Bank Loans and Bubbles: How Informative are Press News?

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This paper examines the reporting in the financial press of 1,027 bank agreements established between January 2004 and May 2007. Overall, the frequency of loan reporting in the press increased to over 30%. Reported loans still have longer maturities than non-reported ones, and reported firm borrowers present lower operating cash flows the year before loan activation. Following the loan agreements, operating performance among reported borrowers does not appear to improve with respect to non-reported ones. Thus, loan news articles still seem somewhat noteworthy, although reporting in the press does not appear significantly informative about firm potential.

INTRODUCTION

The positive share price reaction to bank loan announcements - in contrast to the negative stock price reaction to most other financing events - has been widely interpreted as evidence of bank loan "uniqueness" (James, 1987, James & Smith, 2000). However, practically all publicly traded firms have bank loans (Sufi, 2009), which should make the reporting of bank agreements in the financial press a predictable event. Thus, since most previous studies do not consider non-reported loans, a recent study (Gonzalez, 2011) examines reporting frequency and finds that only 22% of bank loan agreements granted to public U.S. firms between 1996 and 2004 are reported. Furthermore, the subset of reported loans is found to be not random. There are significant differences between the subset of press reported loans and borrowers, and the subset of non-reported loans and borrowers. More specifically, the study finds that bigger loans relative to assets, longer maturity loans, and loan restructurings following loan covenant violations are more likely to be reported. In addition, more opaque riskier borrowers are also more likely to have their loans reported. Following the agreements, the EBITDA to assets ratio of reported firms appears to improve with respect to that of non-reported firms for at least three years. Thus, the share price reaction to loan announcements seems to have more to do with the circumstances in which loan agreements are reported than with a general uniqueness of bank borrowing among public firms.

It has also been argued that aggressive lending standards contributed to the debacle of 2008. Thus, the 2004-2007 time period appears to be a good scenario in which to examine changes in the frequency and determinants of bank reporting in the financial press. To further explore these issues, this paper examines loan reporting in Dow Jones during the January 2004 through May 2007 interval. It also examines the long run operating performance of the bank borrowers during three years following the activation of the bank agreements, to examine how informative the loan news coverage was about the potential of the borrowers.

Overall, the analysis finds that over 30 % of all syndicated Loan Pricing Corporation (LPC) DealScan loans obtained by public firms are reported in the financial press via articles or wires during the 2004-

2007 period. This is a significant increase with respect to the previous 22% reporting frequency (Gonzalez, 2010). Interestingly, reported loans and borrowers still present some significant differences. Reported loans have longer maturities, and reported firm borrowers present lower operating cash flows during the year preceding loan activation. Following the activation of the loans, reported borrowers present increasing debt/EBITDA ratios, one of the most commonly used covenant ratio, and no significant improvements in EBITDA/assets with respect to non-reported borrowers. These findings suggest that loan news articles during this period of aggressive lending are still somewhat noteworthy, but not particularly informative about the borrowers' potential.

LITERATURE REVIEW

Banks have been traditionally credited as having superior expertise in the screening and monitoring of borrowers with more severe information asymmetries (Boot, 2000). The private information banks build overtime about their more opaque customers is generally soft in nature, and is used in conjunction with current financial and other hard data when making credit decisions. In fact, it is the use of non public information in granting loans and monitoring what is often used to distinguish bank lending from arm's - length funding arrangements (Rajan, 1992, Diamond, 1991, Fama, 1985; Ramakrishnan & Thakor, 1984, Berger, Klapper & Udell, 2001). Therefore, unless borrowers are locked in a expensive *solo* banking relationship (Houston & James, 1996), banking agreements allow borrowers to have access to credit at a lower cost, and allow other market participants to infer superior quality in more opaque firms that establish banking agreements with respect to those that do not.

Previous empirical studies also document that more opaque firms are more likely to use bank debt (Houston and James, 1996; Johnson, 1997; Sufi, 2007) when the returns of the borrower decrease with respect to the market (Hadlock and James, 2002), and that relatively riskier firms also choose bank debt over public debt (Denis and Mihov, 2003). Following the establishment of banking agreements, the production of information during the life of the bank agreements continues with monitoring and renegotiation. In fact, Roberts and Sufi (2009) report that, although over 90% of long term loan contracts are renegotiated prior to their stated maturity, with about 16% of the renegotiations due to default events such as covenant violations. Renegotiations result in large changes to the amount, maturity, and pricing of the contract, occur relatively early in the life of the contract, and are rarely a consequence of distress or default, with the production of highly valuable information about the borrowers. Indeed, recent work finds 5.4% increased annualized profits during the month following loan renegotiations in trading by institutional investors that are members of loan syndicates (Ivashina & Sun, 2011).

In consequence, if there is generation of valuable information about the quality of the firm and future prospects during the loan renegotiations that follow covenant violations, there should be a positive impact on long run operating performance. More specifically, previous work finds that 32% of bank agreements following a renegotiation contain an explicit restriction on the firm's capital expenditures, with net debt issuing activity experiencing a sharp and persistent decline following debt covenant violations, especially when the borrower's alternative sources of finance are costly, and subsequent increases in market value and operating performance (Nini, Smith & Sufi, 2009).

Previous studies on discretionary disclosure find that firms are more likely to reveal higher values of private information when financial reports do not contain sufficient good news and performance is significantly different than expected (Bagnoli & Watts, 2007). Moreover, firms are less likely to withhold information in material contract filings when they issue long-term debt (Verrecchia & Weber, 2006). Thus, in general, since bank loans are good news, which is when firms are more forthcoming (Miller, 2002), one would expect firms to try to disclose all bank loans. Accordingly, the source of loan news in the sample study is usually the borrower (Gonzalez, 2010). Moreover, in addition to the bank borrowers' willingness to disclose loans, the Securities and Exchange Commission (SEC) regulation requires public firms to timely disclose any 'material' event that can affect the stock price. In this context, the disclosure literature documents how managers time voluntary disclosures in a manner that maximizes insider trading profits while minimizing potential litigation costs associated with disclosure (Cheng & Ko, 2006).

However, not all press releases are reported. Once reporters or firms transmit the story to Dow Jones, the editors summarize them, weight their importance, and determine whether to make them press news. The time frame is short, just a few hours or, in most cases, not more than one day (Thompson et al., 1987). It is important to note that the dissemination of news information through wire services does not target only Dow Jones. In fact, the New York Stock Exchange regulations require simultaneous disclosure of firm-specific news to Dow Jones and Reuters, and the American Stock Exchange requires simultaneous disclosure to Dow Jones, Reuters, Associated Press, United Press International, the *Wall Street Journal*, the *New York Times*, Standard & Poor's, and Moody's Investor Service (Thompson et al., 1987). Nevertheless, both practitioners and academics rely on Dow Jones as the primary source of news existence and timing, most likely because of its longer tradition and wider dissemination of information[1].

Finally, it is important to note that all LPC DealScan loans, from which the sample of this study is drawn, are disclosed in some way, whether or not they are reported in the press. More specifically, DealScan cites as sources of loan information SEC 8-K filings, other public SEC filings, and industry sources. In addition, DealScan offers affordable real-time web access to agreed-upon but not-yet-active loans. Hence, the loans reported in Dow Jones that the financial press views as noteworthy are a subset of a pool of disclosed loans. This distinction between 'reported' and 'disclosed' loans is subtle but nevertheless important. If there is disclosure about the deals but, as found, no significant market reaction surrounding the activation of non-reported bank loans, and one assumes reported loans to be significant, it can be argued that the market views reported loans differently from non-reported loans.

SAMPLE SELECTION, DATA AND SUMMARY STATISTICS

This section describes in detail the unique hand collected data set. It also emphasizes the most relevant differences between the firms whose loans are reported and those whose loans are not, as well as between press-reported loans and not reported loans.

Sample Selection and Data

The sample consists of 1027 randomly selected loans activated between 2004 and 2007 as reported in DealScan database. The number of loans per year is initially determined so that each year the proportion of loans in the sample equals the corresponding annual proportion of loans in the banking DealScan database. Moreover, the loan sample includes only completed loans involving U.S. banks with roles other than participant, and excludes loans granted to financial institutions. Table 1 reports the yearly proportion of reported loans, both in numerical and percentage terms.

DealScan is the source of data regarding the identity and role of all members of the loan syndicate, loan maturity, type and purpose, credit risk measures, and covenant information. For the classification of reported and non-reported loans, a Dow Jones News Service search is conducted for news, wire articles and headlines published between three months prior to one month after the effective date of the issue. The search specifically looks for articles and headlines that contain the issue size and/or the usual key terms used in previous studies. In the case of bank loan announcements the key terms are "line of credit", "credit line", "credit facility", "credit agreement", "credit extension", "new loan", "loan agreement", "loan renewal", "loan revision", "loan extension", "finance company loan", "term loan", "commercial loan", and "bank loan". Once the news and wire articles are selected, the author collected data for the loan sample on the frequency of wire and press articles, timing of the earliest article with respect to the issue date, news or wire source, renewals, refinancing, amendments as well as bundling of information with other non-issue-related news in the earliest article. Furthermore, this hand-collected news information identifies articles in which the only loan-related information is the agreement size, those in which bank lending is inferred through terms such as "loan", and those that specify it is a bank agreement, whether the identity of one or more members of the loan syndicate is reported or not.

In some cases, the earliest news is accompanied by other news concerning dividends, earnings, or control activity. Most empirical studies of loan announcements exclude these "contaminated" announcements so as to focus solely on the information content of the financing news. In this paper,

contaminated articles are included in the examination of reporting likelihood given that earnings or dividend announcements, for example, may reduce information asymmetries associated with selling securities, a factor identified as leading to press attention. Thus, excluding contaminated reporting may bias the results and conclusions.

The media information on bank loans was supplemented with information from filings with the Securities and Exchange Commission (SEC). More specifically, the author collected data from the SEC filings whenever available on whether borrower has a history of loan covenant violations and subsequent waiver. This manual search within SEC filings covered the two years prior to loan activation, because Roberts and Sufi (2009) found that the average effective maturity of bank loans is half the average stated maturity, which in this study sample is of about four years. As Nini et al. (2008) note, as private agreements, loans are not legal securities and, thus, are not subject to direct SEC regulation. However, the SEC precedent has established a requirement that public companies include copies of all "material" contracts, including bank loan agreements, with relevant SEC disclosures. These contracts typically appear as exhibits at the end of a 10-K or 10-Q report, or as an attachment to an 8-K filing.

More specifically, the author searched the SEC filings for specific expressions used in previous studies, and checked each passage to ensure that the expressions indeed referred to financial covenant violations, waivers, and loan restructurings. The specific terms are those also used by Roberts and Sufi (2009): "in violation of covenant", "in violation of a covenant", "in default of covenant", "in technical violation of covenant", "in technical violation of a covenant", "in violation of financial covenant", "in violation of a financial covenant", "in technical violation of a financial covenant", "in technical violation of financial covenant", "in technical default of a financial covenant", "in technical default of financial covenant", "not in compliance", "out of compliance", "received waiver", receiver a waiver", "obtained a waiver", "obtained waiver". The data on issuing firm characteristics was obtained from Compustat.

Table 1 shows no time trend in the frequency of loan reporting in the financial press between three months prior to one month following loan activation. The frequency of loan reporting in news and industry related wires is of about 30% during the entire 2004 to 2007 period. When considering borrower wires besides news and industry wires the reporting increases even further, as expected, to about 40% during the study period. However, as it becomes apparent in Table 2, reported loans are usually intended towards debt repay in detriment of general corporate loan purposes, significantly more common among non reported loans. Thus, there are differences between reported and non reported loans, and also among reported and non reported borrowers, as shown in tables 3 and 4.

More specifically, tables 3 and 4 show that reported loans are larger and have significantly larger maturities and spreads i.e. appear riskier, besides being used to repay previous debt more frequently. Their borrowers are also significantly different. Those whose loans get reported in the press are significantly smaller by assets, sales and shareholders' equity, and present significantly lower operating cash flows and EBITDA the year prior to loan activation. These results support the hypothesis that during the recent bubble the bank deals featured in the press still identified bank agreements and borrowers that could be of higher interest to investors.

DETERMINANTS OF LOAN REPORTING IN THE FINANCIAL PRESS

As in previous work, and since summary statistics show some differences in borrower and loan characteristics, the study of factors determining bank loan press reporting includes proxies for borrower information asymmetries (as measured by tangibles), borrower credit risk (as measured by operating cash flows and debt to EBITDA), and loan risk (as measured by loan maturity, but also loan size and loan spread). Bagnoli & Watts (2007) find that firms are more likely to disclose private information when the operating performance in financial reports falls below expectations and/or does not contain sufficient good news. In addition, Verrecchia & Weber (2006) find that firms are less likely to withhold information in material contract filings when they issue long-term debt. Overall, one could argue that the largest firms are less opaque and the smallest firms of less interest to the general investor, and that, consequently, both the largest and smallest loans could be less likely to be reported. Thus, the analysis also considers a

medium-firm-size dummy variable. Interestingly, the inclusion of this dummy does not explain further the reporting process during the 2004 to 2007 period, unlike during the 1996-2004 period (Gonzalez, 2011).

The analysis of loan-reporting is based on a series of regressions. Table 5 studies the factors determining the presence of loan news in the financial press. The probit regression considers as dependent variable a dummy that takes value of 1 when the loan is reported in news or wire articles. Table 6 examines the determinants of the number of news and wire articles. Another series of regressions, not reported for inconclusive, studies the determinants of timing of first articles with respect to loan activation. In general, the results show that bank deals with longer maturities are more likely to be reported - as suggested in the descriptive statistics. In addition, Table 6 indicates that bigger loans with larger spreads as well as borrowers with lower operating cash flows during the fiscal year before deal activation are also more likely to generate more news and wire articles.

Overall, these findings suggest that, despite the increased frequency of bank agreements reporting in the press, loan news were still somewhat noteworthy. The financial press seems to filter the most interesting loans during the January 2004 to May 2007 period. However, the question remains of whether the presence of these loans in the press could be indicative of firm potential going forward.

LONG TERM OPERATING PERFORMANCE

Nini, Smith & Sufi (2008) find that following covenant violations, there is an effective reduction of capital expenditures that leads to higher performance and valuation. In this study, like in Gonzalez and James (2007) and Gonzalez (2011), the study of long-term operating performance includes the debt to EBITDA ratio. The reason is that it is used in other previous work and is closely linked to the borrower’s ability to service both current and future bank borrowings. Stock returns and net income are also important measures of performance used in the literature, but they are more removed from the banker’s principal focus. In addition, the debt to EBITDA ratio is present in about half the loans that include financial covenants. Thus, firms have an incentive to improve this ratio.

To limit the effect of outliers, the medians of operating performance measures are examined for a period of seven years that covers four fiscal years preceding loan activation and the three subsequent ones. The summary statistics are presented in Table 7. Year 0 refers to the fiscal year prior to the activation of the loan. Overall, it is observed that reported borrowers present similar debt to EBITDA ratios prior to loan activation and that this ratio increases significantly for reported borrowers with respect to non reported borrowers during the three years following loan activation. In addition, the study of EBITDA to assets ratio does not find any significant improvement in the long term operating performance of reported borrowers with respect to unreported ones. This seems to suggest that press reporting of loan agreements established between January 2004 and May 2007 is not particularly informative of potential firm quality.

CONCLUSIONS

An important strand of the banking literature holds that banks play a special role in the capital acquisition process through the close relationship they establish with their borrowers. However, it is not clear why the more established less opaque public firms would need to establish the same type of “unique” relationships with banks in all cases. Also, it is puzzling why there is a significant positive stock price reaction surrounding the press reporting of bank loans, given that practically all public firms have bank loans. Furthermore, the financial press reporting of bank loans could arguably increase during periods of aggressive lending.

To address these issues, the analysis uses a unique hand-collected data set of 1027 bank agreements established between January 2004 and May 2007. Overall, the results show that over 30% of the bank loans are reported in the financial press. However, the subsample of reported loans and borrowers is still not representative of the entire population of syndicated loans. Reported loans have longer maturities and reported borrowers present lower operating cash flows during the year preceding loan activation. In

addition, factors associated to risk (deal size, maturity and spread besides borrower performance) are still associated with a higher number of press news and wire articles.

Following loan activation, reported borrowers show increasing debt to EBITDA ratios with respect to non-reported ones over the three years following the activation of the loans, and no improvements in EBITDA to assets. This suggests that loan news articles during the 2004-2007 period are still noteworthy but not particularly informative about the firm quality of the borrowers.

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TABLE 1
ANNUAL DISTRIBUTION BY YEAR OF DEAL ACTIVATION FOR REPORTED AND NON-REPORTED LOANS

The sample consists of 1027 randomly selected syndicated bank loan agreements activated between January 2004 and May 2007. The loans are randomly selected so that each year the proportion of loans in the sample equals the corresponding annual proportion of loans in DealScan database. In addition, the sample requires the borrowers to be publicly traded firms at the time of loan activation. Reported and non-reported loans are identified searching Dow Jones sources for news articles that contain the deal amount and/or the key words used in the literature on loan announcements. The study requires the financial press information to be published between three months prior to one month after the activation of the loan as reported in DealScan, the study period used previously in the literature.

Year of Deal Activation	All Sample Loans	Reported in News Wires Before Activation	Reported in News & Industry Wires Before Activation
2004	274	26.6%	33.6%
2005	291	29.2%	45.4%
2006	232	33.6%	46.1%
2007	230	28.4%	45.6%
Total	1027	29.3%	42.45%

TABLE 2
DEAL PURPOSE FOR REPORTED AND NON-REPORTED LOANS

The sample consists of 1027 randomly selected syndicated bank loan agreements activated between January 2004 and May 2007, some of which are featured in the financial press through news and wire articles between three months prior and one month following deal activation. The loans are randomly selected so that each year the proportion of loans in the sample equals the corresponding annual proportion of loans in DealScan database. In addition, the sample requires the borrowers to be publicly traded firms at the time of loan activation. Deals or packages usually include several facilities such as a line of credit, a term loan and notes. Corporate purposes include working capital, capital expenditures, equipment purchases, or project financing. Merger and acquisition purposes include takeovers. Leverage buy-out purposes include LBOs, stock buybacks and debtor in possessions.

Panel A. Reported in News & Industry Sources Wires

Loan Purpose	Reported	Non-reported
Corporate Purposes	82.39%	84.4%
M&A	9.63%	8%
LBO	3.65%	3.44%
Debt Repay	4.32%	2.89%
Other	0.01%	1.27%

Panel B. Reported in News & Industry or Firm Source Wires

Loan Purpose	Reported	Non-reported
Corporate Purposes	79.59%*	86.95%
M&A	11.24%*	6.44%
LBO	3.21%	3.73%
Debt Repay	5.5%*	1.69%
Other	0.46%	1.19%

*Significantly different from non-reported loan issue sample at the 0.1 level

TABLE 3
FIRM SUMMARY STATISTICS

The sample consists of 1027 randomly selected syndicated bank loan agreements activated between January 2004 and May 2007, out of which 318 are featured in the press. The loans are randomly selected so that each year the proportion of loans in the sample equals the corresponding annual proportion of loans in DealScan database. In addition, the sample requires the borrowers to be publicly traded firms at the time of loan activation. Reported and non-reported loans are identified searching Dow Jones sources for news articles that contain the deal amount and/or the key words used in the literature on loan announcements. The study requires the financial press information to be published between three months prior to one month after the activation of the loan as reported in DealScan. Tangible refers to plant, property and equipment net measures. The breach of bank deal covenants within two years preceding deal activation is usually followed by covenant waivers and in some cases by deal amendments. All data on covenant breechings and waivers, as well as on deal amendments, is hand-collected from SEC filings.

	Reported Loans in News or Wires				Non-reported Loans			
	Mean	Median	High	Low	Mean	Median	High	Low
Firm Characteristics								
Assets	5974.58*	1916.47	106,999	15.15	12966.56	2218.96	448507	6.72
Sales	5112.97*	1842.37	162405	0.92	9088.28	1844.49	182005	8.01
Short Term Debt	236.27	14.8	11471	0	1120.83	19.5	80623	-882
Long Term Debt	1425.23	422.44	14653	0	3649.1	460.9	191133	0
Short Term Liabilities	1244.85	379.16	21359	8.68	1822.12	409.82	40091	2.54
Long Term Liabilities	3750.34	1129.88	53059	8.68	9283.44	1364.51	422932	4.78
Shareholders' Equity	2188.55*	619.3	52731	-1463.69	3572.59	780.91	82646	-1797.2
Tangible/Assets	0.63	0.6	3.06	0.01	0.63	0.57	3.61	0.01
Debt/EBITDA	2.85+	2.15	36.69	0	3.76	2.08	267.92	0
EBITDA/Assets	0.14	0.13	0.55	-0.17	0.14	0.13	0.77	-0.38
Operating Cash Flows	558.15*	152.32	17628	-420	998.17	171.04	24514	-775
Operating CF/Assets	0.09	0.08	0.53	-0.19	0.9	0.9	0.5	-0.65
Breach of Covenants	0.07	0	1	0	0.05	0	1	0
Covenant Waiver	0.09+	0	1	0	0.07	0	1	0

*Significantly different from non-reported loan issue sample at the 0.05 level
+Significantly different from non-reported loan issue sample at the 0.1 level

TABLE 4
BANK DEAL SUMMARY STATISTICS

The sample consists of 1027 randomly selected syndicated bank loan agreements activated between January 2004 and May 2007. Deal commitment size is expressed in millions and maturity in months. DealScan expresses the all-in-drawn spread as a basis point mark-up over the 6-month LIBOR that includes recurring fees associated with the credit facility. The spread is used as a measure of per dollar cost of borrowing in a number of previous empirical studies on loan pricing.

	Reported Loans in News or Wires				Non-reported Loans			
	Mean	Median	High	Low	Mean	Median	High	Low
Loan Characteristics								
Commitment	738	328*	8000	1.82	740	300	12000	2
Commitment/Assets	0.36+	0.19*	20	0.01	0.26	0.13	9.5	0.01
Maturity	54.82*	60	240	1	49.33	60	241	3
Deal-all-In-Drawn	145.7	110.94+	1100	15	134.36	100	1250	10
Collateral	0.57	1	1	0	0.57	1	1	0
Number of articles & wires	1.53	2	8	1				
Number of days 1st news before deal activation	3.05	-2	91	-30				

*Significantly different from non-reported loan issue sample at the 0.05 level
+Significantly different from non-reported loan issue sample at the 0.1 level

TABLE 5
DETERMINANTS OF LIKELIHOOD OF BANK DEAL REPORTING IN THE PRESS

The panel provides the estimates of a probit regression that relates firm and loan characteristics to the likelihood that a bank deal is deemed noteworthy. The analysis is based on a sample of 1027 randomly selected syndicated bank loan agreements activated between January 2004 and May 2007. Reported and non-reported loans are identified by Dow Jones article sources containing the deal amount and/or the key words used in the literature. *Tangible* refers to plant, property and equipment measures. *Commitment Amount* is the size of the bank deal commitment. *Maturity* is the maturity in months of the agreement as reported in Dealscan. *Waiver* equals 1 if the borrower had been granted at least one waiver following a loan covenant violation within two years preceding loan activation as reported in 10K & 10Q SEC filings. Z statistics are reported in parenthesis

	Likelihood of loan reporting in news and wire articles
Time trend	0.06
	(1.58)
Waiver	0.13
	(0.75)
Deal Amount (millions)	0.04
	(1.09)
Deal Maturity (months)	0.01
	(3.56)
Deal All-in-Drawn	0.01
	(0.76)
Tangible/Assets	0.07
	(0.07)
Debt/EBITDA	-0.01
	(-1.56)
Operating Cash Flows	-0.03
	(-0.65)
Assets	-0.05
	(-0.95)
Constant	-0.7
	(-4.3)
Pseudo R square	0.34

TABLE 6
DETERMINANTS OF NUMBER OF NEWS AND INDUSTRY WIRE ARTICLES

The panel provides the estimates of a regression series that relates firm and loan characteristics to the likelihood that a bank deal is deemed noteworthy in news and wire articles. The analysis is based on a sample of 1027 randomly selected syndicated bank loan agreements activated between January 2004 and May 2007. Reported and non-reported loans are identified by Dow Jones article sources containing the deal amount and/or the key words used in the literature. *Tangible* refers to plant, property and equipment measures. *Commitment Amount* is the size of the bank deal commitment. *Maturity* is the maturity in months of the agreement as reported in Dealscan. *Waiver* equals 1 if the borrower had been granted at least one waiver following a loan covenant violation within two years preceding loan activation as reported in 10K & 10Q SEC filings. Loan amendment, refinancing and renewal are dummies reflecting article information. t statistics are reported in parenthesis.

	All loans	Loans reported in news and wire
Time trend	-0.01	-0.06
	(-0.38)	(-1.05)
Waiver	0.04	-0.04
	(0.27)	(-0.17)
Deal Amount (millions)	0.06	0.03
	(1.72)	(3.20)
Deal Maturity (months)	0.01	-0.02
	(3.14)	(-0.54)
Deal All-in-Drawn	0.04	0.02
	(1.38)	(2.48)
Tangible/Assets	0.03	0.17
	(0.36)	(1.09)
Debt/EBITDA	-0.01	0.02
	(-1.48)	(1.0)
Operating Cash Flows	-0.03	-0.01
	(-2.24)	(-2.29)
Assets	-0.05	0.01
	(-0.62)	(0.77)
Loan Amendment		-0.32
		(-2.84)
Loan Refinancing		0.01
		(0.19)
Loan Renewal		-0.35
		(-2.58)
Constant	0.32	1.37
	(2.78)	(4.99)
R square	0.32	0.18

TABLE 7
POSTL-LOAN ACTIVATION MEDIAN MEASURES

Table 7 provides summary statistics of debt to EBITDA performance for the four years before and three fiscal years following the bank deal activation. The sample consists of 1027 randomly selected syndicated bank loan agreements activated between January 2004 and May 2007, out of which about 40% are featured in the financial press through news or wires. It includes loans involving US banks and US publicly traded firms at the time of loan activation. The study requires the bank deal information to be recorded between three months prior to one month after the activation of the loan as reported in DealScan. Year zero refers to the last fiscal year prior to the activation date.

	Debt/EBITDA (%)	
	Reported	Non-reported
Year -3	2.21	2.53
Year -2	2.19	2.42
Year -1	2.08	2.29
Year 0	2.15	2.09
Year 1	2.56*	2.17
Year 2	2.34*	2.05
Year 3	2.52*	1.97

* Significantly different from the non-reported loan median at the .05 level

Thanks to Fordham Business and Fordham University Office of Research for grant support, University of Florida for DealScan data, and Michael Roberts for link data. Thanks to participants in the Financial Management Association Annual Conference, European Financial Management Association Annual Meeting, International Finance and Banking Society Rome Conference, Southern Finance Association Annual Conference, World Business Institute NY Conference, and Fordham University honors research seminar for helpful comments. Thanks to Ian Taylor for excellent research assistance. All remaining errors are my own.