Sarah Khoei

University of Kentucky
John Maze Stewart Department of Finance
345G Gatton College of Business and Economics
Lexington, KY 40506

Email: Sarah.Khoei@uky.edu
Phone: (540) 449-7713

Education

- Ph.D. in Finance; University of Kentucky; USA (expected 2026)
- M.S. in Finance; University of Tehran; Iran; **Summa Cum Laude**
- B.S. in Finance; University of Economic Sciences; Iran; **Summa Cum Laude**

Research Interests

Household Finance, Public Policy, FinTech, Corporate Finance

Working Papers

When Models Fail: Evidence from Automated Underwriting in Auto Loan Markets (JMP)

Abstract: While prior studies find that automated underwriting outperforms manual underwriting, I show that there is significant heterogeneity in the adoption of automated underwriting both within and across lenders. To explain this heterogeneity, I examine the performance of automated underwriting systems under conditions of heightened data uncertainty caused by the COVID-19 pandemic. Using a combination of difference-in-differences and regression discontinuity designs, I estimate the impact of this unprecedented shock on the performance of automated underwriting in the auto loan market. My findings show that the performance of automated underwriting, as measured by ex-post default rates, deteriorated substantially relative to human underwriters during the pandemic period. The effect is particularly pronounced among higher-risk segments of borrowers, whose income and employment were more likely to be disrupted by the pandemic. Together, these results highlight the limitations of automated underwriting systems when faced with unprecedented shocks outside the scope of their historical training datasets, underscoring the continued relevance of human underwriters in the auto lending industry.

- The American Finance Association Conference (2026), Poster Session — scheduled
- The Financial Management Association Annual Meeting (2025) — scheduled

Tax Incidence in Consumer Financial Markets: Evidence from Auto Leases
with David Sovich & Morteza Momeni

Abstract: Using a novel dataset on auto leases and a tax policy change by the state of Georgia, we estimate how tax savings on financial products are passed through to consumers and study the determinants of the pass-through rate. We find that (1) auto dealers (not lenders) capture a substantial portion of this tax subsidy and (2) consumers spend about 50% of their subsidy to upgrade and lease a more expensive vehicle. In contrast to prior literature on consumer credit markets, we find no evidence that demand factors including credit score and past experience affect this pass through rate. Our findings suggest that the market structure of auto lease market is the main driver of the heterogeneity in the pass-through rate.

- The Best Paper Award, FMA 2024, Semi-Finalist
- The American Finance Association Conference (2025), Poster Session
- The Financial Management Association Annual Meeting (2024)

The Marginal Propensity to Default on Auto Loans
with David Sovich & Morteza Momeni

Abstract: How does the interest rate on a loan affect its likelihood of default after disbursement? What economic forces drive such a relationship? We examine these questions in the context of the indirect auto loan market. Using lender-specific discontinuities in auto loan interest rates as sources of quasi-exogenous variation, we find that a 100 basis point increase in interest rates is associated with a 41 basis point increase in the auto loan default rate. The increase in the default rate is concentrated among liquidity-constrained borrowers. We find no evidence of higher default sensitivities among borrowers with lower default costs or higher strategic default motives. Our results suggest that the ability to pay — and not the incentive — is the predominant driver of the ex-post relation between default and the auto loan interest rate.

Work in Progress

The Format of Credit Score Reporting as a Friction in Selection Markets

In this study, I examine whether improvements in credit-scoring models actually translate into more risk-appropriate loan pricing. Leveraging lender upgrades from FICO Auto Score 2/3 to 8/9 in the U.S. auto market, I find newer models predict default more accurately—especially for lower-score borrowers—yet pricing changes little because lenders quote rates based on coarse FICO bins (250–900) rather than underlying default probabilities. The results point to a simple lever: reporting/using predicted default rates instead of discrete score bins could improve the pass-through of information into prices.

Teaching Experience

University of Kentucky

Primary Instructor

FIN410: Investment Analysis (Student Evaluation: 4.8/5.0)   Spring 2024
*Nominated for Gatton Teaching Excellence Award

Teaching Assistant

FIN452: Options, Futures, and other Derivatives (Undergraduate)   Fall 2024

FIN652: Options, Futures, and other Derivatives (MSF)   Fall 2024

FIN645: Corporate Investment & Financing (MSF)   Spring 2023

Research Experience

University of Kentucky

RA for Dr. David Sovich   Spring & Fall 2025

RA for Dr. Paulo Manoel   Spring 2025

RA for Dr. William Gerken   Fall 2023

RA for Dr. Russell Jame   Summer 2023

RA for Dr. Igor Cunha   Fall 2022 & Spring 2023

RA for Dr. Taylor Begley   Fall 2022

Professional Activities

Conference Program Committee

The Financial Management Association Annual Meeting   2024 & 2025

Discussions

The Financial Management Association Annual Meeting   2023

Media and Public Engagement

Expert Commentary, WalletHub (September 2025). Link

Industry Experience

Tamadon Investment Bank   Tehran, Iran

- **Head**: Investment Banking Department/Debt Financing   2020-2021
- **Senior Associate**: Investment Banking Department   2017-2020
- **Financial Analyst**: Investment Banking Department   2015-2017

Technical Skills

Programming: Python, Stata

Document Rendering: LaTeX, Microsoft Office

References

David Sovich (Chair)
Phillip Morris Associate Professor of Finance
University of Kentucky
davidsovich@uky.edu
(859) 562-2432

Russell Jame
Ashland Oil Professor of Finance
University of Kentucky
russell.jame@uky.edu
(859) 218-1793

Taylor Begley
Ashland Oil Associate Professor of Finance
University of Kentucky
Begley@uky.edu
(859) 218-1770

Last updated: September 2025