Community Banking Research Conference 2025
Where Research and Policy Meet

Bad Bank, Bad Luck? Evidence from 1 Million Firm-Bank Relationships

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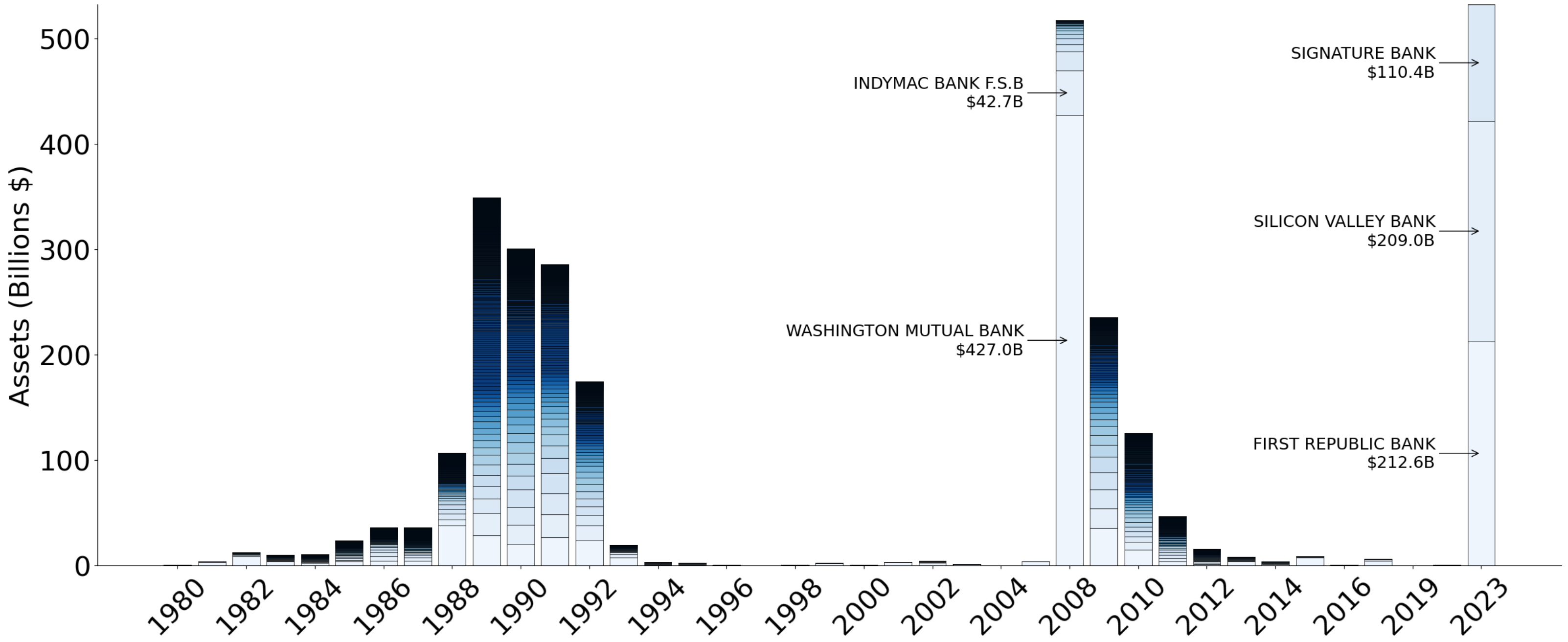
CSBS SINCE 1902 CONFERENCE OF STATE BANK SUPERVISORS

FDIC

Approximately 3,000 bank failures since 1980



New data to study effects of bank failure on small businesses

- **36M loan docum**ents (2000 to present)
- **1.5M firms** (D&B) ↔ **4K banks** (Call Reports / Orbis)
- Analyze **200+ bank failures** to estimate effect of bank failure on:
  - Firm survival
  - Employment
  - Revenues

Hidden harms of bank failure

- Small firms whose bank fails have:
  - 6.7 percentage point (44%) **higher failure rate**
  - 4.4 percentage point (32%) **lower employment growth**
  - 4 percentage point (15%) **lower revenue growth**
- Not all bank failures are equally harmful:
  - **Large differences** in effects *across* different bank failure events

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS

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Lien Solutions
800-331-3282

B. E-MAIL CONTACT AT FILER (optional)

C. SEND ACKNOWLEDGMENT TO: (Name and Address)
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1. DEBTOR'S NAME: Provide only one Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 1b, leave all of item 1 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

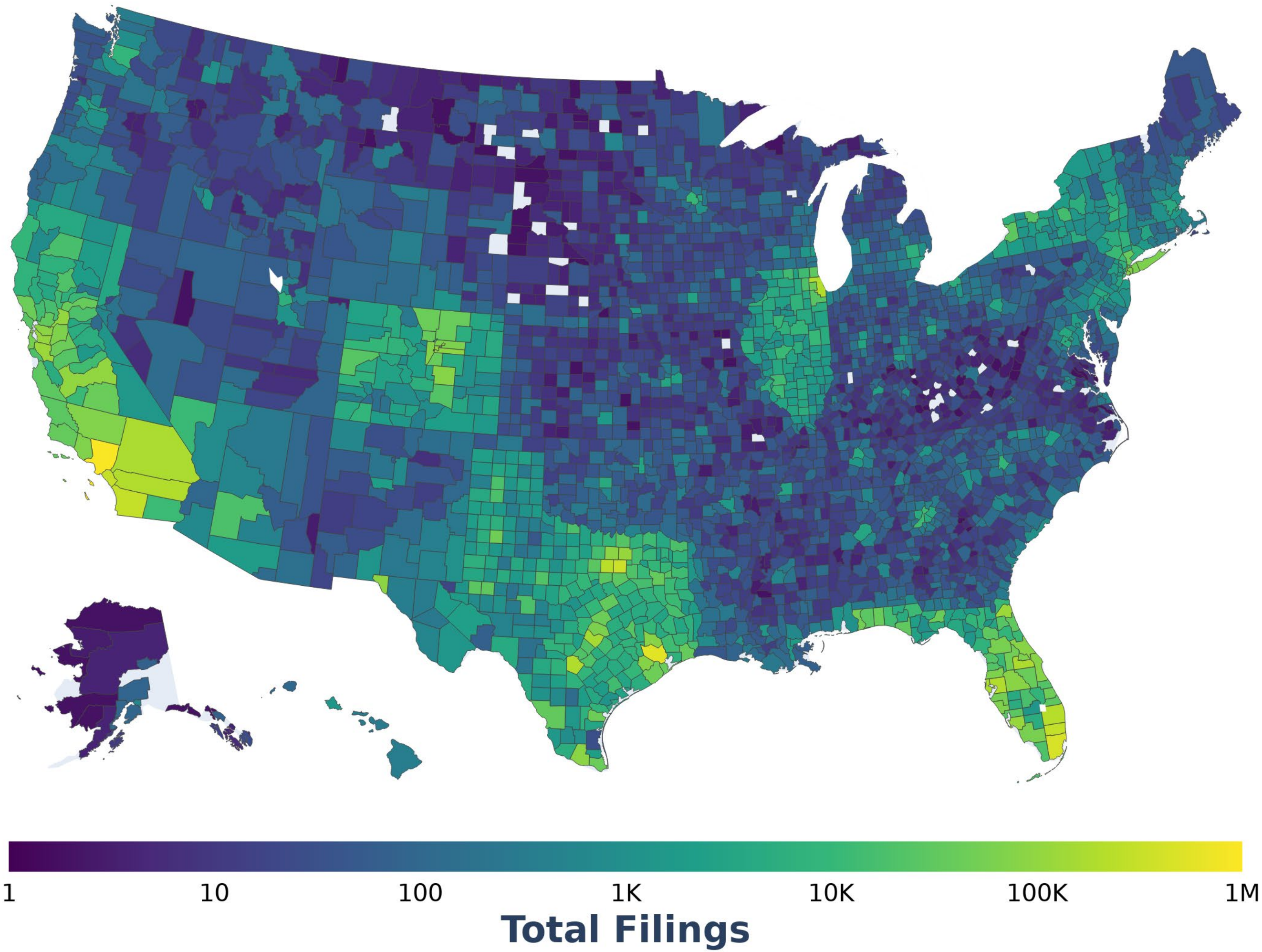
1a. ORGANIZATION'S NAME ANDANTE COFFEE ROASTERS, INC.					
OR 1b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX	
1c. MAILING ADDRESS 816 S. GRAND AVE.	CITY LOS ANGELES	STATE CA	POSTAL CODE 90017	COUNTRY USA	

2. DEBTOR'S NAME: Provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here ☐ and provide the Individual Debtor information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

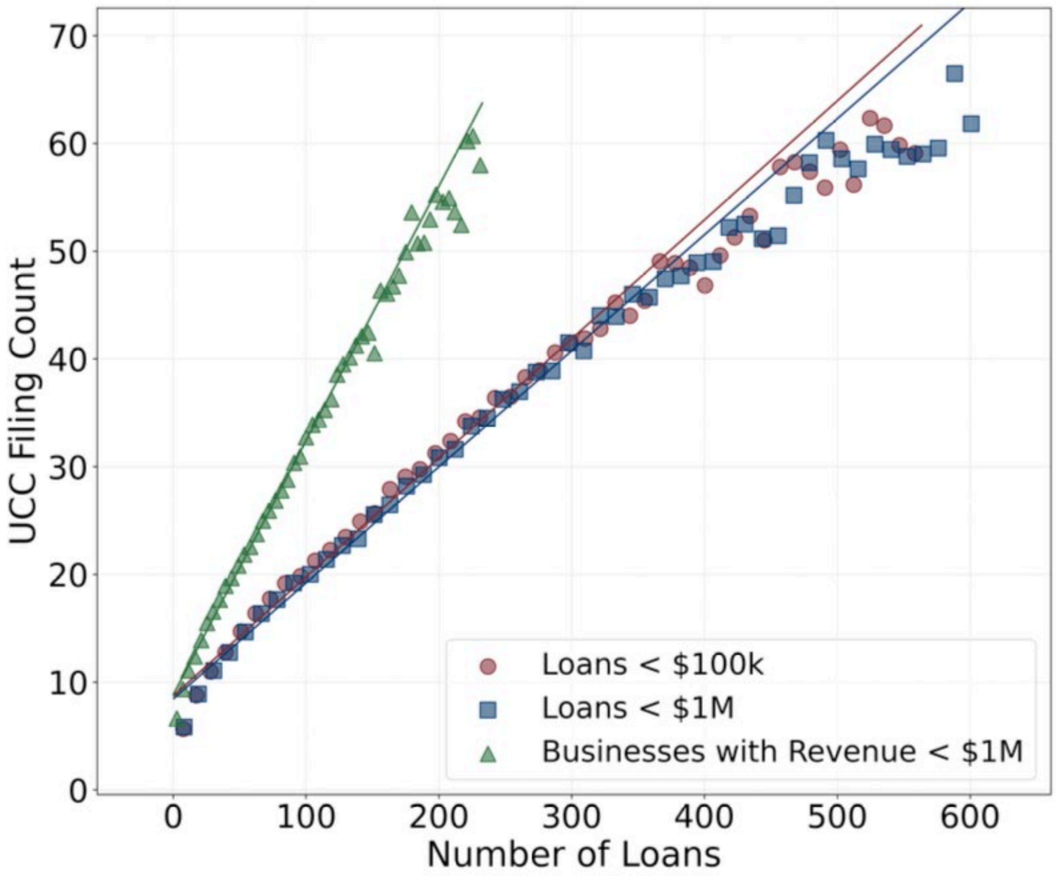
2a. ORGANIZATION'S NAME ANDANTE COFFEE ROASTERS				
OR 2b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
2c. MAILING ADDRESS 816 S. GRAND AVE.	CITY LOS ANGELES	STATE CA	POSTAL CODE 90017	COUNTRY USA

3. SECURED PARTY'S NAME (or NAME of ASSIGNEE of ASSIGNOR SECURED PARTY): Provide only one Secured Party name (3a or 3b)

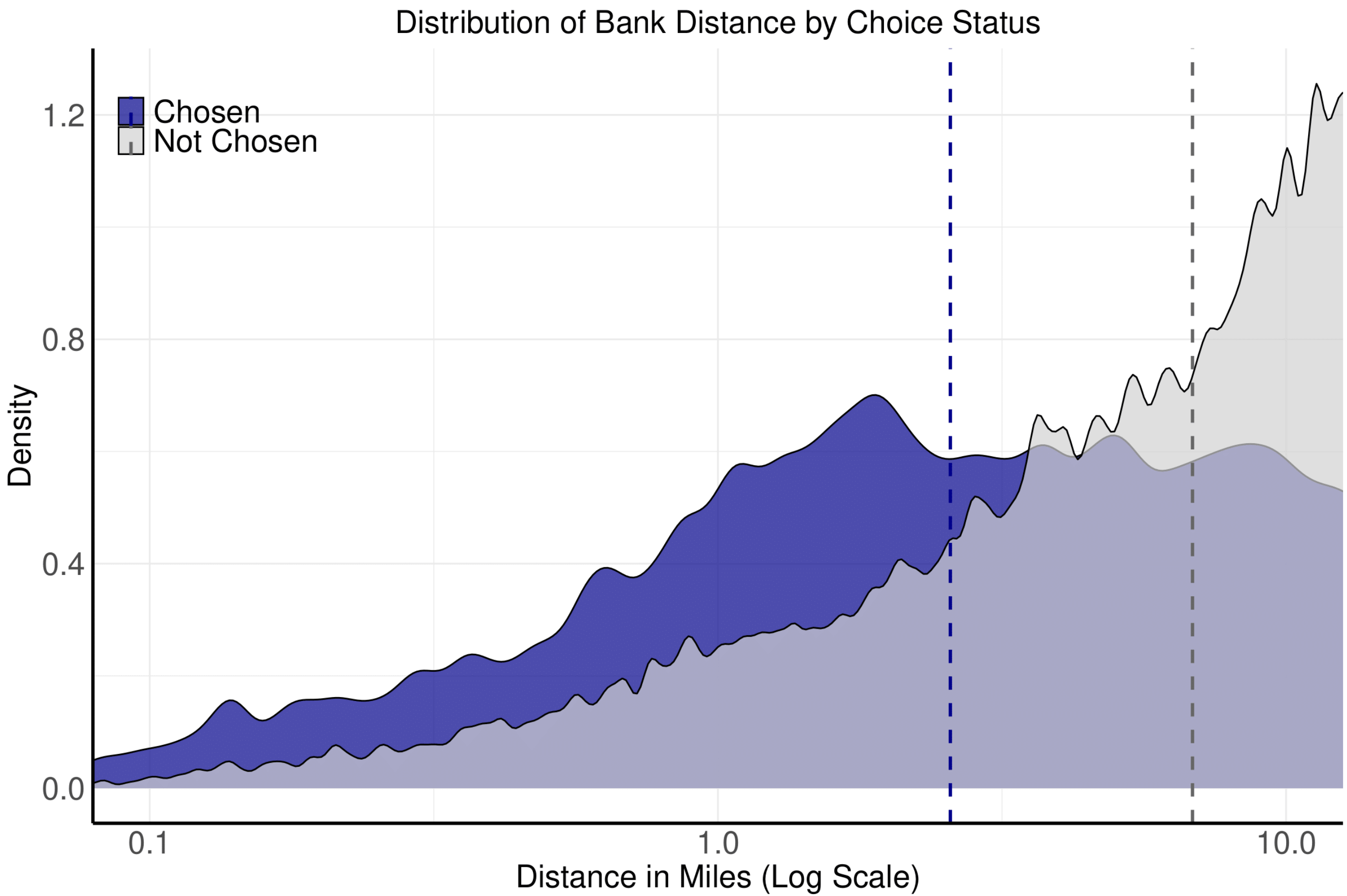
3a. ORGANIZATION'S NAME PACIFIC CITY BANK				
OR 3b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)		SUFFIX
3c. MAILING ADDRESS 3701 Wilshire Blvd., Suite 310	CITY Los Angeles	STATE CA	POSTAL CODE 90010	COUNTRY USA


1
10
100
1K
10K
100K
1M
Total Filings

Data validated against official data sources



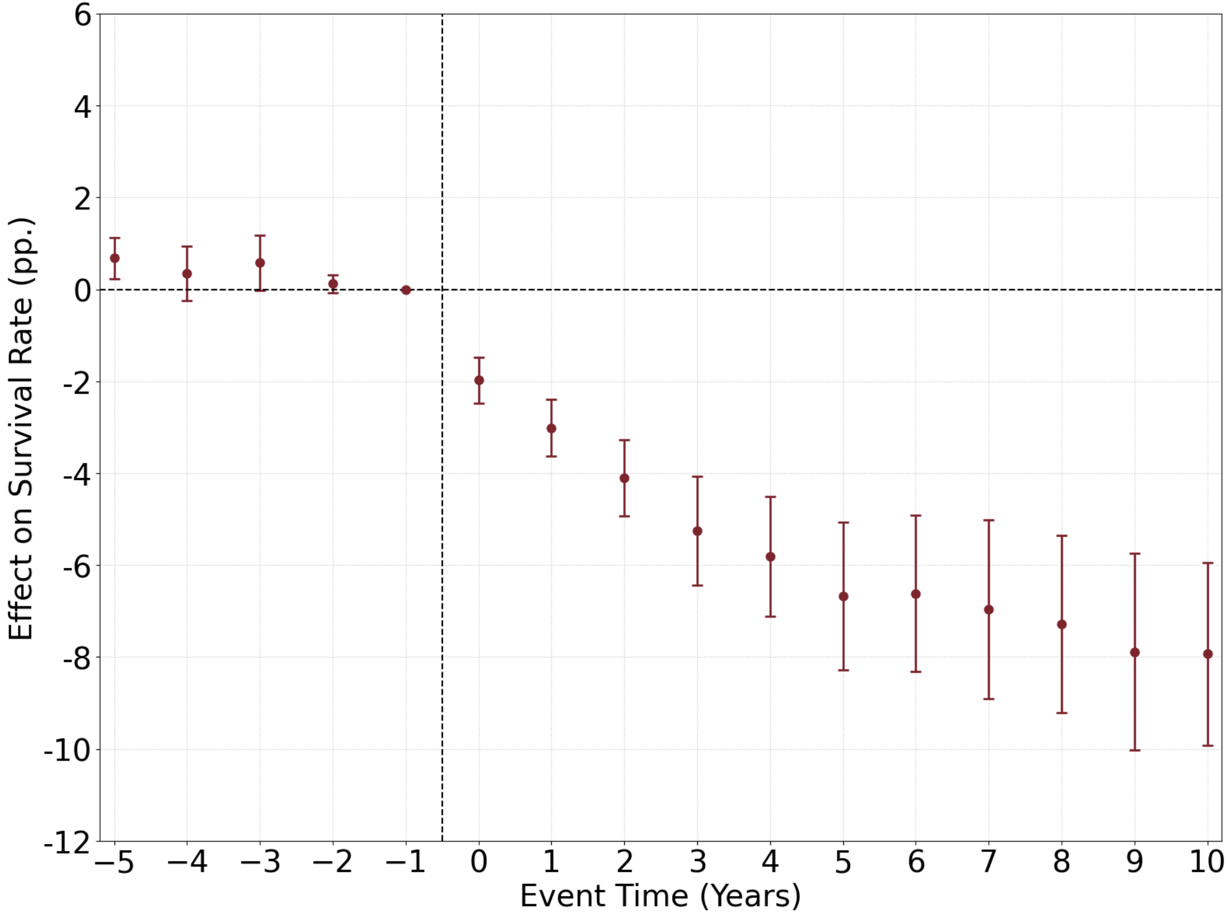
Distance continuous to play large role in bank choice



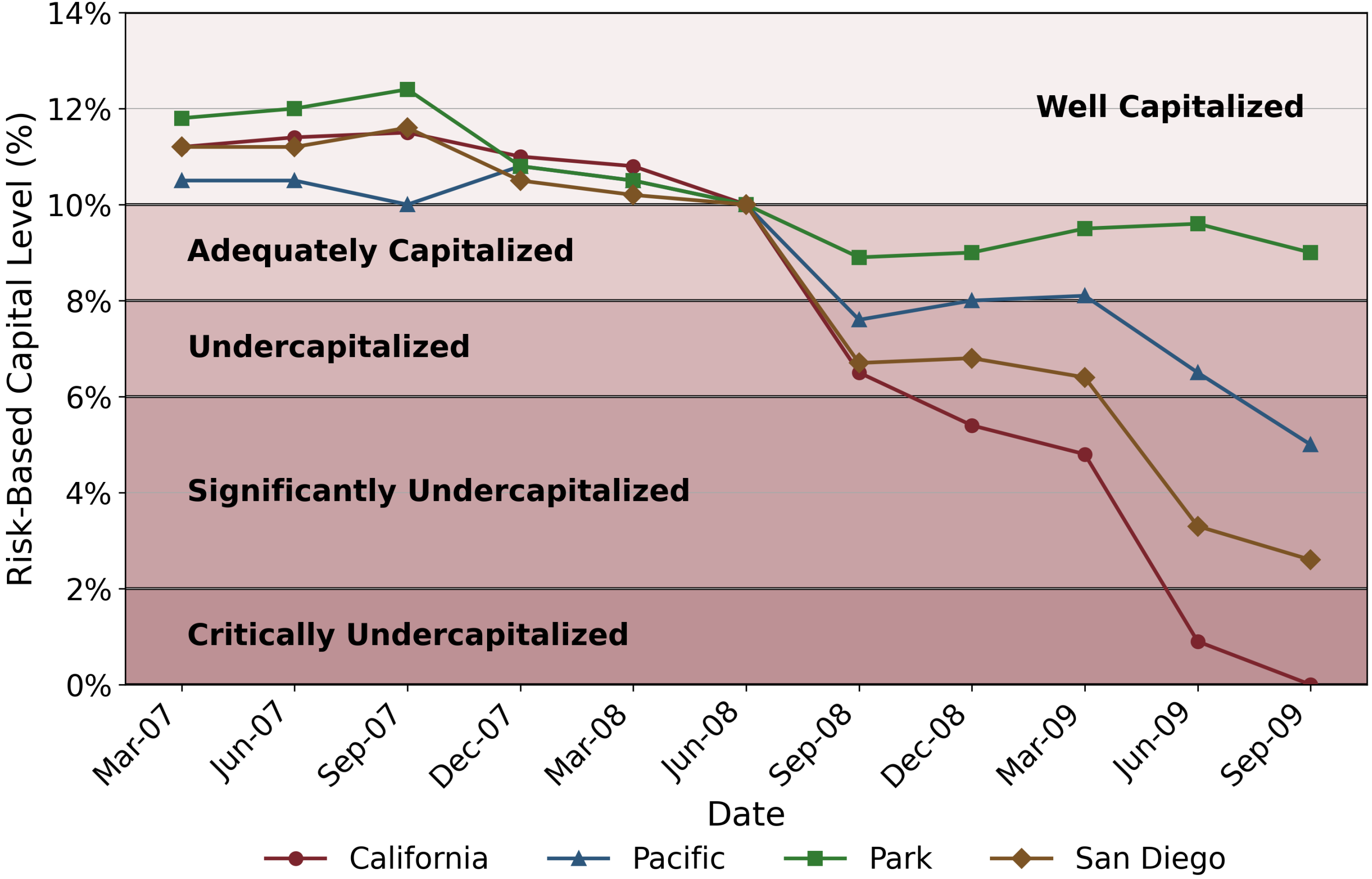
Estimating the effects of bank failures on firm-level outcomes

- Compare firm-level trajectories of affected firms vs. unaffected firms
  - Difference-in-differences methodology
- Matching & controls:
  - Firm age & size
  - Bank size
  - Industry & location
  - Year

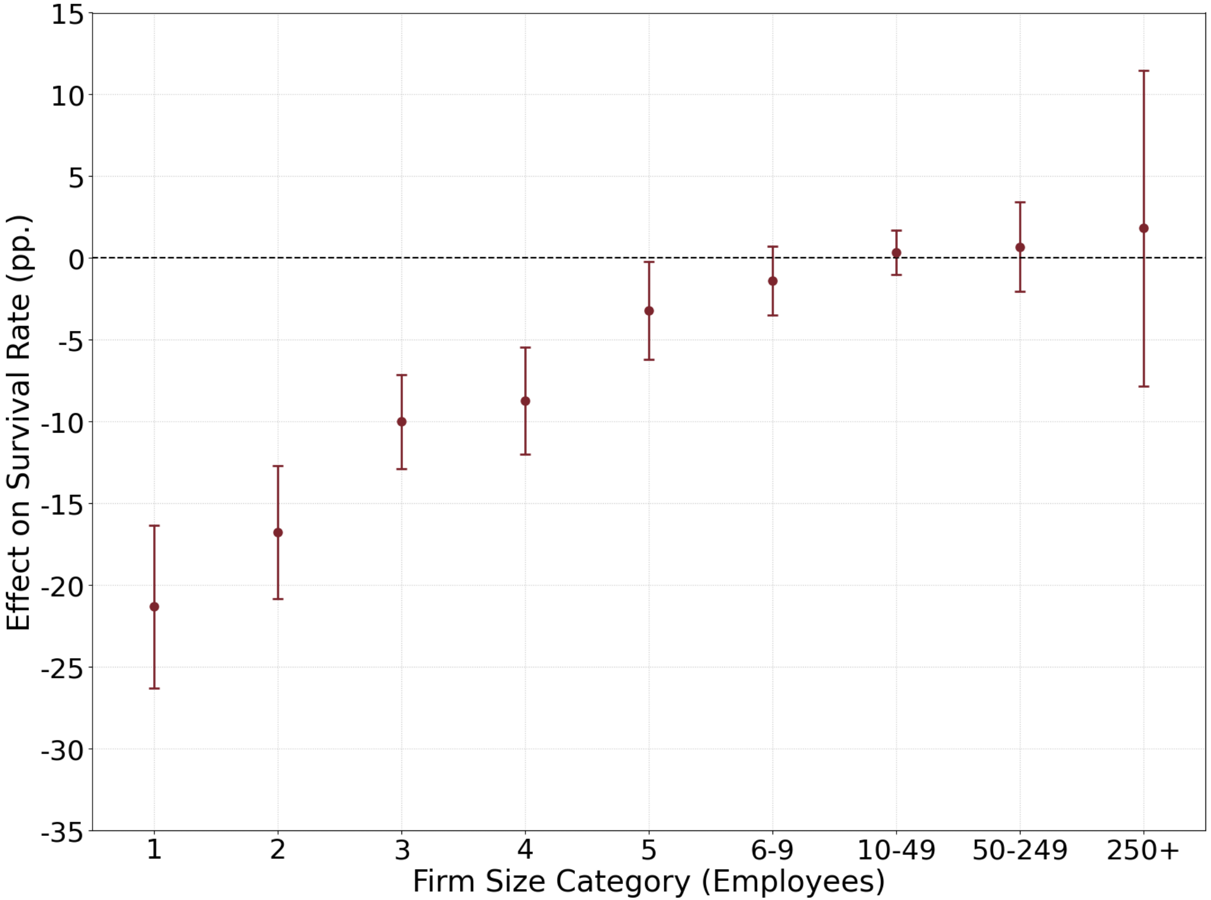
Affected firms much more likely to cease operating



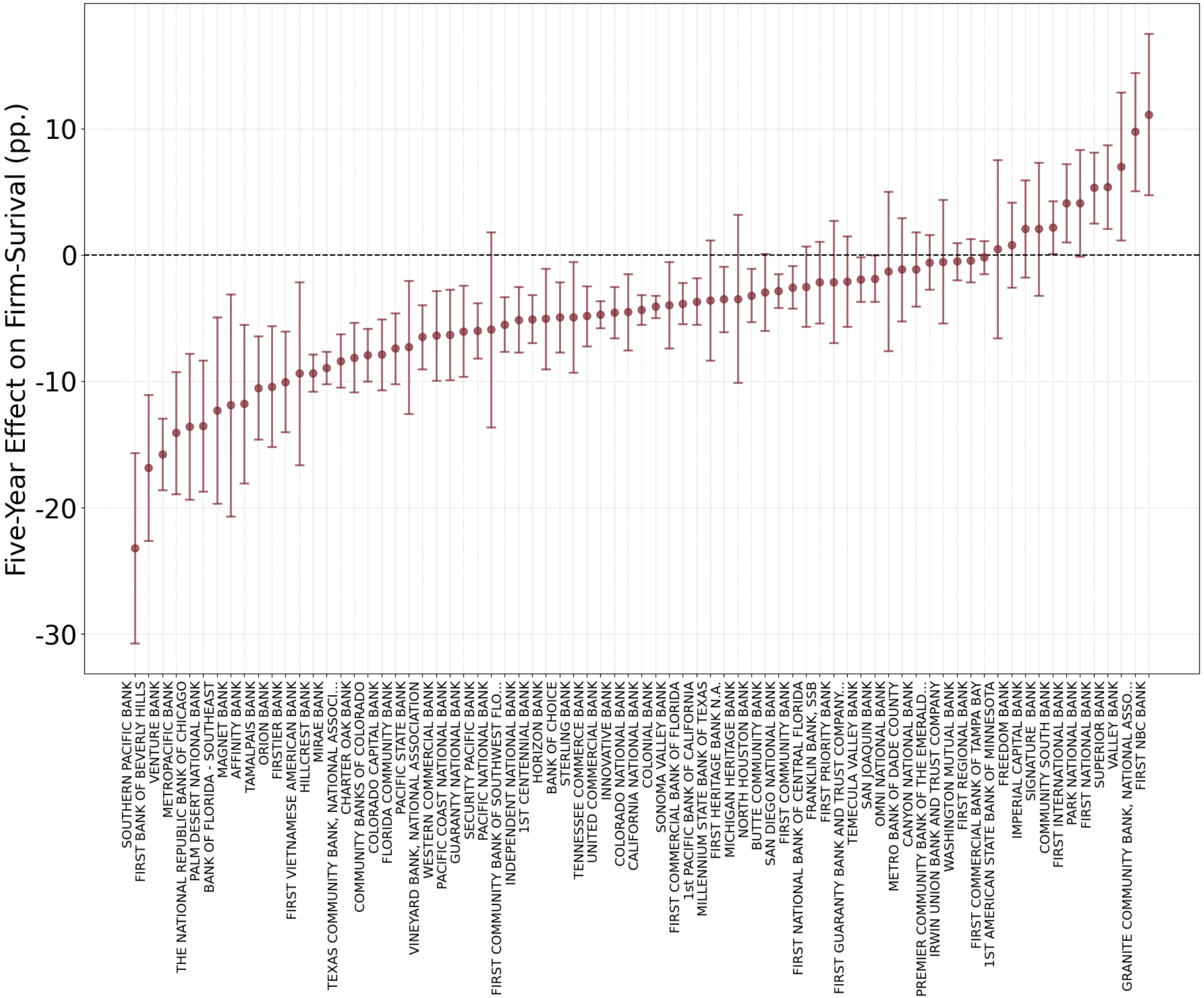
When bad banks sink good ones



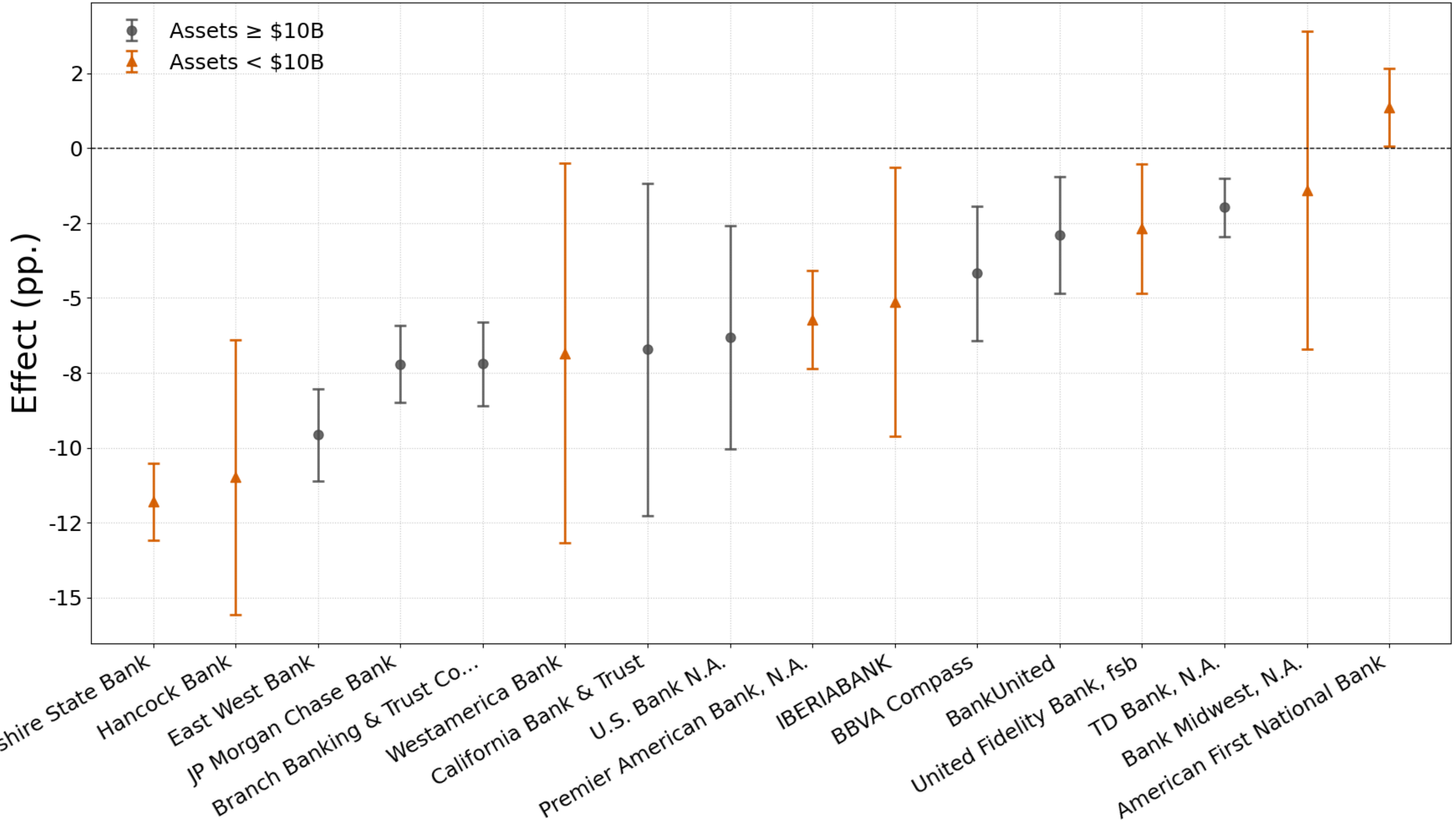
Bank failure is most harmful for the smallest firms



Large variation in effects *across* bank failures



Acquirer size doe not explain bank failure effects



Hidden harms of bank failure

- Evidence of **harms to small businesses** of current resolution process
- **Substantial and lasting** effects with small firms most affected
- **Large variation in effects** across different failure events.

- **New data!**
  - Role of non-bank credit
  - Community banks & climate disasters
  - Bank size and startup success
  - Local spatial spillovers