

Online Appendix

Observing Enforcement: Evidence from Banking

Anya Kleymenova and Rimmy E. Tomy

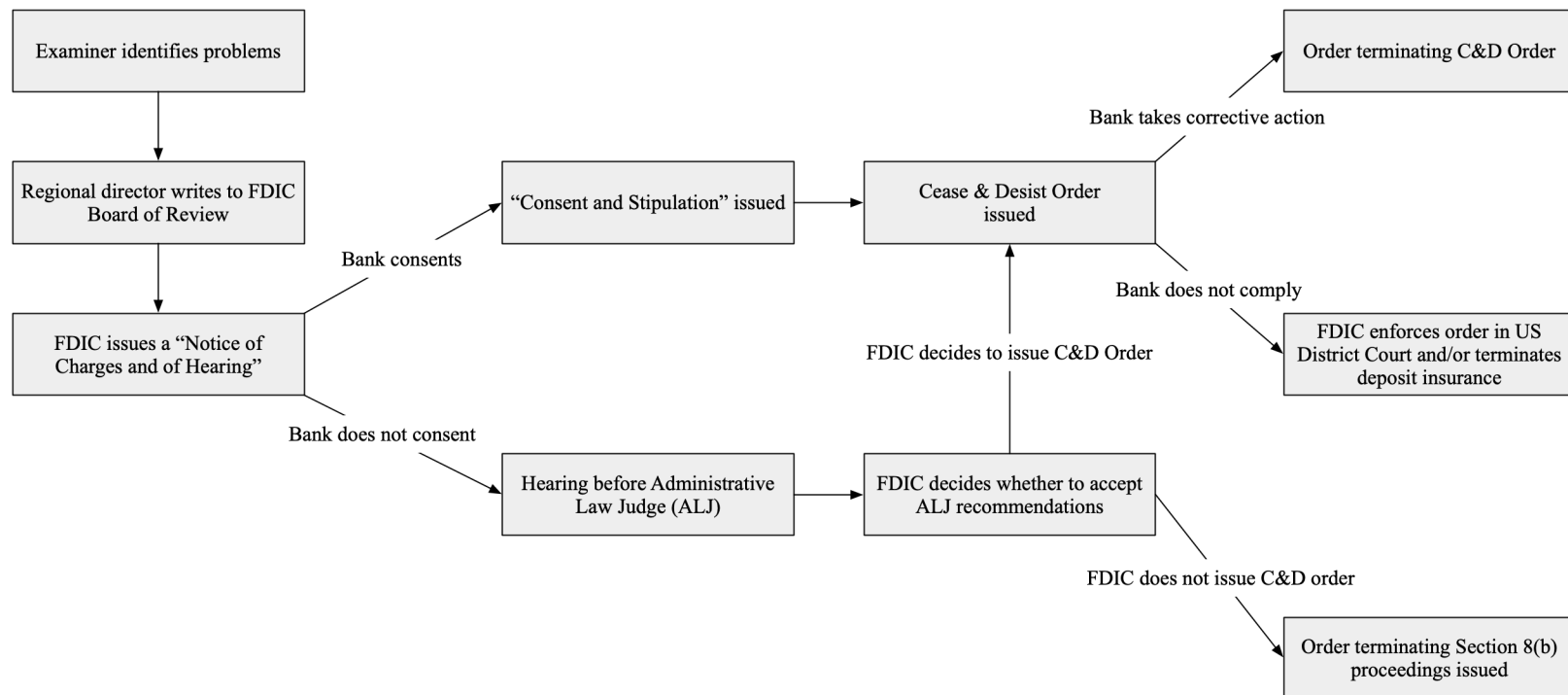
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1 Introduction

This online appendix contains the following sections. In Section 2, we show schematically an example of the steps through which supervisors and banks go through when a Cease and Desist (C&D) order is issued. In Section 3, we summarize the main events leading up to the passage of FIRREA. In Section 4, we conduct sensitivity tests and provide evidence that our main findings hold over many periods and in various subsamples. In Section 5, we provide examples of banks suing their regulators. Section 6 provides an introduction to accelerated time models which are used in Sections 4 and 6 of the paper. Section 7 provides a comparison of the textual content of Cease and Desist (C&D) enforcement orders. Section 8 contains examples of the news media coverage of enforcement actions. Finally, the figures and tables that appear towards the end of this document in Section 9 are referenced in Section 4 of this document as well in various places in the paper.

2 FDIC's process for issuing Cease and Desist orders



Source: *FDIC Enforcement Decisions Volume I* published by Prentice Hall (1988); authors' reading of enforcement actions and interviews.

3 Events leading up to the disclosure of enforcement actions

August 1981	Ronald Reagan appoints William M. Isaac chairman of the FDIC. In his first 10 months (August 1981–June 1982), Isaac oversees the disbursement of over \$1.5 billion to satisfy deposit insurance claims, three times as much as the FDIC had paid out in its first 47 years of existence. [1]
April 3, 1983	In an environment of mounting bank failures, William M. Isaac argues for regulatory reform by providing investors with information regarding banks’ problem loans and interest rate vulnerability. [2]
May 1984	Continental Illinois National Bank, with \$40 billion in assets, fails. It is the largest bank failure in the FDIC’s history at the time. [3]
February 11, 1985	The FDIC proposes weekly disclosure of the names of banks and employees cited in enforcement actions against the 8,850 banks it regulates and solicits comments from the public. [4]
February–May 1985	The FDIC receives 768 comment letters regarding the February proposal, with only 57 favoring the agency’s plan. [5]
May 6, 1985	The FDIC votes unanimously to disclose when the FDIC enters a final enforcement action against a bank, rolling back, in part, its February plan. The new rule is set to take effect on January 1, 1986. [6]
October 1, 1985	William M. Isaac leaves the FDIC; L. William Seidman is appointed as chairman. [7]
December 11, 1985	The FDIC prepares a proposal to defer the January 1, 1986, implementation of disclosure policy. Seidman favors postponement in order to move forward in conjunction with the Comptroller of the Currency and the Federal Reserve Board. [8]
March 8, 1989	FDIC Chairman L. William Seidman testifies before the House Banking Committee’s Subcommittee on Financial Institutions, stating that the proposed Bush bailout plan for savings institutions neither gives the FDIC enough power to act expediently in revoking deposit insurance of member banks, nor does it provide enough independence to the FDIC since the plan gives the president authority to remove the FDIC’s chairman and vice chairman at will. [9]
April 6, 1989	The House Banking subcommittee amends the Bush Administration’s rescue plan for the savings industry, expanding the FDIC’s jurisdiction and insulating it from White House intervention by prohibiting the President from removing the chairman before his four-year term expires. [10]

August 9, 1989	George H.W. Bush signs the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989. FIRREA expands the enforcement authority of bank regulators, giving regulators expanded cease-and-desist authority and the authority to terminate insured banks' coverage more expediently. Regulators are also given the authority to temporarily suspend deposit insurance to a bank with no tangible capital. Enforcement actions are made public beginning with this regulation. [11]
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- [1] Jack Anderson and Dale Van Atta, "Heroics at the FDIC," *The Washington Post*, August 4, 1985.
- [2] William M. Isaac, "Forum: A Challenge for Financial Regulators Instilling Discipline in Banks," *The New York Times*, April 3, 1983.
- [3] "Federal Deposit Insurance Corporation Historical Timeline." FDIC.
- [4] Monica Langley, "FDIC Proposes Full Disclosure of Enforcement," *The Wall Street Journal*, February 12, 1985.
- [5] Nathaniel C. Nash, "FDIC Decides to Disclose Disciplinary Actions," *The New York Times*, May 7, 1985.
- [6] Nathaniel C. Nash, "FDIC Decides to Disclose Disciplinary Actions," *The New York Times*, May 7, 1985.
- [7] Kenneth N. Gilpin and Eric Schmitt, "Ex-F.D.I.C. Chairman Said to Form New Firm," *The New York Times*, January 7, 1986.
- [8] Monica Langley, "FDIC May Delay Public-Disclosure Rule for Banks," *The Wall Street Journal*, December 11, 1985.
- [9] Nathaniel C. Nash, "FDIC Chairman Asks Changes in Rescue Plan," *The New York Times*, March 9, 1989.
- [10] Nathaniel C. Nash, "Bush Plan on Savings is Set Back," *The New York Times*, April 7, 1989.
- [11] Federal Deposit Insurance Corporation. Division of Research and Statistics. History of the Eighties: Lessons for the Future. (Washington, District of Columbia: Federal Deposit Insurance Corporation, 1997), 101–102.

4 Sensitivity tests

In this section, we assess the sensitivity of our results by estimating Equation 1 from the paper over many periods and in various subsamples. Our sample of pre-FIRREA enforcement actions from 1985 through the second quarter of 1989 (constructed using termination orders) is biased towards EDOs that take longer to resolve and are therefore likely to be more severe. However, the pre-FIRREA sample for 1983–1984 does not face this issue because it is collected from the National Archives. To assess the effect of any bias that may result from our pre-FIRREA sample construction, we conduct a rolling-window analysis, where for the restricted pre-FIRREA sample we select all possible consecutive 20-quarter windows in the post-FIRREA period and repeat our main specification. In this analysis, we drop year indicators from the model because our objective is to assess the variation in coefficients over time.

As Figure OA4 shows, our results generally hold in these subsamples. The horizontal axis in the figure corresponds to the starting point of the 20 consecutive quarters in the post-disclosure period. For example, the coefficient estimate for the analysis comparing the pre-FIRREA sample to the post-FIRREA 1990Q1–1995Q1 sample corresponds to 1990 in the graph. A plot of the coefficients of the *Disclosure Regime* indicator are presented in Panel A. The coefficient values are consistently positive over the entire sample period, suggesting that, controlling for covariates, regulators are more likely to issue enforcement actions in the disclosure regime than in the nondisclosure regime. Panel B, Panel C, and Panel D plot the coefficients of $Capital\ Ratio \times Disclosure\ Regime$, $Nonperforming\ Assets \times Disclosure\ Regime$, and $Return\ on\ Assets \times Disclosure\ Regime$. Although the graphs show a trend over time, the figures are consistent with our findings that, relative to the nondisclosure regime, regulators in the disclosure regime are more likely to issue enforcement actions against banks that have lower capital ratios, higher nonperforming assets, and lower profitability.

We also conduct additional robustness tests (described in Section 6.4 of the paper) to assess the impact of changing economic trends by estimating our main results in various subsamples. Specifically, we expand the post-FIRREA period to 2007 (prior to the financial crisis) and conduct a similar rolling-window analysis as described above. The results of this analysis are presented in Figure OA7 and Figure OA8. Figure OA7 shows all possible combinations of the consecutive 16-quarter windows, whereas Figure OA8 shows the graphs for only the first and last pre-FIRREA 16-quarter windows (but all post-FIRREA windows) with 95% confidence intervals. These sensitivity tests reveal that our main results are robust to various periods and subsamples.

5 Anecdotal evidence: Examples of banks suing regulators

In this section, we provide examples of banks suing regulators. These examples provide anecdotal evidence in support of our argument that regulators' behavior could also be influenced by the threat of lawsuits by banks. The public disclosure of enforcement actions imposes greater costs on banks as depositors withdraw their funds in response. Therefore, regulators might include more legal and boilerplate language in post-FIRREA enforcement orders to prevent lawsuits or challenges by banks.

MCorp, the Texas bank holding company stripped of 20 of its 25 banks by federal regulators, filed suit Friday against the government agencies on grounds that 10 to 14 of the banks seized were not insolvent. The lawsuit, filed against the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corp., added another twist to the already complicated case that may not be resolved for months and could cost the government more than \$2 billion. —**"MCorp Sues Bank Regulators," *Los Angeles Times*, April 01, 1989.**

A former chairman of Madison National Bank of Washington yesterday filed suit against federal regulators, alleging that they unlawfully shut down the bank in 1991. "I want to restore the reputation of the bank and the directors and the officers and the employees," Norman F. Hecht Sr. said in an interview. ... Hecht's suit argues that federal regulators unnecessarily caused Madison to fail by requiring the bank to set aside excessive amounts of cash as reserves against bad loans. It seeks return of not only the banks' assets but also their charters. ... Ellen Stockdale, a spokeswoman for the OCC, said, "The only comment we have is we think this does not have any merit." —**"Former Madison Bank Chief Sues Regulators," *The Washington Post*, April 17, 1993.**

Bank United of Texas filed suit against the FDIC, the FSLIC Resolution Fund, the RTC, the Thrift Depositor Protection Oversight Board and the director of the OTS, accusing them of breaching promises connected with the bank's 1988 acquisition of the insolvent United Savings Association of Texas. ... The lawsuit includes 20 specific complaints against regulators, including allegations that the government reneged on promised tax benefits and changed other contracts that were part of the 1988 deal. —**"Bank United of Texas: Bank Sues U.S. Regulators over Acquisition of Thrift," *The Wall Street Journal*, August 04, 1993.**

Gerald J. Garner, ousted chairman of failed American Commerce National Bank has sued federal regulators in an effort to recover his Anaheim bank and win \$75 million in damages. ... The banker filed a three-page, bare-bones lawsuit last month to meet a statutory deadline. The suit, which has been expected since regulators closed the bank on April 30, now alleges that the regulators wrongly took over a healthy bank, depriving shareholders and customers of their

property without due process. —**“Ousted Chairman of Failed Bank Sues Regulators,”** *Los Angeles Times*, November 18, 1993.

A group of Meritor Savings Bank stockholders yesterday sued federal and state bank regulators in an effort to have the 1992 takeover of the former Philadelphia Savings Fund Society’s parent company declared invalid. The stockholders, who include Philadelphia businessmen Samuel Rappaport and Raymond Perelman, argue that the Dec 11, 1992, seizure violated their constitutional rights and agreements that the regulators had made as far back as 1982. —**“Meritor Bank Stockholders Sue Regulators,”** *Philadelphia Inquirer*, April 15, 1994.

The Bank of New York says Massachusetts state regulators violated federal laws when they rejected the bank’s bid to boost its investment in Boston-based State Street Bank Corp., a competitor in the corporate trust industry . . . the New York bank said only the Federal Reserve Board has the authority to make those decisions, and that its petition before state regulators was merely a formality. —**“BONY Sues Massachusetts, Charging Federal Violations,”** *The Bond Buyer*, April 17, 1997.

Almost 350 banks have failed since the financial crisis erupted. Now one of them, United Western Bancorp. (UWBK), is believed to be the first among them to sue its regulator, claiming it could have survived. The Denver bank-holding company wants its bank back. It filed a lawsuit against the Office of Thrift Supervision, the primary regulator of its main subsidiary United Western Bank, which was seized by the OTS on Jan. 21, and the Federal Deposit Insurance Corp., which sold the bank to Citizens BancShares (FCNCA) of Raleigh, N.C. In the suit filed Friday afternoon in federal court in Washington, D.C., the company claimed its bank was “economically viable” and the seizure was “arbitrary and capricious.” It demanded that the court force the OTS to remove the FDIC as receiver of United Western Bank. —**“Former Owner of Failed United Western Bank Sues Regulators,”** *Dow Jones Institutional News*, February 18, 2011.

A failed Kansas bank is suing state regulators alleging that they had insufficient grounds to close it. Columbian Bank & Trust Co. was adequately capitalized, profitable and liquid when regulators seized it on Aug. 22, 2008, according to a lawsuit filed by the bank and its holding company, Columbian Financial Corp. The Office of the State Bank Commissioner of Kansas “seized the bank based on speculative projections of future illiquidity and thereby deprived Columbian Financial Corp., the bank’s sole shareholder, of millions of dollars in equity,” according to the lawsuit filed April 10 in a Kansas City U.S. district court. —**“Failed Kansas Bank Sues Regulators, Claiming Closure Was Unjust,”** *American Banker*, April 24, 2014.

6 Accelerated time models

This section provides a brief introduction to accelerated time models, which are used in Sections 4 and 6 of the paper. For more details, please see [Anbil \(2018\)](#); [Cleves et al. \(2008\)](#), and [Singer & Willett \(2003\)](#).

Accelerated time models are parametric models where instead of assuming a distribution for the survival time t_j , it is assumed for τ_j where

$$\tau_j = \exp(-x_j\beta_x)t_j . \quad (1)$$

The factor $\exp(-x_j\beta_x)$ is called the acceleration parameter. If $\exp(-x_j\beta_x) = 1$, then $\tau_j = t_j$ and time passes at its normal rate. However, if $\exp(-x_j\beta_x) > 1$ then $\tau_j > t_j$ and time passes more quickly for j , i.e., the event is expected to occur sooner. Similarly, if $\exp(-x_j\beta_x) < 1$ then time is decelerated and the event is expected to occur later.

From Equation 1 it follows that

$$\begin{aligned} t_j &= \frac{\tau_j}{\exp(-x_j\beta_x)} \\ \implies t_j &= \tau_j \exp(x_j\beta_x) \\ \implies \log(t_j) &= x_j\beta_x + \log(\tau_j) . \end{aligned} \quad (2)$$

We estimate the above log-linear specification using the maximum likelihood principle. Our estimation of Equation 2 includes both EDO and non-EDO observations. The non-EDO observations are censored observations because the event (EDO) does not occur for these banks during the study period, i.e., these banks have unknown event times. For each interval (quarter), we know the probability of event occurrence as well as nonoccurrence. Therefore, the estimated survival probability in quarter q is the estimated survival probability in the previous quarter multiplied by the probability of event occurrence:

$$\hat{S}(t_q) = \hat{S}(t_{q-1})[1 - \hat{h}(t_q)] , \quad (3)$$

where $\hat{S}$ is the estimated survival function and $\hat{h}$ is the estimated hazard probability.

7 Text comparison of a random sample of C&D orders

In this section, we present a comparison of the text of a randomly selected sample (by year) of C&D enforcement orders. We classify these enforcement orders into broad topics based on their content. *Percentage overlap* is the number of orders that contain the specified topic as a percent of the total number of orders. For example, there is a 60% overlap across banks in management-related issues—that is, of the ten C&D orders in the sample, six raised issues related to bank management. Overall, the overlap is 60% for all topics, indicating a significant amount of homogeneity in the broad topics covered in C&D orders.

	Random bank 1 (Nondisclo- sure regime)	Random bank 2 (Nondisclo- sure regime)	State Bank & Trust Company	Eastland Savings Bank	Key Bank of Florida	Bay Bank of Commerce	Bank of Coffey	Kent Bank	Citizens State Bank	Hampton Bank	Total	Percentage overlap (Both Regimes)
Management	0	1	0	1	1	1	0	1	0	1	6	60%
Management—Qualifications Specified; Review				1	1	1		1		1		
Management—Management Plan—Minimum Requirements		1		1		1		1				
Governance	1	1	0	1	0	1	0	1	0	1	6	60%
Board of Directors—Election—Outside Directors Added				1				1				
Board of Direc- tors—Meetings—Frequency				1								
Board of Directors—Committee to Re- view Compliance with Cease and Desist Order								1				
Compensation—Directors—Restricted Internal Audit Proce- dures—Written/Develop	1	1				1				1		
Shareholders	0	1	1	1	1	1	1	1	1	1	9	90%
Dividends—Restricted		1		1	1	1		1		1		
Shareholders—Disclosure—Cease and Desist Order			1	1	1		1	1	1	1		

	Random bank 1 (Nondisclo- sure regime)	Random bank 2 (Nondisclo- sure regime)	State Bank & Trust Company	Eastland Savings Bank	Key Bank of Florida	Bay Bank of Commerce	Bank of Coffey	Kent Bank	Citizens State Bank	Hampton Bank	Total	Percentage overlap (Both Regimes)
Loans and other assets	1	1	0	1	1	1	0	1	0	1	7	70%
Loan and Lease	1	1								1		
Losses—Eliminate/Reduce												
Loan and Lease Losses—Adequate Allowance Required; Establish/Maintain/Increase	1	1		1	1	1		1		1		
Loans—Risk Position—Reduce—Written Plans Required		1		1				1		1		
Loans—Extensions of Credit—Existing Borrowers—Curtail	1			1	1	1		1		1		
Loans—Special Mention—Correct Deficiencies				1	1			1				
Loans—Overdue—Accrual of Interest				1	1					1		
Loan Policy—Written Revision; Minimum Requirements					1	1		1		1		
Loans Policy—Internal Review and Grading—Establish										1		
Loan Committee—Responsibilities								1				
Loans—Concentration of Credit—Reduction Plan				1						1		
Loans—Real Estate Development—Review Required					1							
Assets—Adversely Classified—Eliminate/Reduce; Timetable	1	1			1	1		1				
Assets—Total Assets—Limit on Increase								1				
Collections Policy—Minimum Requirements		1				1		1				
Capital			0	1	1	1	0	1	0	1	5	50%
Capital—Tier 1 Capital—Increase/Maintain	1	1		1	1	1		1		1		

	Random bank 1 (Nondisclo- sure regime)	Random bank 2 (Nondisclo- sure regime)	State Bank & Trust Company	Eastland Savings Bank	Key Bank of Florida	Bay Bank of Commerce	Bank of Coffey	Kent Bank	Citizens State Bank	Hampton Bank	Total	Percentage overlap (Both Regimes)
Violations of the law and compliance	1	1	1	1	1	0	1	1	1	1	9	90%
Violations of Law—Eliminate and/or Correct—Preventive Procedures			1		1		1	1	1	1		
Community Reinvestment Act—Compliance Officer Required							1					
Community Reinvestment Act—Compliance Program—Minimum Requirements							1					
Consumer Laws—Compliance Program—Minimum Requirements							1					
Compliance—Compliance Officer—Compliance Program			1									
Advertising—Compliance			1									
Compliance—Progress Reports—Frequency; Reports required			1	1					1			
Compliance Program—Develop/Implement									1			
Regulation Z—Compliance Required									1			
Regulation B—Compliance Required									1			
Regulation X—Compliance Required									1			
Regulation C—Compliance Required									1			
Regulation CC—Compliance Required									1			
Interest—Rates Charged Male and Female Borrowers—Review and Restitution Required							1					
Insurance—Flood Insurance—Review and Notification to Borrowers; Compliance with FDIC Regulations Required							1		1			
Written Progress Reports Required	1	1								1		
Liquidity and funds management	0	0	0	0	1	1	0	1	0	0	3	30%
Funds Management—Written Policy Required					1							
Liquidity and Funds Management—Policy Required								1				
Asset/Liability Management—Written Policy—Minimum Requirements						1						

	Random bank 1 (Nondisclo- sure regime)	Random bank 2 (Nondisclo- sure regime)	State Bank & Trust Company	Eastland Savings Bank	Key Bank of Florida	Bay Bank of Commerce	Bank of Coffey	Kent Bank	Citizens State Bank	Hampton Bank	Total	Percentage overlap (Both Regimes)
Profitability	0	0	0	1	1	0	0	1	0	1	4	40%
Budget and Earnings Fore- cast—Preparation Required					1							
Profit Plan—Develop/Adopt; Minimum Requirements				1				1		1		
Misc	0	0	0	1	1	0	0	1	1	1	5	50%
Technical Excep- tions—Eliminate/Correct					1			1				
Interest—Rates Paid—Market Average								1				
Interest Rates—Demand De- posits—Limits on Interest Rates Paid									1			
Affiliated Organizations—Transactions With—Restricted				1								
Legal Services—Contracts										1		
Total broad issues	3	5	2	8	8	6	2	9	3	8	54	60%

8 Anecdotal evidence: News media coverage of enforcement actions

This section provides descriptive evidence related to the content of the press articles that cover EDOs. These articles contain details about the enforcement actions and the specific actions banks are required to take to exit the EDO successfully. More importantly, the articles have bank managers' comments and opinions and indicate the steps the bank is taking to resolve the issues stated in the enforcement action.

Citizens Western Bank, the county's smallest bank, was issued a cease and desist order from the Federal Deposit Insurance Corp. last month, confirmed FDIC spokesman David Barr. . . . Local bankers contacted for this story were not surprised Citizens Western was hit with a cease and desist order, saying the bank has not been growing or making much money for several years. "They don't have any momentum. They don't have any niche, and they don't know where they are going," said one banker who preferred not to be named. "Now all of a sudden their loan programs are getting worse." When informed that the bank had been hit with the regulatory sanction, another banker said, "Cease and desist from what? They haven't made a loan in about five years." —**"Mo's Favorite Bank Put on Restriction,"** *San Diego Daily Transcript*, June 18, 1991.

Federal regulators have slapped restrictions on Urban National Bank, requiring the small Franklin Lakes bank to refurbish its loan-management procedures, tighten rules on overdrafts by insiders, and report monthly on its progress, executives said Thursday. . . . "Apparently, the OCC wasn't satisfied with the depth of the management to supervise the bank's operations, particularly the loan activities," said George E. Stock, who is serving as interim chief of the bank. "They [the board] brought me in to spearhead the additions to the staff and get the best talent in the right places." The 71-year-old Stock, who retired as vice chairman of Midlantic Corp. in 1987, said he initially planned to explain the agreement to shareholders at the annual meeting in April, but decided to answer questions after release of the regulatory report. Stock arrived at Urban in November, after President and Chief Executive Theodore V. Kruckel retired after 29 years at the bank. "The whole bank isn't falling apart," Stock said. "There are just certain areas that have to be strengthened." —**"Feds Rein In Urban National Insider Overdrafts, Loan Rules Cited,"** *The Record*, March 13, 1992.

Jim Brown, BSD's chairman and chief executive officer, said that while he is not happy with the sanction, the company should be able to comply with its conditions. "Obviously I'm not pleased with having the order, but in the regulatory environment we're faced with, I think we're going to be OK," Brown said. "The order is one that is certainly achievable." —**"BSD Bancorp Must Increase Capital Ratios,"** *San Diego Daily Transcript*, September 3, 1992.

Edwin F. Hale Sr., chairman of the board, said, "We have already taken steps to address many of the requirements of the agreement and the order. The current board has been responding to the conditions which existed at the time of the proxy contest, and the recent improvements in the bank's earnings and financial condition reflect those efforts. Based on present projections from the previously adopted plan, the board currently expects that the company and the bank will be able to meet the requirements of the agreement and the order. The successful raising of capital in the public offering and reduction in classified assets will, of course, be dependent upon a number of factors beyond our control, including future market and economic conditions and upon the cooperation and success of our borrowers." Hale emphasized, "We fully recognize that we have our work cut out for us to achieve these goals and that there is little margin for error in our projections." —**"Baltimore Bancorp Reports Increased Earnings; Signs Agreement and Order with Regulators,"** *PR Newswire*, July 15, 1992.

Siggi B. Wilzig, The Trust Co.'s chairman and chief executive officer, on Monday called the FDIC's order "a bit of a hangover from a previous situation." He added: "We have an excellent compliance department, and we have an ethics policy. It may not have been complete or formalized, but nothing went wrong here."... The FDIC was highly critical of Trust Co. employees working in the bank's lending division and questioned the bank's criteria for approving loans. The regulatory agency asked the bank to set up a committee to evaluate each Trust Co. officer "to determine whether these individuals possess the ability, experience, and other qualifications to perform present and anticipated duties, including adherence to the Bank's established policies and practices..." ... Wilzig Monday characterized his bank's loan portfolio as "healthy," with a low number of bad loans and unwanted real estate. At the same time, he said The Trust Co. takes very seriously its motto, "The Bank With Heart Since 1896." "This is a 99-year old bank," he said. "We are very close to the community. You can't take the customers who made this bank and foreclose on their property. We can't throw women and children out on the street." If there's something wrong with us, then why would we be given permission to open five branches in the last 10 months?" —**"Trust Co. is Accused of Violations. FDIC Orders Critical Changes,"** *The Record*, November 01, 1994.

Under orders from federal regulators, Founders has less than a month to raise at least \$1.5 million of capital. But bank officials say Founders should raise at least \$5 million to bring the bank into full compliance with a federal cease-and-desist order requiring a Tier 1 leverage capital ratio of 6%. That would also allow the bank to address its nonperforming loan portfolio, which currently stands at \$5.7 million, or 7.23% of total assets.... "We think this is a very much an opportunity for investors," Mr. Connors [President and Chief Executive] said. "We believe, given the writeoffs the bank has taken, that it is now in a position to move forward. That's the proposition that we make to investors, that they are dealing with a bank that has had a very thorough review and has still intact

a very high level of earnings.” —“Another Conn. Bank Scrambling for Capital,” *American Banker*, July 11, 1995.

9 Figures and Tables

The figures and tables included here are referenced in Section 4 of this online appendix as well as at various places in the main text.

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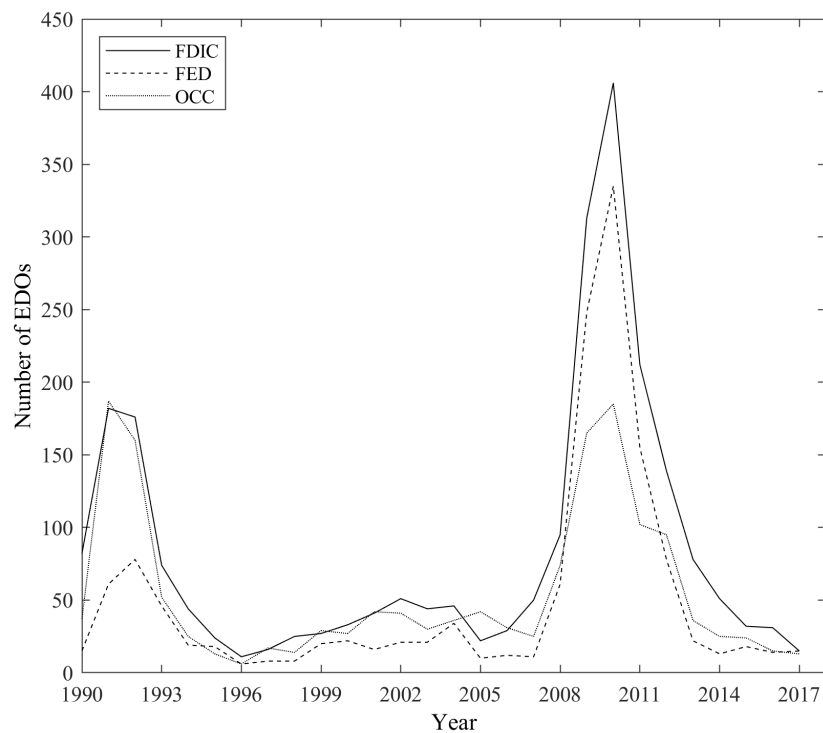


Figure OA1: Number of enforcement actions by primary federal regulator

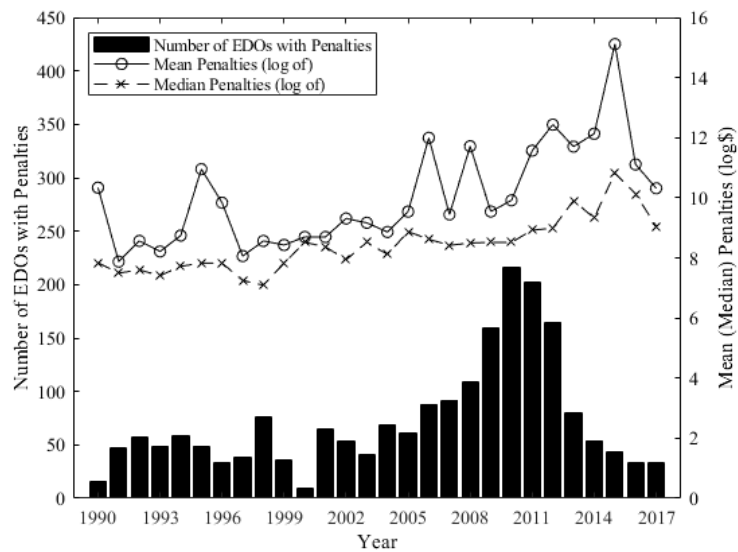


Figure OA2: Number of EDOs with penalties and mean (median) penalties by year

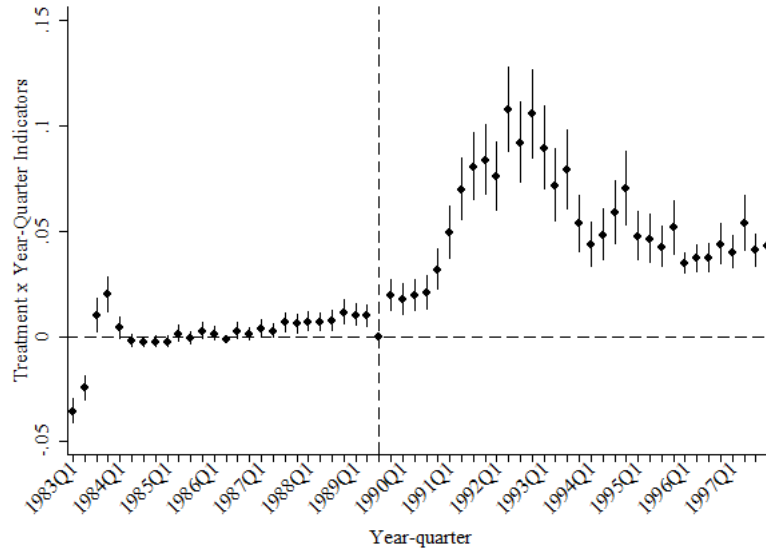
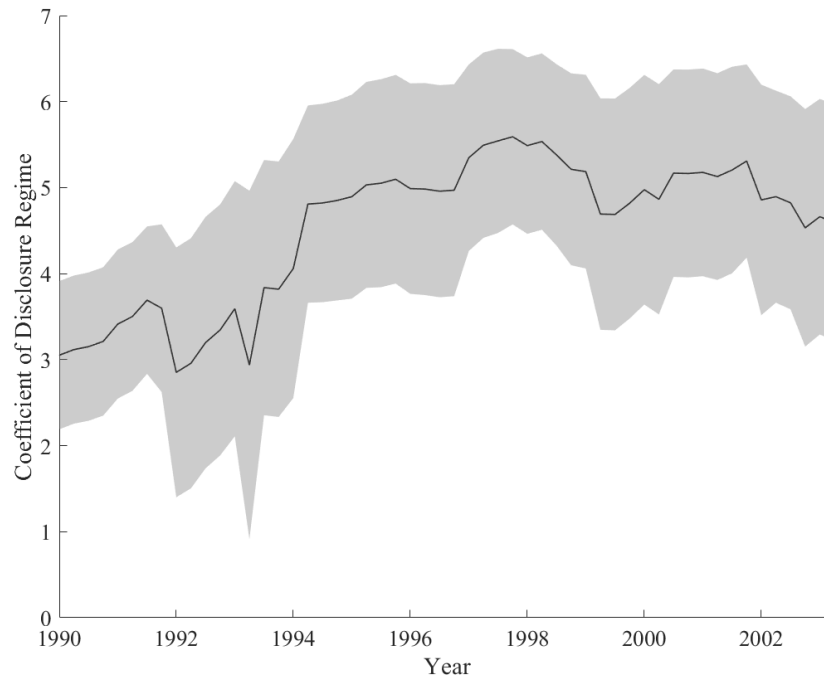
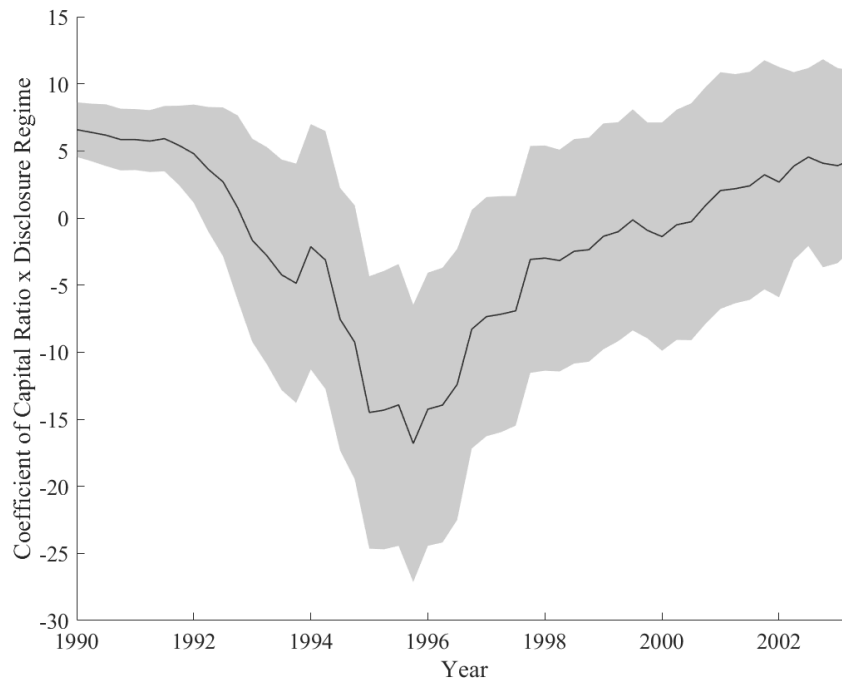


Figure OA3: Coefficient plot to assess pre-trends

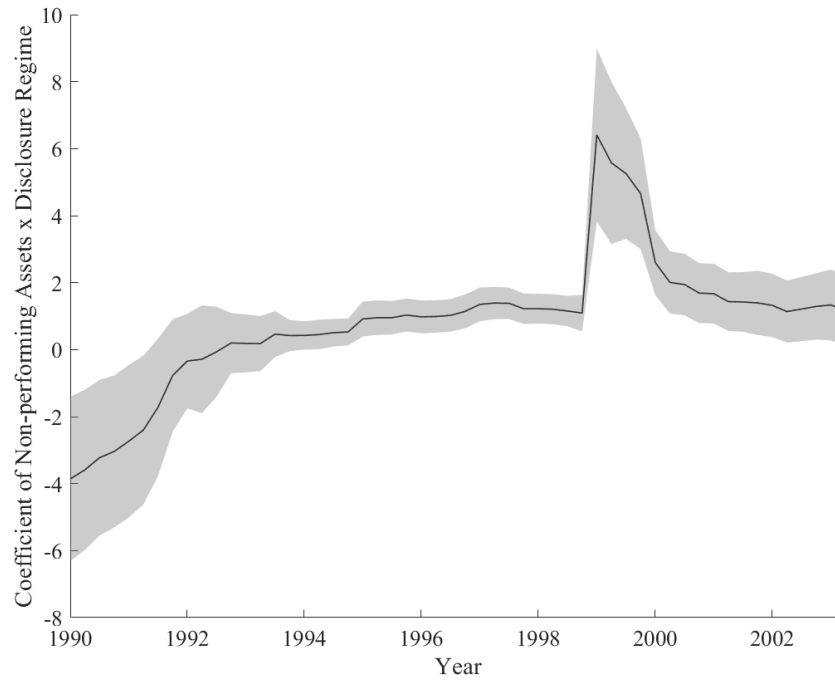
This figure presents the coefficient plot for the interaction coefficient of *Treatment* with year-quarter indicators from the estimation of the linear probability model of regulators' decision to issue an enforcement action during the period of 1983 to 1997 with bank fixed effects and control variables. The estimation is similar to that presented in Table OA1 apart from year-quarter indicators interacted with the *Treatment* indicator, which takes the value of 1 for banks that receive an EDO and 0 otherwise. The vertical dashed line corresponds to the change in the disclosure regime in 1989Q3.



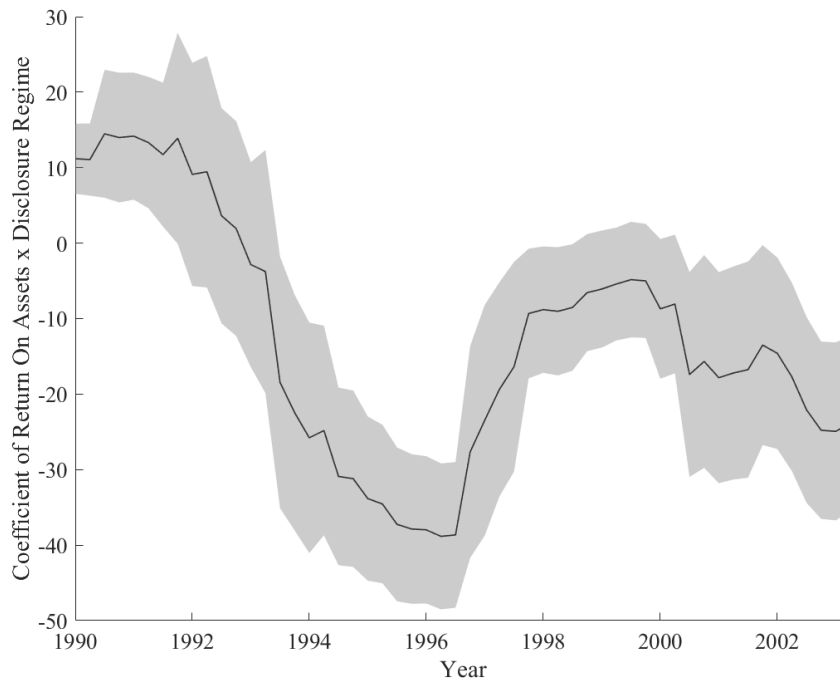
Panel A



Panel B



Panel C



Panel D

Figure OA4: Time trend of coefficients (pre-FIRREA 1983–1984)

This figure shows the time trend of coefficients of *Disclosure Regime* (Panel A), *Capital Ratio* $\times$ *Disclosure Regime* (Panel B), *Nonperforming Assets* $\times$ *Disclosure Regime* (Panel C), and *Return on Assets* $\times$ *Disclosure Regime* (Panel D) from the estimation of Equation 1 in the manuscript (excluding year indicators). The pre-FIRREA sample consists of the years 1983–1984, whereas the post-FIRREA sample consists of all possible consecutive 20-quarter windows. The gray bands correspond to the 95% confidence intervals around the coefficient estimates. ²²

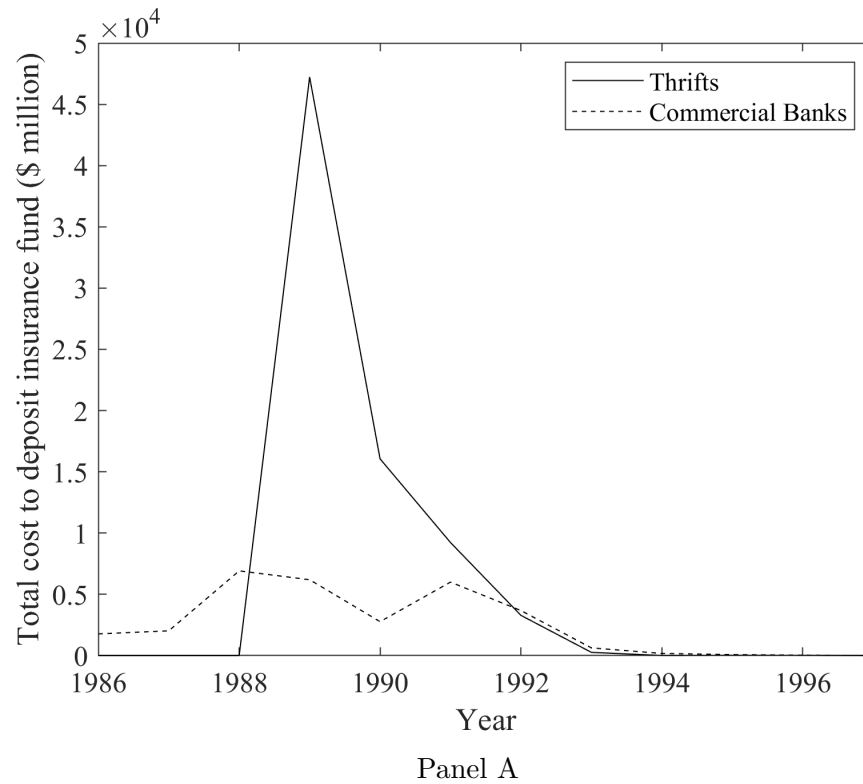
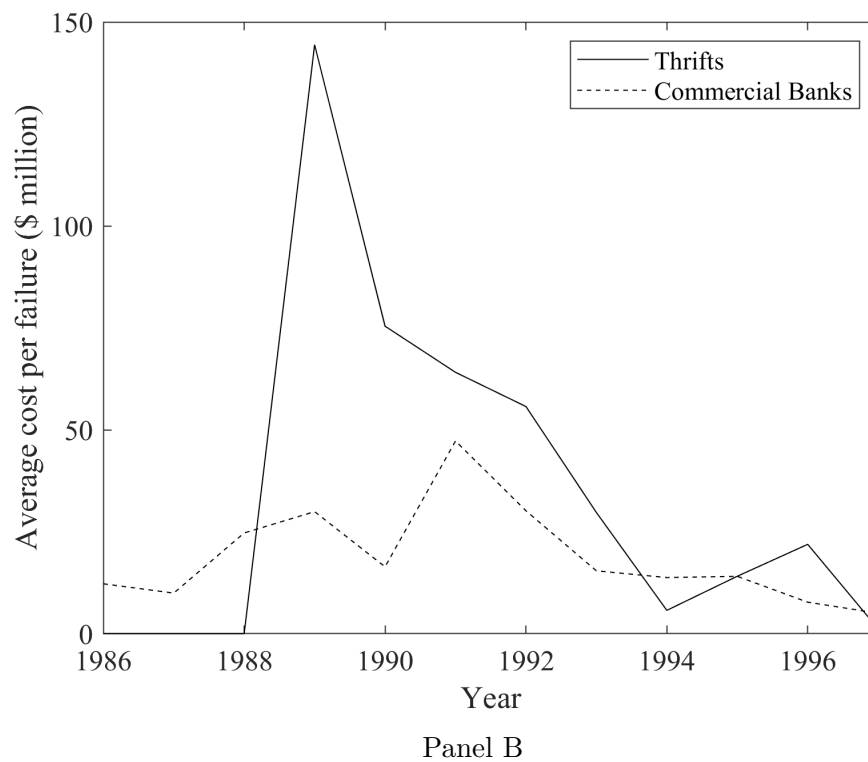


Figure OA5: Cost of thrift/bank failure to the deposit insurance fund

This figure shows the total (Panel A) and mean (Panel B) cost of thrift and bank failure to the deposit insurance fund for the years 1986–1997. Data is from the FDIC’s *Bank Failures and Assistance Dataset*. The earliest year for which data is available is 1986.

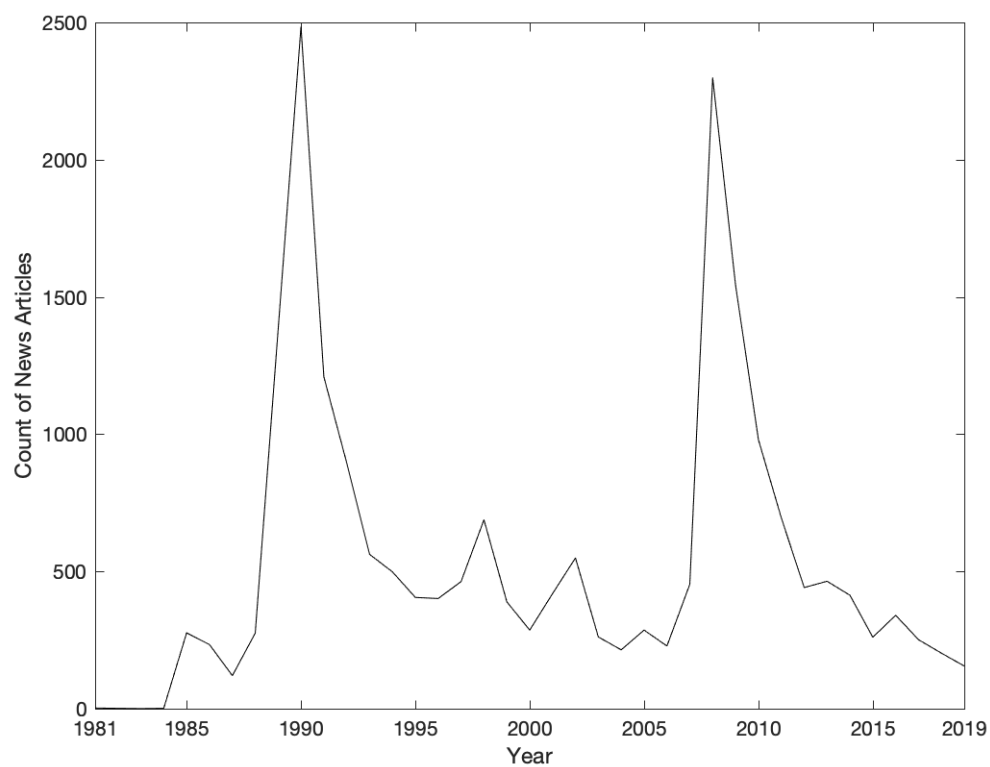
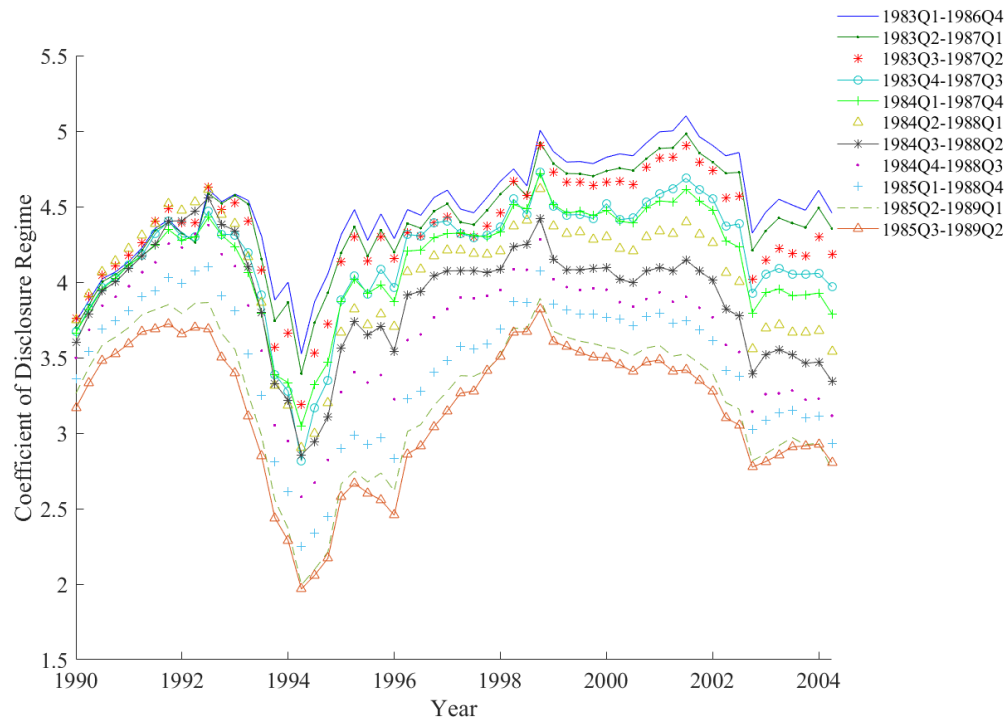
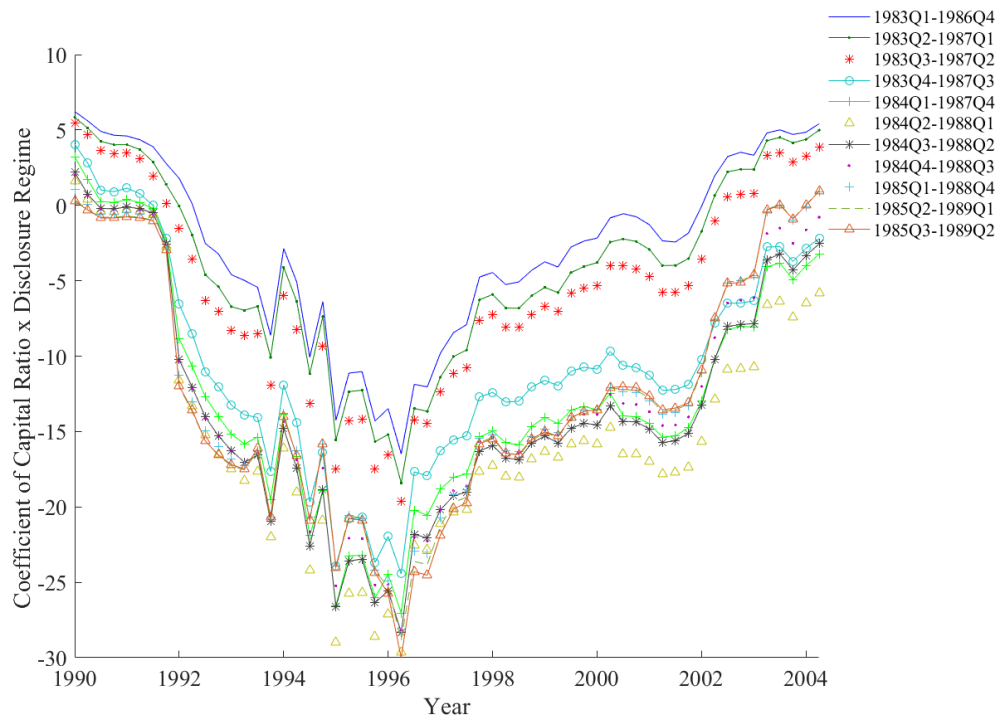


Figure OA6: Number of news articles related to the S&L crisis

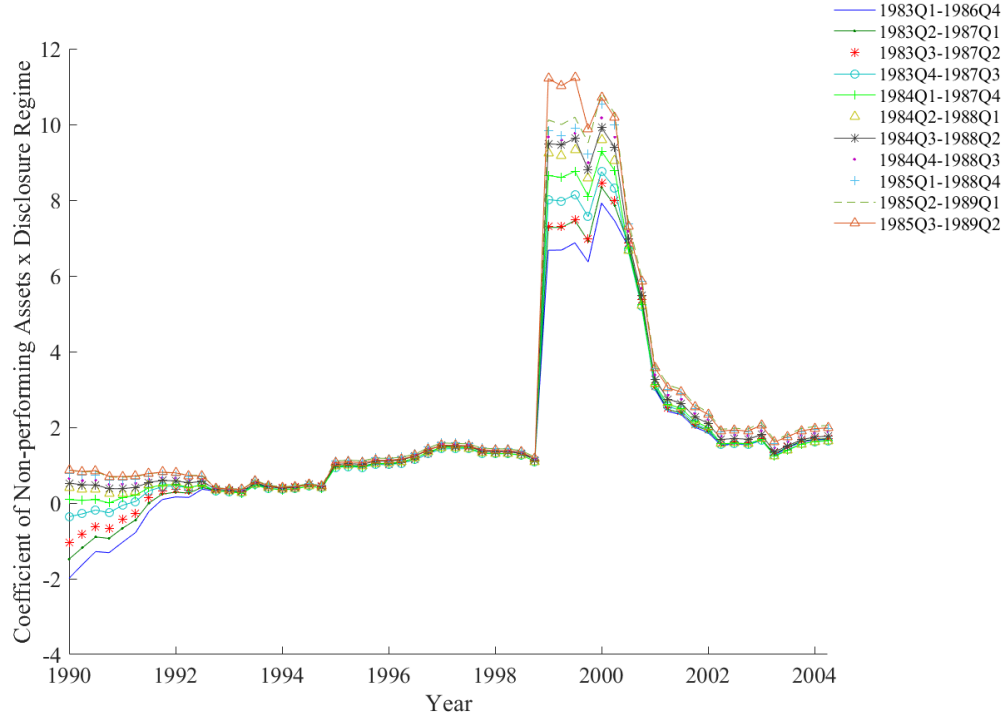
This figure shows the number of articles in the Dow Jones Factiva news database related to variations of the following search terms: “S&L crisis,” “savings and loan crisis,” and “thrift failure.”



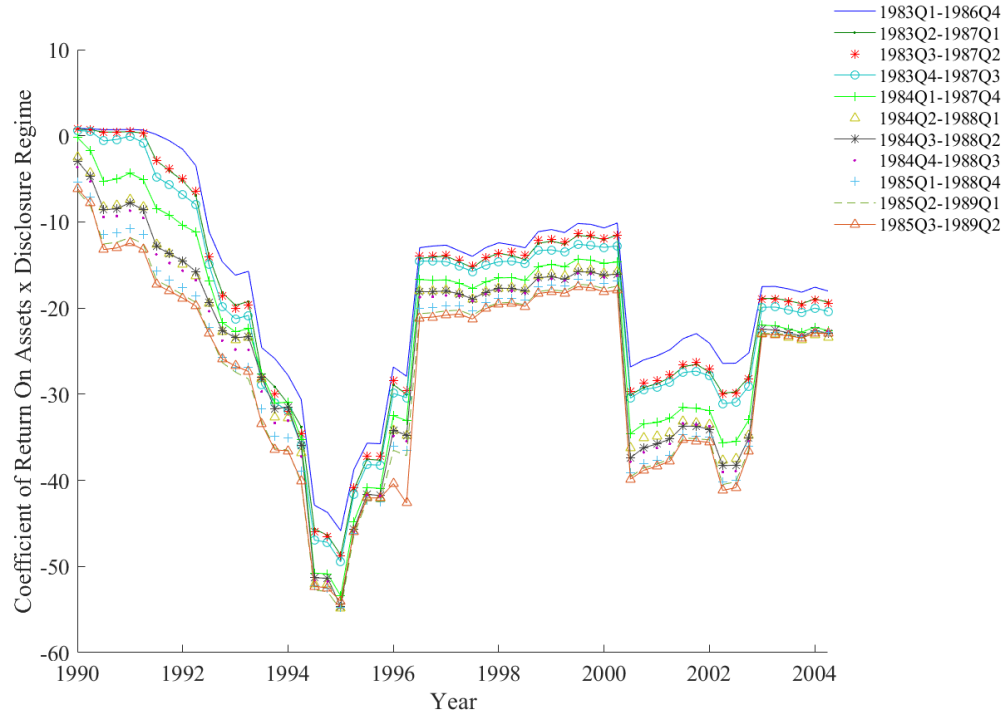
Panel A



Panel B



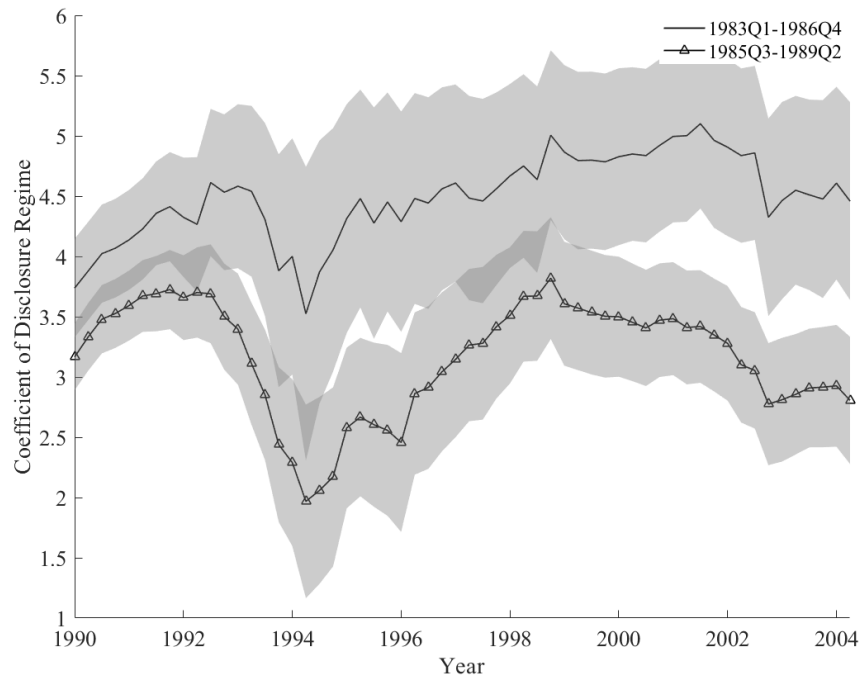
Panel C



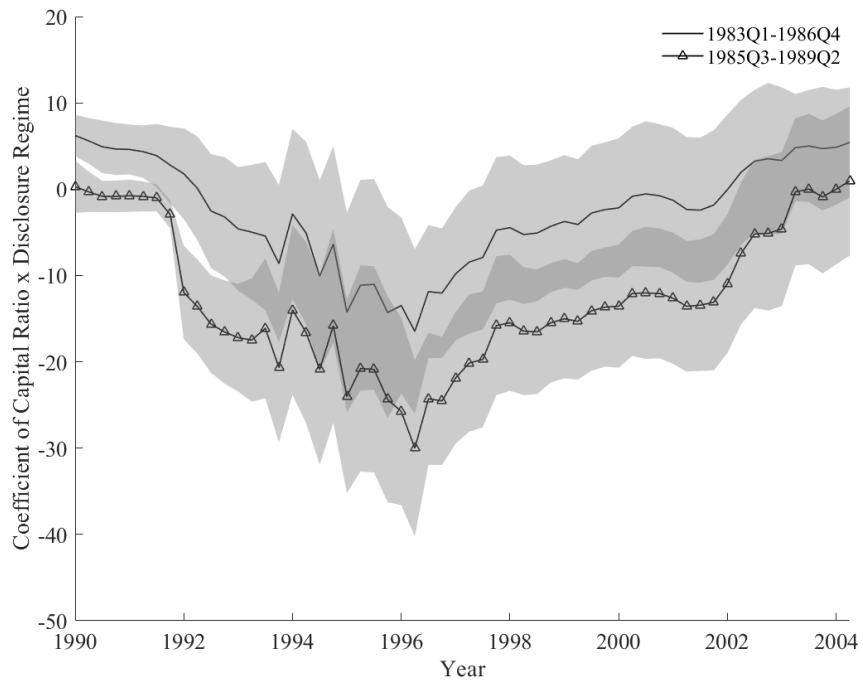
Panel D

Figure OA7: Time trend of coefficients (full sample)

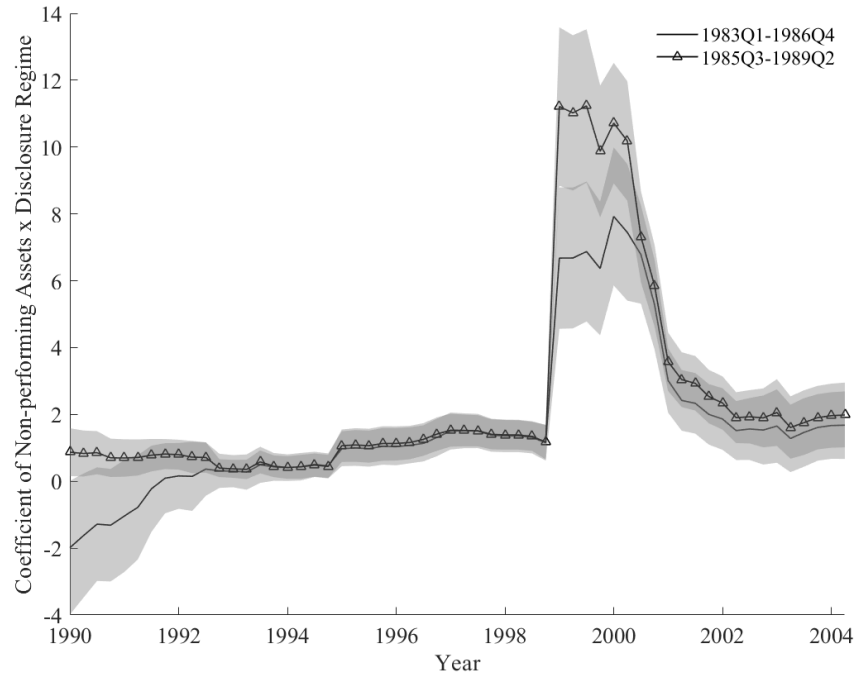
This figure shows the time trend of coefficients of *Disclosure Regime* (Panel A), *Capital Ratio* $\times$ *Disclosure Regime* (Panel B), *Nonperforming Assets* $\times$ *Disclosure Regime* (Panel C), and *Return on Assets* $\times$ *Disclosure Regime* (Panel D) from the estimation of Equation 1 in the manuscript (excluding year indicators). The legend indicates pre-FIRREA quarters selected. Details of the estimation are described in Section 6.4 of the manuscript.



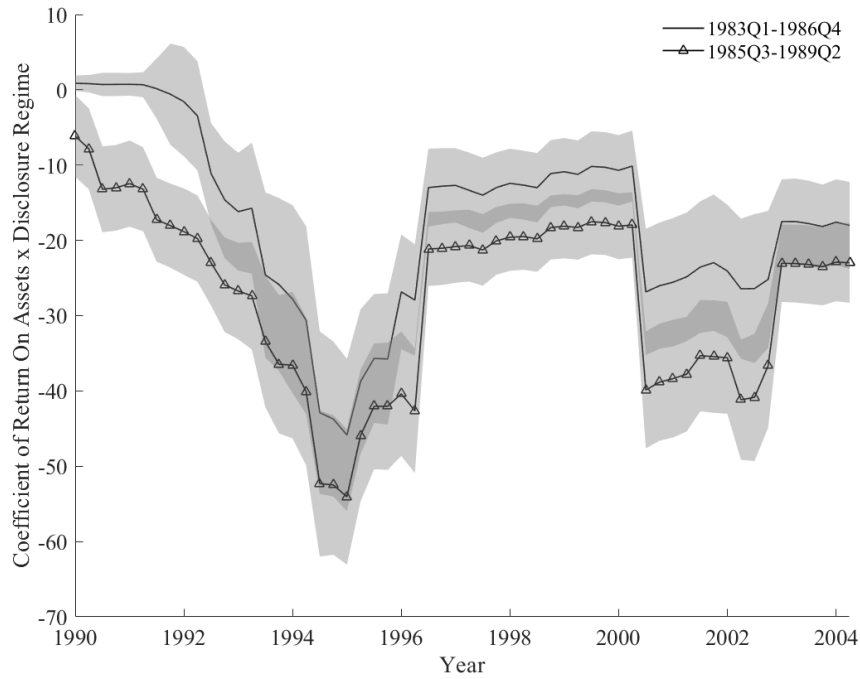
Panel A



Panel B



Panel C



Panel D

Figure OA8: Time trend of coefficients (subsample)

This figure shows the time trend of coefficients of *Disclosure Regime* (Panel A), *Capital Ratio* $\times$ *Disclosure Regime* (Panel B), *Nonperforming Assets* $\times$ *Disclosure Regime* (Panel C), and *Return on Assets* $\times$ *Disclosure Regime* (Panel D) from the estimation of Equation 1 in the manuscript (excluding year indicators). The legend indicates pre-FIRREA quarters selected. Details of the estimation are described in Section 6.4 of the manuscript. The gray bands correspond to the 95% confidence intervals around the coefficient estimates.

Table OA1: Likelihood of receiving an enforcement action (linear probability model)

This table presents the results from estimating a linear probability model of regulators' decision to issue an enforcement action during the period of 1983 to 1997. The dependent variable is 1 in the year of EDO issuance and 0 otherwise. Observations for EDO banks after receiving an EDO are dropped from the analysis. The variable *Disclosure Regime* takes the value of 1 for the quarters after the introduction of FIRREA in 1989Q3 and 0 otherwise. To mitigate the effects of extreme observations, all continuous variables are winsorized at the 1% and 99% tails of their respective distributions in each sample year. All variables are lagged by one quarter and defined in Appendix A of the manuscript; *t*-statistics are presented in parentheses; * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$ (two-tailed).

	(1)	(2)	(3)	(4)	(5)	(6)
Disclosure Regime	0.021*** (15.839)	0.050*** (18.963)	0.006*** (4.289)	0.049*** (23.412)	0.019*** (13.668)	0.040*** (15.315)
Size	-0.006*** (-5.902)	-0.007*** (-7.192)	-0.002*** (-2.717)	-0.005*** (-4.933)	-0.005*** (-5.848)	-0.003*** (-3.325)
Capital Ratio	-0.206*** (-13.626)	-0.067*** (-4.155)	-0.183*** (-12.468)	-0.166*** (-11.423)	-0.203*** (-13.475)	-0.096*** (-6.134)
Nonperforming Assets	0.203*** (13.519)	0.211*** (13.937)	-0.021* (-1.822)	0.217*** (14.438)	0.203*** (13.512)	0.038*** (3.440)
Return on Assets	-0.491*** (-13.629)	-0.555*** (-14.975)	-0.525*** (-14.629)	0.277*** (7.458)	-0.494*** (-13.692)	-0.032 (-0.986)
Liquidity Ratio	-0.016*** (-3.155)	-0.010** (-2.070)	-0.017*** (-3.413)	-0.011** (-2.351)	-0.024*** (-4.446)	-0.013** (-2.487)
Change in Capital Ratio	-0.001 (-0.605)	-0.002 (-1.104)	-0.004** (-2.086)	-0.005** (-2.373)	-0.001 (-0.751)	-0.006*** (-3.223)
Change in Liquidity Ratio	0.001** (2.469)	0.001* (1.724)	0.001*** (2.586)	0.001* (1.907)	0.001** (2.407)	0.001* (1.813)
Change in Loans	-0.010*** (-11.540)	-0.010*** (-11.791)	-0.010*** (-11.895)	-0.010*** (-11.966)	-0.010*** (-11.502)	-0.011*** (-12.236)
Distance	0.002* (1.846)	0.003** (2.110)	0.003** (2.104)	0.003** (2.371)	0.002* (1.863)	0.003** (2.527)
Employment Growth	-0.039*** (-4.669)	-0.035*** (-4.221)	-0.043*** (-5.178)	-0.034*** (-4.122)	-0.039*** (-4.650)	-0.037*** (-4.494)
Capital Ratio x Disclosure Regime		-0.273*** (-14.249)				-0.128*** (-7.900)
Nonperforming Assets x Disclosure Regime			0.882*** (19.658)			0.703*** (17.073)
Return on Assets x Disclosure Regime				-2.818*** (-20.436)		-1.897*** (-16.258)
Liquidity Ratio x Disclosure Regime					0.037*** (3.757)	0.008 (0.796)
Observations	686,872	686,872	686,872	686,872	686,872	686,872
Adjusted R-squared	0.230	0.232	0.241	0.239	0.230	0.246
Reg Type	OLS	OLS	OLS	OLS	OLS	OLS
Year-Quarter FE	No	Yes	Yes	Yes	Yes	Yes
Cluster	Bank	Bank	Bank	Bank	Bank	Bank
Years	1983–97	1983–97	1983–97	1983–97	1983–97	1983–97
Period	All	All	All	All	All	All

Table OA2: Likelihood of receiving an enforcement action (pre-FIRREA sample of 1983–84)

This table presents the results from estimating linear probability models of the regulators' decision to issue an EDO during the period of 1983–1984 and 1989Q4–1997. The dependent variable is 1 in the year of EDO issuance and 0 otherwise. Observations for EDO banks after receiving an EDO are dropped from the analysis. The variable *Disclosure Regime* takes the value of 1 for the quarters after the introduction of FIRREA in 1989Q3 and 0 otherwise. To mitigate the effects of extreme observations, all continuous variables are winsorized at the 1% and 99% tails of their respective distributions in each sample year. All variables are lagged by one quarter and defined Appendix A of the manuscript; *t*-statistics are presented in parentheses; * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$ (two-tailed).

	(1)	(2)	(3)	(4)	(5)	(6)
Disclosure Regime	0.016*** (13.102)	0.047*** (17.972)	-0.000 (-0.069)	0.045*** (22.163)	0.014*** (10.799)	0.037*** (14.297)
Size	-0.003*** (-3.909)	-0.005*** (-5.378)	-0.000 (-0.327)	-0.002*** (-2.780)	-0.003*** (-3.845)	-0.001 (-1.019)
Capital Ratio	-0.168*** (-11.777)	-0.020 (-1.341)	-0.144*** (-10.453)	-0.126*** (-9.261)	-0.165*** (-11.601)	-0.050*** (-3.489)
Nonperforming Assets	0.173*** (12.450)	0.181*** (12.931)	-0.062*** (-7.074)	0.188*** (13.518)	0.173*** (12.441)	0.000 (0.022)
Return on Assets	-0.419*** (-12.710)	-0.487*** (-14.267)	-0.454*** (-13.844)	0.402*** (12.836)	-0.421*** (-12.784)	0.075*** (3.012)
Liquidity Ratio	-0.017*** (-3.703)	-0.012** (-2.479)	-0.018*** (-4.017)	-0.013*** (-2.813)	-0.026*** (-5.202)	-0.014*** (-3.024)
Change in Capital Ratio	0.001 (0.294)	-0.000 (-0.261)	-0.002 (-1.345)	-0.003* (-1.700)	0.000 (0.128)	-0.005*** (-2.637)
Change in Liquidity Ratio	0.001** (2.418)	0.000 (1.530)	0.001** (2.552)	0.000* (1.744)	0.001** (2.341)	0.000 (1.615)
Change in Loans	-0.010*** (-11.512)	-0.010*** (-11.779)	-0.010*** (-11.913)	-0.010*** (-11.971)	-0.010*** (-11.470)	-0.010*** (-12.279)
Distance	0.002* (1.668)	0.003* (1.949)	0.003* (1.936)	0.003** (2.216)	0.002* (1.686)	0.003** (2.384)
Employment Growth	-0.039*** (-4.927)	-0.034*** (-4.420)	-0.043*** (-5.495)	-0.033*** (-4.322)	-0.038*** (-4.906)	-0.036*** (-4.724)
Capital Ratio x Disclosure Regime		-0.290*** (-15.279)				-0.138*** (-8.628)
Nonperforming Assets x Disclosure Regime			0.919*** (20.602)			0.728*** (17.826)
Return on Assets x Disclosure Regime				-2.971*** (-21.784)		-2.011*** (-17.471)
Liquidity Ratio x Disclosure Regime					0.040*** (4.078)	0.009 (0.946)
Observations	684,065	684,065	684,065	684,065	684,065	684,065
Adjusted R-squared	0.233	0.236	0.247	0.245	0.233	0.254
Reg Type	OLS	OLS	OLS	OLS	OLS	OLS
Year-Quarter FE	Yes	Yes	Yes	Yes	Yes	Yes
Bank FE	Yes	Yes	Yes	Yes	Yes	Yes
Cluster	Bank	Bank	Bank	Bank	Bank	Bank
Years	1983–97	1983–97	1983–97	1983–97	1983–97	1983–97
EDO years	1983–84 & 1989Q4–97	1983–84 & 1989Q4–97	1983–84 & 1989Q4–97	1983–84 & 1989Q4–97	1983–84 & 1989Q4–97	1983–84 & 1989Q4–97
Period	All	All	All	All	All	All

Table OA3: Likelihood of receiving an enforcement action (C&D orders)

This table presents the coefficients from estimating models of the regulators' decision to issue a cease and desist enforcement order during the period of 1983 to 1997. Columns (1)–(6) present the results from the estimation of a Cox proportional-hazards model. Column (7) presents the results from the estimation of an accelerated-time model. The variable *Disclosure Regime* takes the value of 1 for the quarters after the introduction of FIRREA in 1989Q3 and 0 otherwise. To mitigate the effects of extreme observations, all continuous variables are winsorized at the 1% and 99% tails of their respective distributions in each sample year. All variables are lagged by one quarter and defined in Appendix A of the manuscript; *z*-statistics are presented in parentheses; * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$ (two-tailed).

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Disclosure Regime	1.794*** (2.857)	2.053*** (3.210)	1.165* (1.736)	1.369** (2.061)	1.773*** (2.769)	0.902 (1.219)	-0.888*** (-3.711)
Size	-0.095*** (-3.027)	-0.093*** (-2.973)	-0.099*** (-3.153)	-0.099*** (-3.141)	-0.095*** (-3.010)	-0.102*** (-3.231)	0.035** (2.094)
Capital Ratio	-17.153*** (-7.262)	-12.885*** (-4.858)	-16.831*** (-7.256)	-16.803*** (-7.189)	-17.149*** (-7.260)	-19.192*** (-5.743)	8.478*** (5.171)
Nonperforming Assets	19.791*** (15.199)	19.838*** (15.335)	16.157*** (10.606)	19.892*** (15.506)	19.785*** (15.166)	17.554*** (9.856)	-11.567*** (-9.253)
Return on Assets	-31.705*** (-7.615)	-32.053*** (-7.792)	-32.057*** (-7.825)	-19.575*** (-3.912)	-31.707*** (-7.614)	-21.841*** (-3.685)	20.079*** (7.164)
Liquidity Ratio	-2.362*** (-2.917)	-2.344*** (-2.886)	-2.531*** (-3.109)	-2.420*** (-2.972)	-2.489** (-2.207)	-2.542** (-2.299)	1.059** (2.251)
Change in Capital Ratio	-0.600*** (-2.758)	-0.655*** (-2.987)	-0.632*** (-2.905)	-0.627*** (-2.884)	-0.601*** (-2.759)	-0.613*** (-2.822)	0.660*** (4.220)
Change in Liquidity Ratio	0.124 (1.542)	0.122 (1.507)	0.128 (1.574)	0.122 (1.499)	0.125 (1.555)	0.126 (1.553)	-0.054 (-1.218)
Change in Loans	-0.878*** (-2.923)	-0.867*** (-2.908)	-0.819*** (-2.787)	-0.832*** (-2.818)	-0.877*** (-2.919)	-0.813*** (-2.764)	0.358** (2.189)
Distance	0.070** (2.175)	0.071** (2.223)	0.077** (2.380)	0.072** (2.239)	0.069** (2.174)	0.075** (2.322)	-0.027 (-1.635)
Employment Growth	-2.828** (-2.197)	-2.777** (-2.152)	-2.824** (-2.172)	-2.780** (-2.135)	-2.829** (-2.197)	-2.820** (-2.160)	1.244* (1.768)
Capital Ratio x Disclosure Regime		-5.934* (-1.941)				3.408 (0.818)	
Nonperforming Assets x Disclosure Regime			6.962*** (4.201)			4.413* (1.894)	
Return on Assets x Disclosure Regime				-23.173*** (-4.522)		-18.617** (-2.446)	
Liquidity Ratio x Disclosure Regime					0.222 (0.150)	0.023 (0.015)	
Observations	691,802	691,802	691,802	691,802	691,802	691,802	691,802
Wald χ^2	2229***	2335***	2397***	2386***	2229***	2463***	1637***
Reg Type	Cox Hazard	Cox Hazard	Cox Hazard	Cox Hazard	Cox Hazard	Weibull AFT	Weibull AFT
Strata	Year	Year	Year	Year	Year	Year	Year
Cluster	Bank	Bank	Bank	Bank	Bank	Bank	Bank
Years	1983–97	1983–97	1983–97	1983–97	1983–97	1983–97	1983–97
Period	All	All	All	All	All	All	All

Table OA4: Changes in the textual content of enforcement actions (with EDO length)

This table presents changes in the content of enforcement actions using textual analysis of severe enforcement actions issued by the FDIC, OCC, or the Federal Reserve for the period 1983–1984 and 1989Q3–1997. Column (5) contains only FDIC severe enforcement actions, resulting in a reduced number of observations. The variable *Disclosure Regime* takes the value of 1 for the quarters after the introduction of FIRREA in 1989Q3 and 0 otherwise; *EDO Severity* is the length of time it takes a bank to exit an EDO. To mitigate the effects of extreme observations, all continuous variables are winsorized at the 1% and 99% tails of their respective distributions in each sample year. All variables are lagged by one quarter and defined in Appendix A of the manuscript; *t*-statistics are presented in parentheses; * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$ (two-tailed).

	Number of Words	Gunning FOG	Flesch Grade Level Readability	Numeric Intensity	Boilerplate
	(1)	(2)	(3)	(4)	(5)
Disclosure Regime	0.933*** (13.450)	7.184*** (23.067)	5.533*** (19.381)	0.452*** (3.314)	0.101*** (5.163)
Size	0.009 (0.329)	0.151 (1.042)	0.168 (1.334)	0.090* (1.834)	-0.006 (-0.738)
Return on Assets	-0.635 (-0.606)	-12.139 (-1.271)	-12.001 (-1.295)	3.686 (1.194)	0.816 (1.572)
Liquidity Ratio	-1.379** (-2.594)	2.131 (0.488)	1.494 (0.361)	-0.891 (-0.978)	0.793*** (3.462)
Employment Growth	-1.228 (-1.005)	2.295 (0.338)	0.379 (0.065)	5.354*** (3.760)	0.833** (2.668)
EDO Severity	0.041 (0.749)	-0.113 (-0.289)	-0.105 (-0.286)	-0.054 (-0.384)	-0.016 (-1.064)
Intercept	7.150*** (12.705)	14.828*** (4.985)	11.546*** (4.107)	1.488 (1.324)	0.505*** (3.445)
Observations	499	499	499	499	234
Adjusted R-squared	0.377	0.458	0.362	0.067	0.140
Reg Type	OLS	OLS	OLS	OLS	OLS
Year-Quarter FE	No	No	No	No	No
Bank FE	No	No	No	No	No
Cluster	Year	Year	Year	Year	Year
Years	1983–97	1983–97	1983–97	1983–97	1983–97
Period	All	All	All	All	All

Table OA5: News circulation and the likelihood of receiving an enforcement action

This table presents the coefficients from estimating models of the regulators' decision to issue an enforcement action during the period of 1983 to 1997. Column (1) presents the results from estimating a Cox proportional-hazards model, whereas column (2) presents the results from an accelerated-time model. The variable *Disclosure Regime* takes the value of 1 for the quarters after the introduction of FIRREA in 1989Q3 and 0 otherwise; *News Circulation* is a continuous measure of the county-level newspaper readership. To mitigate the effects of extreme observations, all continuous variables are winsorized at the 1% and 99% tails of their respective distributions in each sample year. All variables are lagged by one quarter and defined in Appendix A of the manuscript; z -statistics are presented in parentheses; * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$ (two-tailed).

	(1)	(2)
Disclosure Regime	-9.304*** (-5.476)	5.991*** (5.708)
News Circulation	-2.470 (-0.723)	2.886 (1.525)
Disclosure Regime x News Circulation	0.418** (2.008)	-0.271** (-2.038)
Size	-0.119*** (-4.226)	0.081*** (4.556)
Capital Ratio	-22.485*** (-6.559)	11.754*** (5.425)
Nonperforming Assets	17.146*** (9.728)	-7.514*** (-6.017)
Return on Assets	-21.414*** (-3.669)	10.012*** (3.233)
Liquidity Ratio	-1.490 (-1.441)	0.961* (1.845)
Change in Capital Ratio	-0.422** (-2.410)	0.432*** (3.246)
Change in Liquidity Ratio	0.071 (1.040)	-0.059 (-1.563)
Change in Loans	-0.864*** (-3.641)	0.368** (2.497)
Distance	0.176*** (6.122)	-0.103*** (-5.290)
Employment Growth	0.891 (0.528)	-0.684 (-1.020)
Per Capita Income	-0.743** (-2.020)	0.313* (1.883)
Urbanization	-3.173 (-1.185)	2.100 (1.439)
News Circulation ²	0.023* (1.798)	-0.009 (-0.710)
News Circulation x Urbanization	2.015 (0.568)	-2.653 (-1.352)
Disclosure Regime x Employment Growth	-5.589** (-2.467)	3.872*** (2.972)
Disclosure Regime x Per Capita Income	1.356*** (3.435)	-0.712*** (-3.530)
Disclosure Regime x Urbanization	6.332*** (4.478)	-4.344*** (-4.791)
Disclosure Regime x Capital Ratio	7.154* (1.861)	-1.260 (-0.473)
Disclosure Regime x Nonperforming Assets	4.435** (2.120)	-9.455*** (-4.606)
Disclosure Regime x Return on Assets	-15.938** (-2.357)	20.077*** (4.126)
Disclosure Regime x Liquidity Ratio	-0.717 (-0.560)	0.374 (0.494)
Observations	685,338	685,338
Wald χ^2	3138***	2808***
Reg Type	Cox Hazard	Weibull AFT
Strata	Year	Year
Cluster	Bank	Bank
Years	1983–97	1983–97
Period	All	All

Table OA6: News circulation and the likelihood of receiving a nonsevere enforcement action

This table presents the coefficients from estimating models of the regulators' decision to issue a nonsevere enforcement action during the disclosure regime. Column (1) presents the results from estimating a Cox proportional-hazards model, whereas column (2) presents the results from an accelerated-time model. The variable *News Circulation* is a continuous measure of the county-level newspaper readership; *Severe EDO* is an indicator for whether a bank received a severe enforcement action prior to receiving the nonsevere enforcement action. To mitigate the effects of extreme observations, all continuous variables are winsorized at the 1% and 99% tails of their respective distributions in each sample year. All variables are lagged by one quarter and defined in Appendix A of the manuscript; *z*-statistics are presented in parentheses; * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$ (two-tailed).

	(1)	(2)
News Circulation	0.213 (0.053)	0.129 (0.030)
Severe EDO	2.690*** (26.905)	-3.005*** (-5.937)
Size	-0.050 (-1.376)	0.015 (0.364)
Capital Ratio	-6.942*** (-3.957)	6.302*** (2.922)
Nonperforming Assets	10.535*** (7.036)	-11.404*** (-4.354)
Return on Assets	-25.510*** (-5.220)	21.269*** (3.287)
Liquidity Ratio	3.173*** (4.159)	-2.902*** (-2.966)
Change in Capital Ratio	2.014*** (9.199)	-1.899*** (-4.841)
Change in Liquidity Ratio	0.032 (0.360)	-0.019 (-0.211)
Change in Loans	-0.020 (-0.095)	0.029 (0.135)
Distance	-0.014 (-0.471)	0.014 (0.436)
Employment Growth	1.400 (1.187)	-1.507 (-1.178)
Per Capita Income	0.231 (1.255)	-0.189 (-0.892)
Urbanization	2.111 (0.815)	-2.016 (-0.727)
News Circulation ²	0.040 (1.317)	-0.040 (-1.110)
News Circulation x Urbanization	-0.457 (-0.111)	0.095 (0.022)
Observations	318,426	318,426
Wald χ^2	2113***	45.06***
Reg Type	Cox Hazard	Weibull AFT
Strata	Year	Year
Cluster	Bank	Bank
Years	1989–97	1989–97
Period	Disclosure Regime	Disclosure Regime

Table OA7: Competition from thrifts (thrifts' share of deposits)

This table presents the effect of competition from thrifts on the likelihood of receiving an EDO and EDO content. Panel A presents the coefficients from estimating models of the regulators' decision to issue a severe enforcement action. Columns (1)–(7) present the results from estimating a Cox proportional-hazards model and columns (8)–(9) present the results from an accelerated-time model. Panel B shows the impact on EDO content using OLS estimation. The indicator *Disclosure Regime* takes the value of 1 for the quarters after the introduction of FIRREA in 1989Q3 and 0 otherwise. *Thrifts' Share of Deposits* is a proportion of deposits held by thrifts in a given county where an EDO bank is headquartered lagged by one quarter. To mitigate the effects of extreme observations, all continuous variables are winsorized at the 1% and 99% tails of their respective distributions in each sample year. All variables are lagged by one quarter and defined in Appendix A of the manuscript. *z*-statistics (Panel A) and *t*-statistics (Panel B) are presented in parentheses. * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$ (two-tailed).

Panel A: Likelihood of receiving an EDO, competition from thrifts in deposit market

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Disclosure Regime	1.795*** (2.774)	2.058*** (3.121)	1.128 (1.644)	1.416** (2.067)	1.757*** (2.693)	1.390** (2.131)	0.472 (0.636)	-1.243*** (-4.182)	-1.062*** (-3.395)
Size	-0.032 (-1.314)	-0.031 (-1.251)	-0.037 (-1.474)	-0.035 (-1.416)	-0.032 (-1.290)	-0.034 (-1.360)	-0.040 (-1.572)	0.017 (1.064)	0.019 (1.142)
Capital Ratio	-17.106*** (-8.998)	-12.367*** (-4.886)	-16.926*** (-9.009)	-16.892*** (-8.951)	-17.101*** (-8.996)	-17.132*** (-9.001)	-19.863*** (-5.828)	11.303*** (6.777)	11.323*** (6.787)
Nonperforming Assets	20.744*** (19.241)	20.795*** (19.393)	15.929*** (11.168)	20.838*** (19.613)	20.733*** (19.196)	20.724*** (19.241)	17.349*** (9.859)	-15.361*** (-11.307)	-15.300*** (-11.304)
Return on Assets	-33.196*** (-9.466)	-33.555*** (-9.663)	-33.584*** (-9.699)	-18.781*** (-3.923)	-33.196*** (-9.465)	-33.124*** (-9.429)	-22.701*** (-3.743)	27.162*** (8.806)	27.025*** (8.797)
Liquidity Ratio	-1.814*** (-2.654)	-1.797*** (-2.623)	-1.993*** (-2.894)	-1.871*** (-2.728)	-2.103* (-1.923)	-1.834*** (-2.684)	-2.208** (-2.088)	0.943** (1.972)	0.945** (1.988)
Change in Capital Ratio	-0.433** (-2.363)	-0.481*** (-2.590)	-0.465** (-2.526)	-0.466** (-2.536)	-0.435** (-2.369)	-0.431** (-2.350)	-0.452** (-2.448)	0.659*** (4.148)	0.655*** (4.134)
Change in Liquidity Ratio	0.110 (1.611)	0.108 (1.581)	0.113* (1.646)	0.107 (1.560)	0.112 (1.633)	0.110 (1.610)	0.113 (1.636)	-0.056 (-1.194)	-0.058 (-1.237)
Change in Loans	-0.968*** (-3.807)	-0.961*** (-3.797)	-0.918*** (-3.671)	-0.935*** (-3.724)	-0.966*** (-3.799)	-0.971*** (-3.810)	-0.918*** (-3.660)	0.531*** (2.894)	0.530*** (2.891)
Distance	0.114*** (4.084)	0.116*** (4.121)	0.121*** (4.286)	0.117*** (4.159)	0.114*** (4.080)	0.113*** (4.025)	0.119*** (4.188)	-0.066*** (-3.322)	-0.065*** (-3.291)
Employment Growth	-3.494*** (-3.154)	-3.431*** (-3.090)	-3.497*** (-3.114)	-3.426*** (-3.066)	-3.495*** (-3.154)	-3.446*** (-3.101)	-3.422*** (-3.029)	1.599** (2.050)	1.604** (2.068)
Thrifts' Share of Deposits	0.947*** (4.977)	0.941*** (4.923)	0.914*** (4.723)	0.921*** (4.778)	0.946*** (4.973)	-0.173 (-0.398)	-0.156 (-0.363)	-0.604*** (-4.557)	-0.114 (-0.363)
Capital Ratio x Disclosure Regime		-5.841** (-2.154)					3.639 (0.950)		
Nonperforming Assets x Disclosure Regime			7.498*** (5.038)				5.327*** (2.578)		
Return on Assets x Disclosure Regime				-22.400*** (-4.710)			-16.061** (-2.286)		
Liquidity Ratio x Disclosure Regime					0.418 (0.314)		0.273 (0.207)		
Thrifts' Share of Deposits x Disclosure Regime						1.369*** (2.844)	1.300*** (2.712)		-0.572* (-1.654)
Observations	661,792	661,792	661,792	661,792	661,792	661,792	661,792	661,792	661,792
Wald χ^2	2859***	2973***	3048***	3037***	2858***	2879***	3142***	1482***	1563***
Reg Type	Cox Hazard	Cox Hazard	Cox Hazard	Cox Hazard	Cox Hazard	Cox Hazard	Cox Hazard	Weibull AFT	Weibull AFT
Strata	Year	Year	Year	Year	Year	Year	Year	Year	Year
Cluster	Bank	Bank	Bank	Bank	Bank	Bank	Bank	Bank	Bank
Years	1983–97	1983–97	1983–97	1983–97	1983–97	1983–97	1983–97	1983–97	1983–97
Period	All	All	All	All	All	All	All	All	All

Competition from thrifts, continued

Panel B: Changes in the textual content of enforcement actions, competition from thrifts in deposit market

	Number of Words	Number of Words	Gunning FOG	Gunning FOG	Flesch Grade Level Readability	Flesch Grade Level Readability	Numeric Intensity	Numeric Intensity	Boilerplate	Boilerplate
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Disclosure Regime	0.686*** (8.602)	0.604*** (4.577)	6.988*** (20.522)	7.542*** (25.338)	5.408*** (17.047)	6.260*** (22.424)	0.828*** (5.383)	0.675** (2.495)	0.089*** (6.051)	0.162*** (7.895)
Size	-0.007 (-0.240)	-0.007 (-0.228)	0.127 (0.853)	0.124 (0.835)	0.146 (1.104)	0.142 (1.075)	0.141** (3.030)	0.141** (3.033)	-0.010 (-1.260)	-0.011 (-1.329)
Return on Assets	-5.224* (-2.078)	-5.164* (-1.984)	-18.625** (-2.459)	-19.027** (-2.517)	-17.755** (-2.472)	-18.373** (-2.635)	11.137** (2.252)	11.248** (2.269)	0.720* (1.902)	0.616 (1.695)
Liquidity Ratio	-1.256** (-2.484)	-1.245** (-2.420)	1.101 (0.368)	1.031 (0.342)	0.645 (0.229)	0.536 (0.189)	-0.448 (-0.277)	-0.429 (-0.261)	0.490 (1.459)	0.480 (1.415)
Employment Growth	-2.251 (-1.296)	-2.220 (-1.269)	-1.132 (-0.163)	-1.340 (-0.195)	-2.818 (-0.436)	-3.137 (-0.495)	8.942*** (4.484)	9.000*** (4.483)	0.401 (0.783)	0.338 (0.681)
Thrifts' Share of Deposits	0.177 (0.829)	-0.050 (-0.163)	1.212** (2.663)	2.743* (2.165)	0.911* (2.031)	3.262** (3.058)	-0.039 (-0.091)	-0.461 (-1.265)	0.065 (1.336)	0.240*** (6.382)
Thrifts' Share of Deposits x Disclosure Regime		0.255 (0.647)		-1.720 (-1.262)		-2.643** (-2.293)		0.474 (0.749)		-0.229*** (-4.010)
Intercept	7.535*** (25.206)	7.606*** (23.960)	14.211*** (8.073)	13.737*** (8.926)	10.977*** (6.854)	10.250*** (7.464)	0.581 (1.082)	0.712 (1.582)	0.460*** (3.906)	0.409*** (4.143)
Observations	592	592	592	592	592	592	592	592	289	289
Adjusted R-squared	0.106	0.104	0.397	0.397	0.307	0.307	0.070	0.068	0.080	0.089
Reg Type	OLS	OLS	OLS	OLS	OLS	OLS	OLS	OLS	OLS	OLS
Year-Quarter FE	No	No	No	No	No	No	No	No	No	No
Bank FE	No	No	No	No	No	No	No	No	No	No
Cluster	Year	Year	Year	Year	Year	Year	Year	Year	Year	Year
Years	1983-97	1983-97	1983-97	1983-97	1983-97	1983-97	1983-97	1983-97	1983-97	1983-97
Period	All	All	All	All	All	All	All	All	All	All

Table OA8: Persistence of results related to news circulation and the likelihood of receiving an enforcement action

This table presents the coefficients from estimating models of the regulators' decision to issue an enforcement action during the period of 1983 to 2007. Columns (1) to (3) present the results from estimating a Cox proportional-hazards model, whereas columns (4) and (5) present the results from an accelerated-time model. The variable *Disclosure Regime (1989Q4–1997)* takes the value of 1 for the quarters after the introduction of FIRREA from 1989Q4 to 1997Q4 and 0 otherwise; *Disclosure Regime (1998–2007)* takes the value of 1 for the years 1998–2007 and 0 otherwise; and *News Circulation* is defined as an indicator variable that equals 1 for banks located in counties in the highest quintile of news circulation and 0 otherwise. To mitigate the effects of extreme observations, all continuous variables are winsorized at the 1% and 99% tails of their respective distributions in each sample year. All variables are lagged by one quarter and defined in Appendix A of the manuscript; *z*-statistics are presented in parentheses; * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$ (two-tailed).

	(1)	(2)	(3)	(4)	(5)
News Circulation	-0.443* (-1.947)	-1.379 (-0.622)	-1.442 (-0.699)	2.281 (1.055)	2.067 (1.035)
News Circulation x Disclosure Regime (1989Q4–1997)	0.646*** (2.660)	0.630*** (2.612)	0.467* (1.817)	-0.834*** (-3.049)	-0.679** (-2.501)
News Circulation x Disclosure Regime (1998–2007)	0.541** (2.148)	0.533** (2.127)	0.400 (1.527)	-0.745*** (-2.721)	-0.616** (-2.302)
Size	-0.093*** (-3.826)	-0.093*** (-3.839)	-0.104*** (-4.242)	0.057** (2.542)	0.060*** (2.713)
Capital Ratio	-12.518*** (-9.021)	-12.522*** (-9.029)	-12.451*** (-8.969)	11.236*** (7.577)	11.087*** (7.495)
Nonperforming Assets	22.164*** (22.559)	22.157*** (22.527)	21.876*** (22.270)	-25.301*** (-12.851)	-24.872*** (-12.738)
Return on Assets	-43.779*** (-13.363)	-43.780*** (-13.362)	-43.632*** (-13.428)	47.024*** (12.158)	46.265*** (11.990)
Liquidity Ratio	-2.100*** (-3.412)	-2.101*** (-3.415)	-1.798*** (-2.937)	2.207*** (3.634)	1.944*** (3.240)
Change in Capital Ratio	-0.419*** (-2.644)	-0.419*** (-2.642)	-0.463*** (-2.891)	0.908*** (4.873)	0.929*** (5.022)
Change in Liquidity Ratio	0.158*** (2.861)	0.158*** (2.857)	0.141** (2.563)	-0.163*** (-3.187)	-0.158*** (-3.138)
Change in Loans	-1.097*** (-5.470)	-1.098*** (-5.470)	-1.100*** (-5.475)	0.753*** (3.869)	0.753*** (3.886)
Distance	0.142*** (5.835)	0.141*** (5.824)	0.148*** (6.080)	-0.127*** (-5.325)	-0.128*** (-5.446)
Employment Growth	-1.889** (-2.088)	-1.880** (-2.076)	2.223 (1.323)	1.010 (1.243)	-2.565 (-1.533)
Per Capita Income	0.349*** (2.720)	0.340*** (2.625)	-0.708* (-1.921)	-0.310*** (-2.655)	1.016*** (2.624)
Urbanization	2.337*** (4.083)	2.302*** (3.981)	-1.474 (-1.415)	-3.061*** (-5.543)	0.333 (0.276)
News Circulation x Urbanization		0.967 (0.430)	1.123 (0.521)	-1.656 (-0.759)	-1.542 (-0.743)
Disclosure Regime (1989Q4–1997) x Employment Growth			-6.310*** (-2.780)		6.424*** (2.773)
Disclosure Regime (1998–2007) x Employment Growth			-4.205* (-1.916)		3.225 (1.623)
Disclosure Regime (1989Q4–1997) x Per Capita Income			1.143*** (2.892)		-1.329*** (-3.190)
Disclosure Regime (1998–2007) x Per Capita Income			1.206*** (2.838)		-1.513*** (-3.621)
Disclosure Regime (1989Q4–1997) x Urbanization			5.608*** (4.041)		-5.353*** (-3.346)
Disclosure Regime (1998–2007) x Urbanization			4.877*** (3.580)		-3.292** (-2.376)
Observations	961,035	961,035	961,035	961,035	961,035
Wald χ^2	3025***	3024***	3109***	1527***	1643***
Reg Type	Cox Hazard	Cox Hazard	Cox Hazard	Weibull AFT	Weibull AFT
Strata	Year	Year	Year	Year	Year
Cluster	Bank	Bank	Bank	Bank	Bank
Years	1983–07	1983–07	1983–07	1983–07	1983–07
Period	All	All	All	All	All

Table OA9: Likelihood of receiving an enforcement action during a crisis

This table presents the coefficients from estimating models of the regulators' decision to issue an enforcement action during the period of 1983 to 1997. Columns (1)–(5) present the results from the estimation of a Cox proportional-hazards model, while column (6) presents the results from the estimation of an accelerated-time model. *S&L Crisis Resolution* equals 1 for the quarters in 1989Q4–1992Q4 and 0 otherwise. *Post S&L Crisis* equals 1 for the quarters 1993Q1–1997Q4 and 0 otherwise. To mitigate the effects of extreme observations, all continuous variables are winsorized at the 1% and 99% tails of their respective distributions in each sample year. All variables are lagged by one quarter and defined in Appendix A of the manuscript. *z*-statistics are presented in parentheses. * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$ (two-tailed).

	(1)	(2)	(3)	(4)	(5)	(6)
S&L Crisis Resolution	3.121*** (21.535)	2.018*** (3.123)	1.475** (2.229)	1.615** (2.417)	1.831*** (2.856)	-4.256*** (-12.913)
Post S&L Crisis	3.415*** (18.664)					-3.673*** (-10.227)
Size	-0.027 (-1.122)	-0.029 (-1.207)	-0.030 (-1.245)	-0.032 (-1.293)	-0.030 (-1.246)	0.015 (0.427)
Capital Ratio	-16.897*** (-9.074)	-12.053*** (-4.881)	-17.570*** (-9.413)	-16.994*** (-9.200)	-17.151*** (-9.274)	26.508*** (8.660)
Nonperforming Assets	19.961*** (19.084)	20.778*** (19.654)	15.883*** (11.188)	20.699*** (19.848)	20.640*** (19.399)	-28.045*** (-12.298)
Return on Assets	-33.564*** (-10.064)	-34.576*** (-10.252)	-34.522*** (-10.269)	-19.042*** (-4.083)	-34.101*** (-10.004)	34.803*** (7.483)
Liquidity Ratio	-1.763*** (-2.732)	-1.736*** (-2.605)	-2.066*** (-3.067)	-1.819*** (-2.741)	-2.174** (-2.003)	2.869*** (2.917)
Change in Capital Ratio	-0.396** (-2.244)	-0.465*** (-2.588)	-0.486*** (-2.697)	-0.488*** (-2.709)	-0.399** (-2.261)	0.443* (1.679)
Change in Liquidity Ratio	0.087 (1.299)	0.076 (1.111)	0.085 (1.226)	0.072 (1.037)	0.084 (1.235)	-0.125 (-1.238)
Change in Loans	-0.974*** (-3.907)	-0.937*** (-3.818)	-0.840*** (-3.581)	-0.852*** (-3.624)	-0.928*** (-3.774)	1.859*** (4.230)
Distance	0.134*** (4.746)	0.134*** (4.768)	0.135*** (4.862)	0.133*** (4.795)	0.132*** (4.726)	-0.193*** (-4.193)
Employment Growth	-4.033*** (-3.949)	-3.008*** (-2.758)	-3.014*** (-2.719)	-2.808** (-2.543)	-3.050*** (-2.798)	6.699*** (4.280)
Capital Ratio x S&L Crisis Resolution		-5.033* (-1.861)				
Capital Ratio x Post S&L Crisis		-10.014* (-1.851)				
Nonperforming Assets x S&L Crisis Resolution			3.799** (2.496)			
Nonperforming Assets x Post S&L Crisis			23.065*** (10.160)			
Return on Assets x S&L Crisis Resolution				-13.386*** (-2.842)		
Return on Assets x Post S&L Crisis				-81.115*** (-9.740)		
Liquidity Ratio x S&L Crisis Resolution					-0.370 (-0.266)	
Liquidity Ratio x Post S&L Crisis					4.033** (2.319)	
Observations	685,346	685,346	685,346	685,346	685,346	685,346
Wald χ^2	3227	3000	3304	3246	2841	458
Reg Type	Cox Hazard	Cox Hazard	Cox Hazard	Cox Hazard	Cox Hazard	Weibull AFT
Strata	None	Year	Year	Year	Year	None
Cluster	Bank	Bank	Bank	Bank	Bank	Bank
Years	1983-97	1983-97	1983-97	1983-97	1983-97	1983-97
Period	All	All	All	All	All	All

Table OA10: Disclosure regime and bank outcomes (matched sample)

This table presents changes in bank outcomes for the full sample of banks that received an EDO (*Treatment*) and those that did not (matched control banks). The variable *Post EDO* takes the value of 1 for twelve quarters after the EDO was received for treatment banks and for the same quarters for matched banks, and 0 for the twelve quarters prior; *Disclosure Regime* takes the value of 1 for the quarters after the introduction of FIRREA in 1989Q3. Panel A shows the covariate balance for treatment (EDO banks) and control (non-EDO banks) using a two-step matching procedure: entropy balance using four quarters prior to the receipt of an EDO for treatment banks followed by the propensity score matching (nearest neighbor). Panel B presents the results of the estimation using the matched control sample for deposits in the disclosure regime only. It also presents the χ^2 statistic for the significance of the difference of the coefficient on the interaction term between insured and uninsured deposits using seemingly unrelated regressions method. Panel C presents the results of the estimation using the matched control sample for the whole sample. Bank-level control variables are lagged by one quarter. To mitigate the effects of extreme observations, all continuous variables are winsorized at the 1% and 99% tails of their respective distributions in each sample year. The full sample period is 1983–1997. All variables are defined in Appendix A of the manuscript; *t*-statistics are presented in parentheses; * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$ (two-tailed).

Panel A: Entropy-matched covariate balance

Variable	Before Disclosure Regime (Entropy Matched)							After Disclosure Regime (Entropy Matched)						
	N	EDO Banks		Non-EDO banks		Difference	(t-statistic)	N	EDO Banks		Non-EDO banks		Difference	(t-statistic)
		Mean	Sd	Mean	Sd				Mean	Sd	Mean	Sd		
		(1)		(2)		(1) - (2)			(3)		(4)		(3) - (4)	
Size	1,049	10.2800	1.0035	10.2700	1.0035	0.010	(0.228)	3,564	11.1200	1.2418	11.1200	1.2418	0.0000	(0.000)
Return on Assets	1,049	-0.0050	0.0136	-0.0050	0.0136	0.0000	(0.003)	3,564	-0.0025	0.0108	-0.0025	0.0108	0.0000	(0.043)
Capital Ratio	1,049	0.0673	0.0227	0.0674	0.0229	-0.0001	(-0.081)	3,564	0.0736	0.0329	0.0737	0.0330	0.0000	(-0.026)
Liquidity Ratio	1,049	0.0795	0.0434	0.0795	0.0434	0.0000	(-0.005)	3,564	0.0674	0.0422	0.0674	0.0422	0.0000	(-0.010)

Disclosure regime and bank outcomes (matched sample), continued

Panel B: Disclosure regime and deposits (entropy and propensity score matched sample, disclosure regime)

	Total Deposits	Insured Deposits	Uninsured Deposits	Total Deposits	Insured Deposits	Uninsured Deposits
	(1)	(2)	(3)	(4)	(5)	(6)
Post EDO	0.070*** (4.793)	0.056*** (3.056)	0.112*** (5.093)	0.006 (0.719)	-0.005 (-0.280)	0.030* (1.777)
Treatment x Post EDO	-0.180*** (-8.744)	-0.139*** (-5.913)	-0.327*** (-10.903)	-0.026** (-1.963)	0.006 (0.200)	-0.132*** (-5.752)
Size				0.854*** (16.621)	0.799*** (8.387)	1.039*** (26.615)
Return on Assets				0.294 (1.215)	-0.444 (-1.076)	1.500*** (2.973)
Liquidity Ratio				-0.015 (-0.170)	-0.166 (-0.813)	0.159 (0.894)
Employment Growth				0.020 (0.425)	-0.041 (-0.554)	0.103 (0.427)
Test of difference of co- efficients on Treatment x Post EDO (χ^2)		76.88***			52.94***	
Observations	24,799	24,798	24,644	24,672	24,671	24,519
Adjusted R-squared	0.974	0.967	0.949	0.992	0.986	0.964
Reg Type	OLS	OLS	OLS	OLS	OLS	OLS
Year-Quarter FE	Yes	Yes	Yes	Yes	Yes	Yes
Bank FE	Yes	Yes	Yes	Yes	Yes	Yes
Cluster	Bank	Bank	Bank	Bank	Bank	Bank
Years	1991–97	1991–97	1991–97	1991–97	1991–97	1991–97
Period	Disclosure Regime	Disclosure Regime	Disclosure Regime	Disclosure Regime	Disclosure Regime	Disclosure Regime

Disclosure regime and bank outcomes (matched sample), continued

Panel C: Disclosure regime and bank outcomes (entropy and propensity score matched sample)

	Loans	Total Deposits	Capital Ratio	Nonperforming Assets	Loans	Total Deposits	Capital Ratio	Nonperforming Assets
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Treatment x Post EDO	-0.047*** (-6.311)	-0.184*** (-9.489)	-0.011*** (-6.056)	0.013*** (3.779)	-0.035*** (-4.941)	-0.006 (-1.280)	-0.014*** (-7.771)	0.009*** (2.885)
Treatment x Disclosure Regime	-0.002 (-0.345)	-0.020 (-1.174)	-0.012*** (-7.411)	0.008*** (4.567)	-0.002 (-0.331)	-0.005 (-0.849)	-0.011*** (-8.385)	0.005*** (3.230)
Post EDO x Disclosure Regime	0.008 (1.146)	-0.020 (-1.040)	-0.001 (-0.960)	-0.001 (-0.620)	0.009 (1.492)	0.003 (0.758)	-0.002 (-1.467)	-0.002 (-0.970)
Treatment x Post EDO x Disclosure Regime	-0.017** (-2.000)	0.005 (0.222)	0.012*** (5.830)	-0.009** (-2.491)	-0.018** (-2.254)	-0.009* (-1.758)	0.010*** (5.187)	-0.005 (-1.446)
Size					0.039*** (5.534)	0.910*** (50.247)	-0.028*** (-11.854)	0.005*** (3.499)
Return on Assets					0.263*** (3.401)	0.197 (1.513)	0.410*** (16.092)	-0.852*** (-27.035)
Liquidity Ratio					-0.296*** (-9.593)	-0.087** (-2.534)	0.009 (1.072)	-0.004 (-0.559)
Employment Growth					-0.071*** (-3.224)	0.079*** (3.264)	-0.004 (-0.821)	-0.090*** (-8.946)
Observations	47,548	47,543	47,548	47,530	47,268	47,264	47,268	47,253
Adjusted R-squared	0.807	0.973	0.775	0.576	0.827	0.995	0.823	0.616
Reg Type	OLS	OLS	OLS	OLS	OLS	OLS	OLS	OLS
Year-Quarter FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Bank FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Cluster	Bank	Bank	Bank	Bank	Bank	Bank	Bank	Bank
Years	1983–97	1983–97	1983–97	1983–97	1983–97	1983–97	1983–97	1983–97
Period	All	All	All	All	All	All	All	All

Table OA11: Disclosure and bank failure (competition from thrifts)

This table presents the coefficients from estimating hazard models of bank failure. Columns (1), (3), (5), and (7) of Panel A and Panel B present the results from the estimation of a Cox proportional-hazards model, while columns (2), (4), (6), and (8) present the results from estimating an accelerated-time model. The variable *Disclosure Regime* takes the value of 1 for the quarters after the introduction of FIRREA in 1989Q3 and 0 otherwise; *Thrifts' Share of Risky Lending* (*Thrifts' Share of Deposits*) is a proportion of risky loans (deposits) held by thrifts in a given county where an EDO bank is headquartered lagged by 1, 2, 3, or 4 quarters. To mitigate the effects of extreme observations, all continuous variables are winsorized at the 1% and 99% tails of their respective distributions in each sample year. All variables are lagged by one quarter and defined in Appendix A of the manuscript; z -statistics are presented in parentheses; * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$ (two-tailed).

Panel A: Likelihood of failure, competition from thrifts in risky lending

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Disclosure Regime	0.181 (0.705)	-0.327* (-1.748)	0.183 (0.710)	-0.328* (-1.759)	0.191 (0.741)	-0.332* (-1.779)	0.186 (0.724)	-0.325* (-1.747)
Treatment	-1.448*** (-6.833)	1.465*** (5.039)	-1.449*** (-6.842)	1.465*** (5.049)	-1.448*** (-6.840)	1.463*** (5.052)	-1.448*** (-6.839)	1.463*** (5.048)
Treatment x Disclosure Regime	1.403*** (6.088)	-1.356*** (-4.651)	1.398*** (6.069)	-1.347*** (-4.641)	1.393*** (6.052)	-1.341*** (-4.631)	1.397*** (6.071)	-1.351*** (-4.656)
Size	-0.223*** (-8.578)	0.220*** (6.468)	-0.223*** (-8.596)	0.220*** (6.497)	-0.224*** (-8.627)	0.221*** (6.516)	-0.224*** (-8.630)	0.221*** (6.502)
Capital Ratio	-78.761*** (-29.858)	81.274*** (8.462)	-78.779*** (-29.939)	81.101*** (8.487)	-78.827*** (-29.944)	81.045*** (8.505)	-78.767*** (-29.937)	81.080*** (8.491)
Nonperforming Assets	13.827*** (17.418)	-14.361*** (-7.695)	13.799*** (17.400)	-14.317*** (-7.719)	13.803*** (17.402)	-14.300*** (-7.736)	13.775*** (17.376)	-14.281*** (-7.717)
Return on Assets	-22.658*** (-10.001)	20.443*** (6.293)	-22.777*** (-10.061)	20.455*** (6.321)	-22.769*** (-10.061)	20.430*** (6.328)	-22.819*** (-10.084)	20.437*** (6.324)
Liquidity Ratio	-3.400*** (-5.321)	3.847*** (4.905)	-3.400*** (-5.320)	3.851*** (4.928)	-3.390*** (-5.313)	3.830*** (4.925)	-3.377*** (-5.303)	3.810*** (4.905)
Interest on Risky Lending	0.161*** (13.470)	8.455*** (3.844)	0.162*** (13.526)	8.571*** (3.899)	0.162*** (13.535)	8.498*** (3.882)	0.162*** (13.517)	8.428*** (3.853)
Commercial and Industrial Loans	0.209*** (4.673)	-0.149*** (-4.755)	0.207*** (4.583)	-0.148*** (-4.762)	0.207*** (4.543)	-0.148*** (-4.761)	0.208*** (4.598)	-0.148*** (-4.765)
Real Estate Loans	-0.607*** (-3.572)	0.394** (2.471)	-0.605*** (-3.566)	0.395** (2.484)	-0.605*** (-3.571)	0.391** (2.472)	-0.603*** (-3.557)	0.388** (2.445)
Employment Growth	-2.496*** (-2.866)	3.489*** (3.708)	-2.494*** (-2.868)	3.456*** (3.691)	-2.469*** (-2.839)	3.430*** (3.678)	-2.466*** (-2.834)	3.456*** (3.699)
Thrifts' Share of Risky Lending	0.095 (0.529)	-0.105 (-0.609)						
Thrifts' Share of Risky Lending _(t-2)			0.112 (0.630)	-0.156 (-0.908)				
Thrifts' Share of Risky Lending _(t-3)					0.105 (0.586)	-0.133 (-0.780)		
Thrifts' Share of Risky Lending _(t-4)							0.069 (0.384)	-0.115 (-0.670)
Observations	629,935	629,935	630,431	630,431	630,913	630,913	631,390	631,390
Wald χ^2	4828***	369.1***	4812***	370***	4806***	370.6***	4824***	371.9***
Reg Type	Cox Hazard	Weibull AFT	Cox Hazard	Weibull AFT	Cox Hazard	Weibull AFT	Cox Hazard	Weibull AFT
Strata	Year	Year	Year	Year	Year	Year	Year	Year
Cluster	Bank	Bank	Bank	Bank	Bank	Bank	Bank	Bank
Years	1983-97	1983-97	1983-97	1983-97	1983-97	1983-97	1983-97	1983-97
Period	All	All	All	All	All	All	All	All

Disclosure and bank failure, continued

Panel B: Likelihood of failure, competition from thrifts in deposit market

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Disclosure Regime	0.182 (0.707)	-0.328* (-1.753)	0.183 (0.713)	-0.329* (-1.762)	0.191 (0.742)	-0.334* (-1.789)	0.187 (0.730)	-0.329* (-1.765)
Treatment	-1.449*** (-6.841)	1.470*** (5.043)	-1.451*** (-6.849)	1.470*** (5.052)	-1.450*** (-6.847)	1.468*** (5.057)	-1.449*** (-6.846)	1.467*** (5.053)
Treatment x Disclosure Regime	1.401*** (6.079)	-1.351*** (-4.630)	1.397*** (6.065)	-1.344*** (-4.625)	1.392*** (6.047)	-1.337*** (-4.614)	1.396*** (6.064)	-1.347*** (-4.638)
Size	-0.222*** (-8.555)	0.221*** (6.487)	-0.223*** (-8.589)	0.221*** (6.507)	-0.224*** (-8.612)	0.221*** (6.526)	-0.224*** (-8.598)	0.221*** (6.507)
Capital Ratio	-78.771*** (-29.852)	81.461*** (8.453)	-78.790*** (-29.933)	81.295*** (8.474)	-78.837*** (-29.940)	81.216*** (8.494)	-78.776*** (-29.932)	81.215*** (8.482)
Nonperforming Assets	13.828*** (17.413)	-14.395*** (-7.685)	13.802*** (17.400)	-14.350*** (-7.705)	13.805*** (17.399)	-14.331*** (-7.724)	13.776*** (17.370)	-14.305*** (-7.706)
Return on Assets	-22.675*** (-10.010)	20.422*** (6.283)	-22.779*** (-10.061)	20.435*** (6.308)	-22.776*** (-10.064)	20.402*** (6.316)	-22.829*** (-10.089)	20.397*** (6.310)
Liquidity Ratio	-3.401*** (-5.326)	3.876*** (4.912)	-3.395*** (-5.321)	3.869*** (4.931)	-3.386*** (-5.315)	3.851*** (4.931)	-3.379*** (-5.306)	3.830*** (4.911)
Interest on Deposits	0.162*** (13.506)	8.384*** (3.807)	0.162*** (13.533)	8.553*** (3.885)	0.162*** (13.551)	8.462*** (3.861)	0.162*** (13.547)	8.370*** (3.824)
Commercial and Industrial Loans	0.208*** (4.635)	-0.149*** (-4.789)	0.207*** (4.555)	-0.148*** (-4.782)	0.206*** (4.507)	-0.148*** (-4.782)	0.207*** (4.559)	-0.148*** (-4.789)
Real Estate Loans	-0.609*** (-3.587)	0.401** (2.521)	-0.607*** (-3.582)	0.402** (2.525)	-0.608*** (-3.588)	0.399** (2.518)	-0.605*** (-3.568)	0.395** (2.490)
Employment Growth	-2.466*** (-2.837)	3.435*** (3.651)	-2.464*** (-2.840)	3.410*** (3.636)	-2.439*** (-2.812)	3.382*** (3.624)	-2.444*** (-2.817)	3.410*** (3.648)
Thrifts' Share of Deposits	0.178 (0.873)	-0.272 (-1.543)						
Thrifts' Share of Deposits _(t-2)			0.148 (0.726)	-0.253 (-1.440)				
Thrifts' Share of Deposits _(t-3)					0.155 (0.756)	-0.257 (-1.460)		
Thrifts' Share of Deposits _(t-4)							0.154 (0.751)	-0.258 (-1.432)
Observations	629,935	629,935	630,431	630,431	630,913	630,913	631,390	631,390
Wald χ^2	4847***	366.5***	4829***	368.7***	4824***	369.1***	4842***	370.4***
Reg Type	Cox Hazard	Weibull AFT	Cox Hazard	Weibull AFT	Cox Hazard	Weibull AFT	Cox Hazard	Weibull AFT
Strata	Year	Year	Year	Year	Year	Year	Year	Year
Cluster	Bank	Bank	Bank	Bank	Bank	Bank	Bank	Bank
Years	1983-97	1983-97	1983-97	1983-97	1983-97	1983-97	1983-97	1983-97
Period	All	All	All	All	All	All	All	All

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