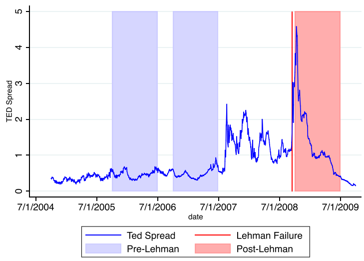
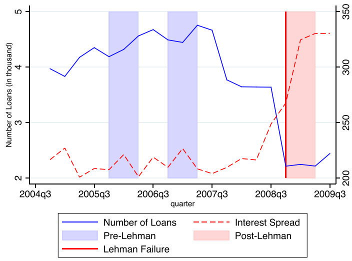
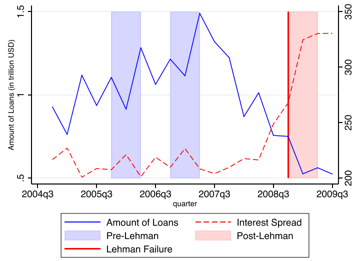


(A) TED SPREAD



(B) NUMBER OF LOANS AND INTEREST SPREAD



(C) AMOUNT OF LOANS AND INTEREST SPREAD

FIGURE I

Timing of the Credit Supply Shock (ΔL_f)

Panel A plots the TED spread, Panel B plots the total number of loans and the average interest spread, and Panel C plots the total amount of loans and the average interest spread. The pre-Lehman period includes the following six quarters: 2005:Q4–2006:Q2 and 2006:Q4–2007:Q2. The post-Lehman period includes the following three quarters: 2008:Q4–2009:Q2. The TED spread, which measures the perceived credit risk, is defined as the difference between the three-month T-bill and the interbank borrowing rate. The number (amount) of loans is the total number (amount) of loans issued according to the Dealscan database, and the interest spread is the amount that the borrower pays in basis points over LIBOR for each dollar drawn down and is averaged across loans within each quarter. The Lehman failure occurred in September 2008 at the end of 2008:Q3.

where $\Delta(\text{BankHealth})_{-f,\,b}$ is a measure of the firm-bank-specific change in bank health defined in equation (2), and weight $\alpha_{fb,\,\text{last}}$ is bank b's share of the total amount of the last syndicated loan it made to firm f before the Lehman failure.[16] S_f denotes the set of banks that lend to firm f for the last syndicated loan that firm

16. The weight reflects the fact that multiple banks arrange a loan to a firm and that different banks lend different amounts for a particular loan. The Dealscan database reports only approximately one-third of α_{jbt} among total loans. I impute the missing α_{jbt} by using the method in Chodorow-Reich (2014).