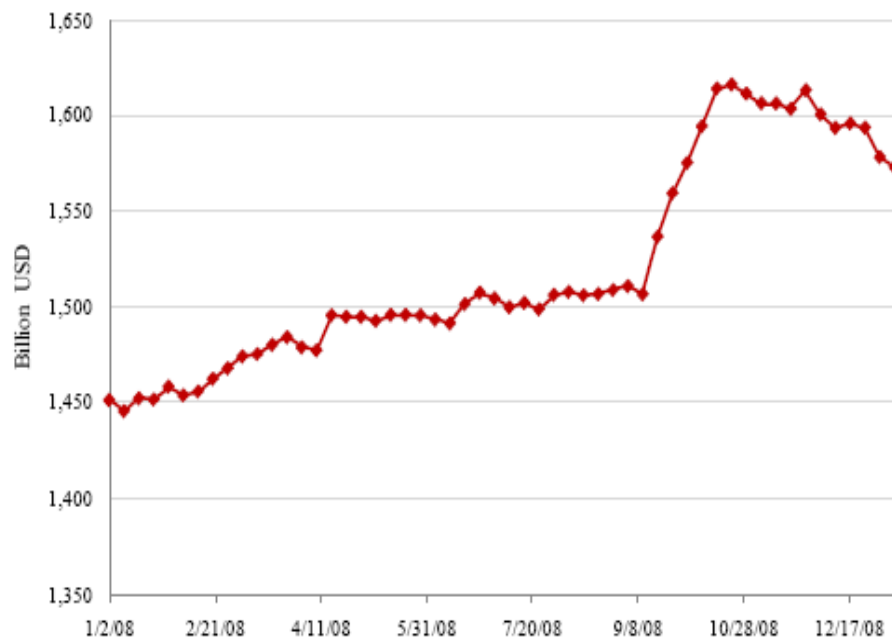
Two Issues

- Credit line withdrawal spike was relatively small
 - Securities (MBS and non-MBS)
 - Real estate loans (acquisitions)
- “Liquidity stress” \neq cash shortage
 - Cash hoarding
 - Asset illiquidity?

C&I credit by Commercial Banks

- \$100 bn increase after Lehman

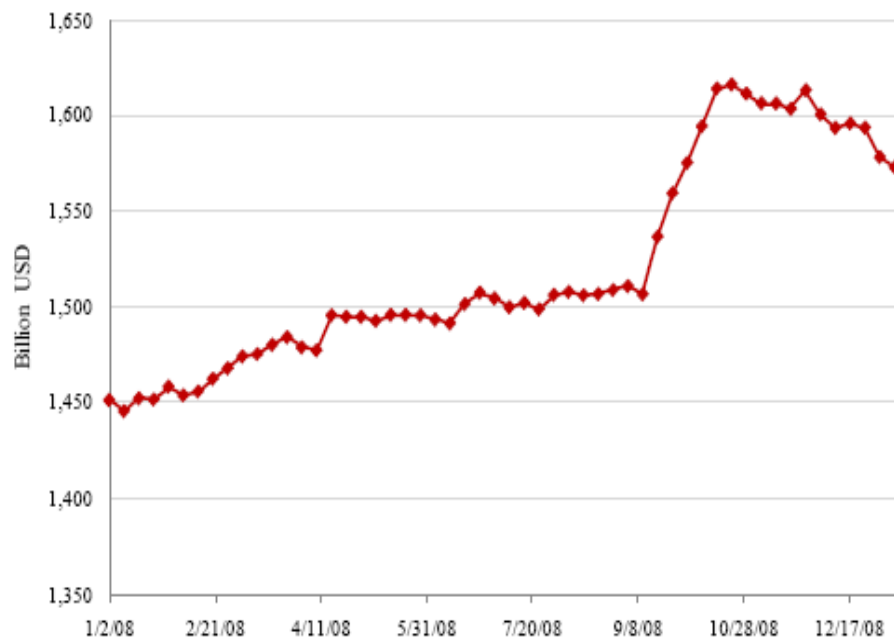
Paper, Fig. 5



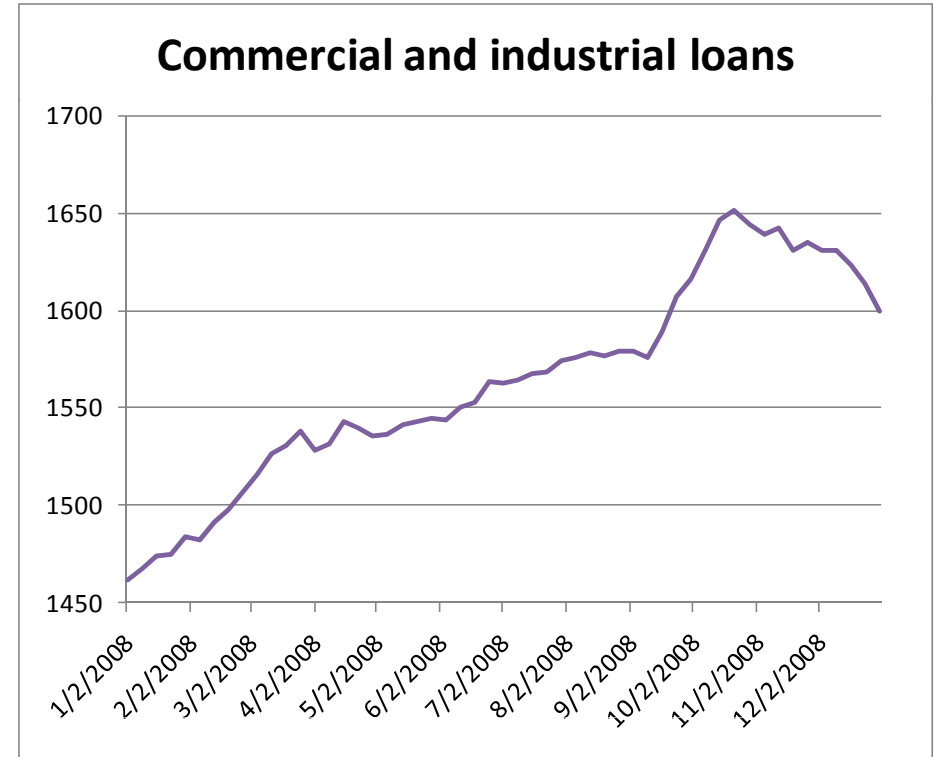
C&I credit by Commercial Banks

- \$75-\$100 bn increase after Lehman

Paper, Fig. 5

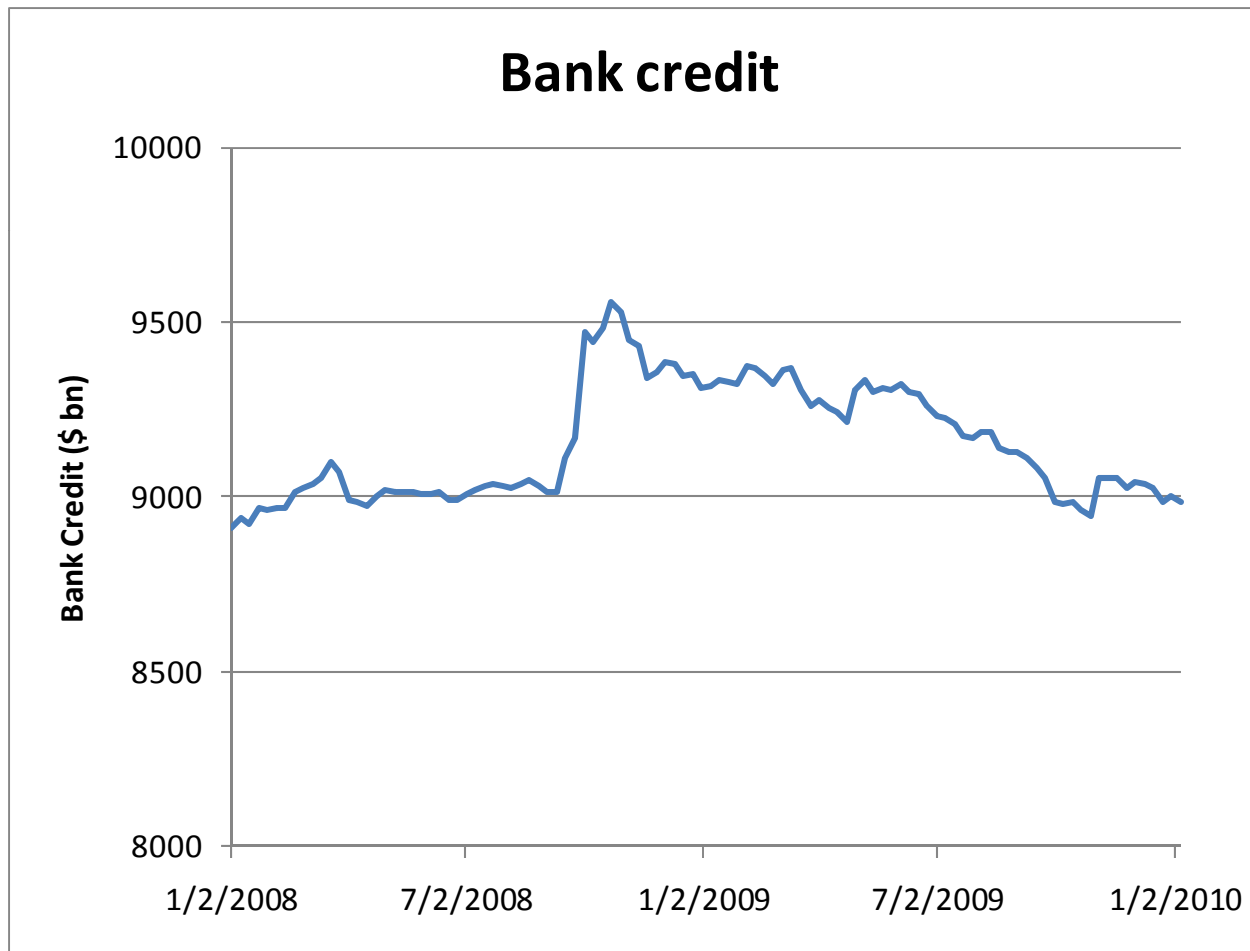


From FRB H8 Statistical Release



Bank Credit by Commercial Banks

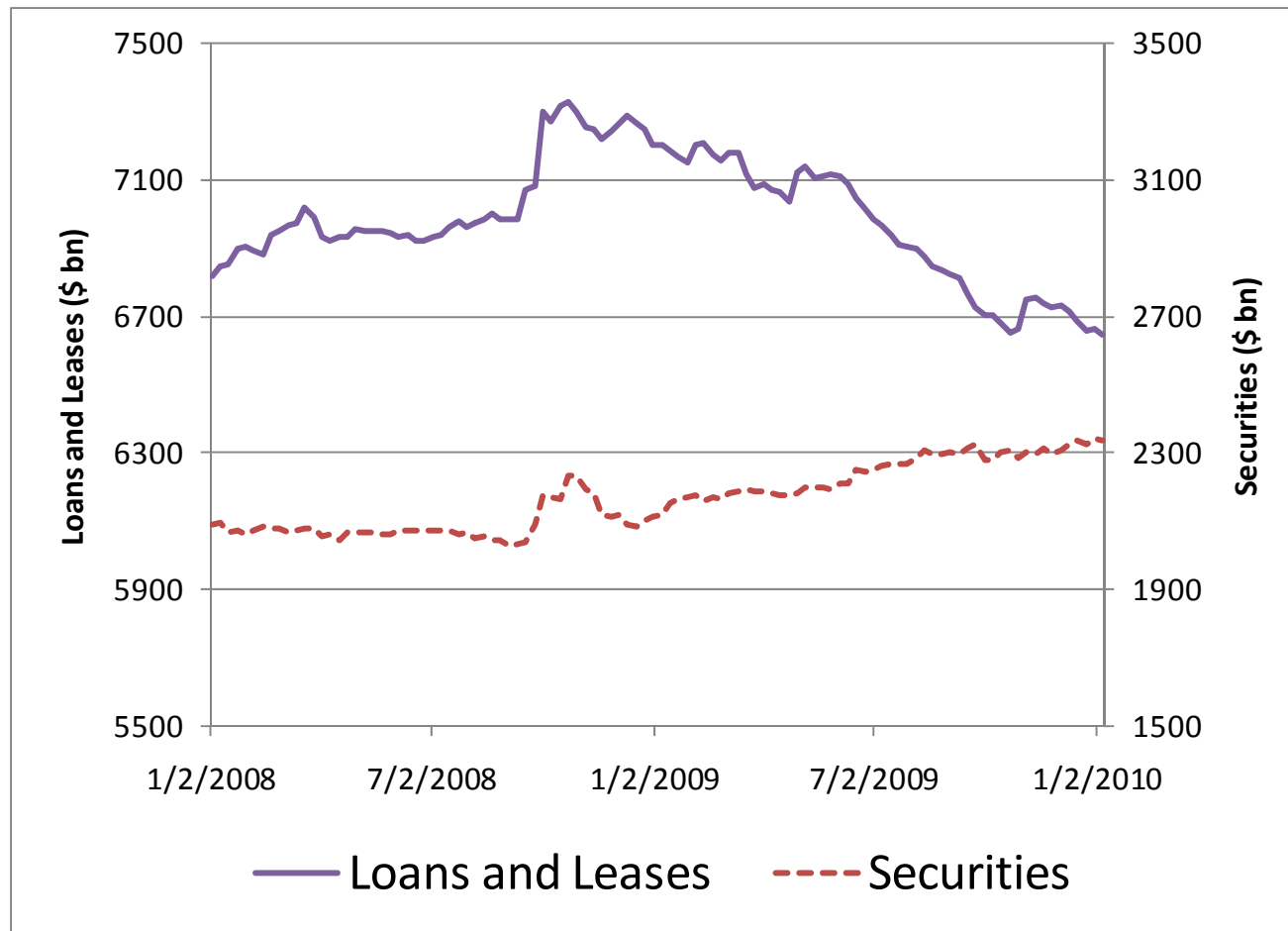
- Includes: loans and leases and securities
- \$500 bn increase after Lehman



Source: FRB H8 Statistical Release

Bank Credit by Commercial Banks

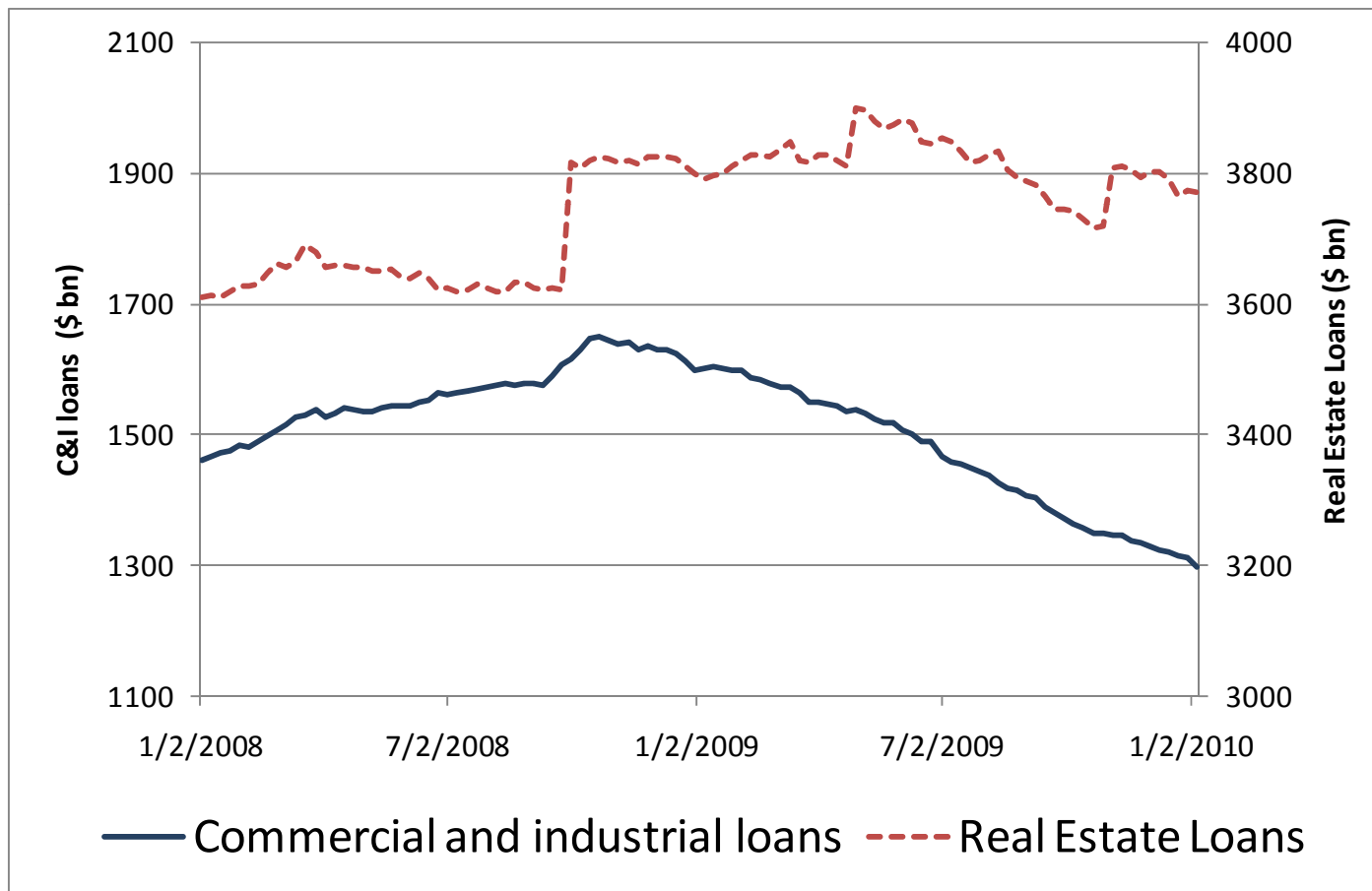
- Loans and leases: \$286 bn increase
- Securities: \$127 bn increase



Source: FRB H8 Statistical Release

C&I and Real Estate Loans by Commercial Banks

- C&I: \$75 bn increase
- Real estate loans: \$194 bn increase (JPM - WaMu)



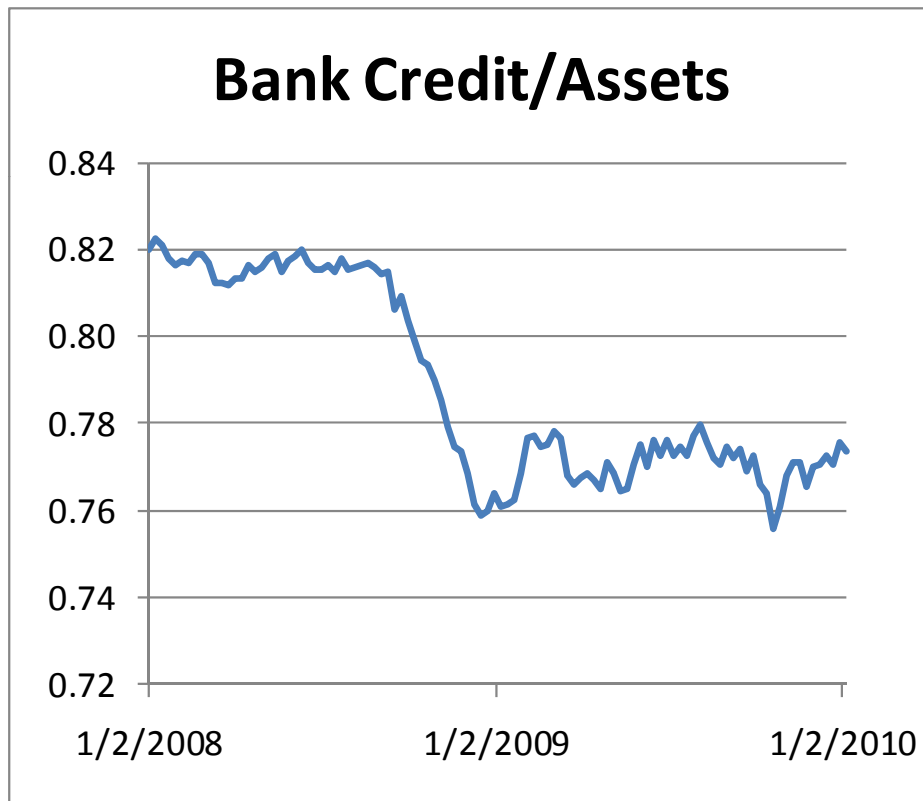
Source: FRB H8 Statistical Release

Two Issues

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Bank Credit and Cash, Commercial Banks

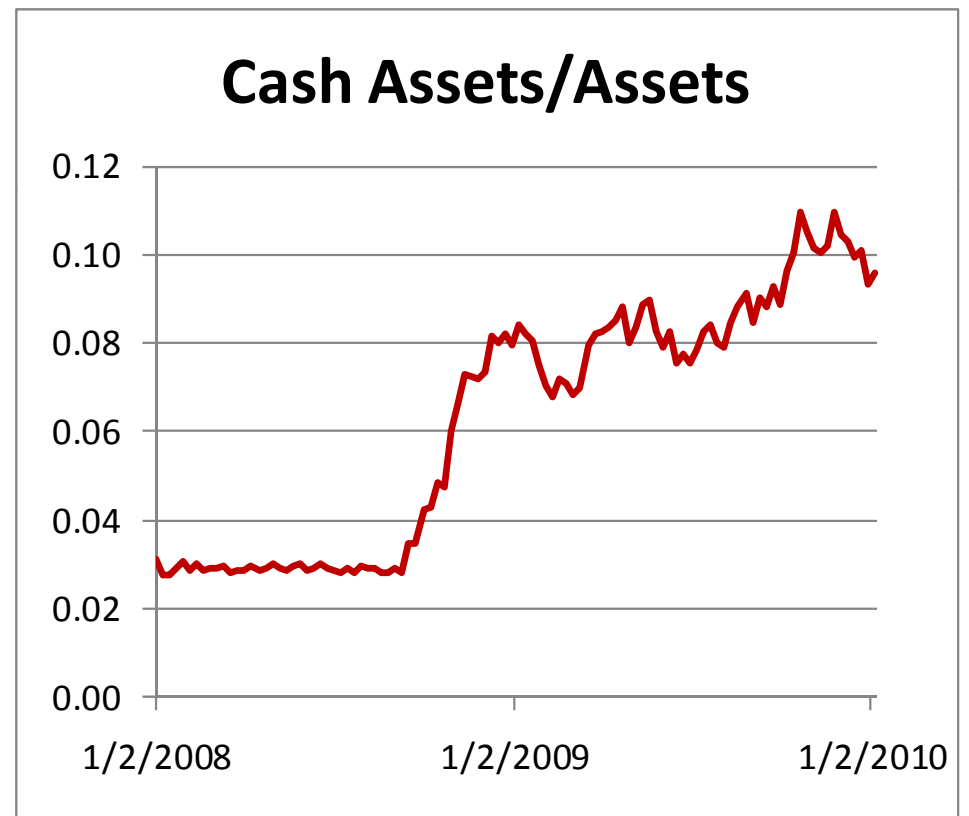
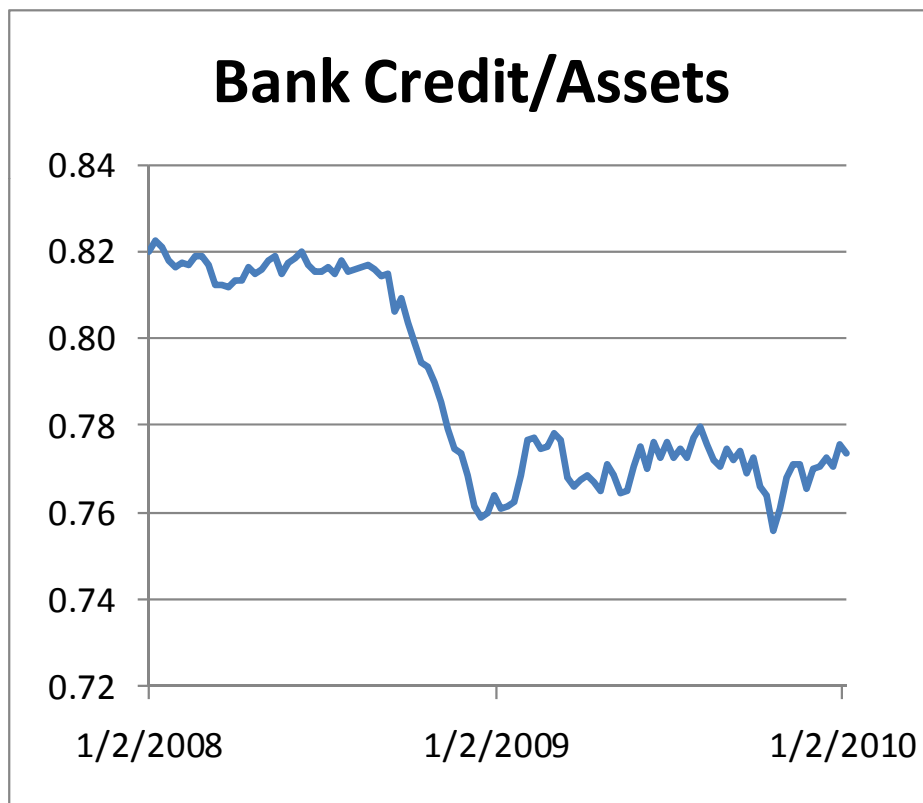
- Bank Credit/Assets: drops $> 5\%$



Source: FRB H8 Statistical Release

Bank Credit and Cash, Commercial Banks

- Bank Credit/Assets: drops $> 5\%$
- Cash/Assets: increases $> 5\%$



Source: FRB H8 Statistical Release

END

