

# Lawrence Chengzhi Zhao

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## EDUCATION

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<b>Rice University</b> Ph.D. in Finance	Houston, Texas 2017–Present
<b>Baylor University</b> M.S. in Economics	Waco, Texas 2015–2017
<b>Baylor University</b> B.B.A. in Finance and Mathematics	Waco, Texas 2012–2015

## RESEARCH INTERESTS

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Empirical Corporate Finance, Household Finance, Competition, Financial Intermediation

## WORKING PAPERS

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### **The Real Effects of Antitrust Enforcement on Corporate Decisions: Evidence from the Courts, *Job Market Paper***

*Abstract:* I investigate the real effects of antitrust policies on corporate acquisitions, investment, and innovation. I use plausibly exogenous variations in judges' propensity to dismiss antitrust cases as an instrument for endogenous exposure to antitrust enforcement. The evidence indicates that antitrust enforcement imposes behavioral constraints on firms. Specifically, defendant firms that go through antitrust litigation experience a significant decrease in future acquisitions, especially among serial acquirers. The adverse effect is economically large but transitory, disappearing after two years. Defendant firms substitute acquisitions with internal investment, resulting in no change in patent outputs. My findings highlight the importance of vigorous and continuous antitrust enforcement.

### **Out of Sight, Out of Mind: Search Frictions and Financial Adviser Misconduct**

*Abstract:* The misconduct records of financial advisers are public information, yet advisers that persistently engage in misconduct survive in the market. Past literature attributes this phenomenon to market segmentation caused by search frictions associated with client sophistication. I investigate this hypothesis by examining FINRA's unprecedented advertising campaign promoting BrokerCheck. Exposed advisers sustain a 9% abnormal decrease in assets under management. Advisers that primarily serve less sophisticated clients experience more severe adverse effects. Clients switch to advisers with clean records. Advisers increasingly discipline employees who engage in misconduct. My findings highlight the importance of resolving search frictions in fighting financial adviser misconduct.

## WORK IN PROGRESS

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### **Throwing Banks out with the Bathwater: Fraud Litigation and FHA Mortgage Lending**, with Erik Mayer and Billy Xu

*Abstract:* We study the impact of recent increases in mortgage lenders' litigation risk on borrowers. In the last decade, the U.S. Department of Justice brought suits against many of the largest lenders in the FHA mortgage market, alleging fraud under the False Claims Act. These suits led to over \$5.3 Billion in settlements and caused targeted banks and their peers to precipitously exit the FHA market. A combination of difference-in-differences and triple differences tests exploiting geographic variations in exposure to exiting banks show a 19% reduction in aggregate FHA lending in heavily affected areas. Smaller non-bank lenders with higher historical misconduct rates partially filled the void in the FHA market, highlighting the potential unintended consequences of aggressive consumer financial protection litigation.

### **Underwriter Competition and Rent Extraction**, with Gustavo Grullon

## PRESENTATIONS

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**2023:** EFA

**2022:** Rice University

**2021:** FMA

**2020:** Rice University, Rice University Ph.D. Seminar Series

*Including scheduled*

## TEACHING

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### **Teaching Assistant**

Financial Management (UG)	2021, 2022
Mergers and Acquisitions (MBA)	2019, 2021, 2022
Applied Finance (MBA)	2019
Core Finance (MBA)	2019
Corporate Investment Policy (MBA)	2019
Applied Risk Management (MBA)	2018
Managerial Economics (MBA)	2017

## AWARDS AND HONORS

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Jesse H. Jones Graduate School of Business Ph.D. Fellowship	2017–Present
HSB Graduate Fellowship	2015–2017
Provosts Gold Scholarship	2012–2015

## SKILLS

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**Programming:** Stata, Python, Matlab, Bloomberg, L<sup>A</sup>T<sub>E</sub>X

**Languages:** English, Chinese

## REFERENCES

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**Gustavo Grullon** (Chair)

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Rice University

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