The Political Economy of Mortgage Lending

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Abstract

We examine whether banks use mortgage lending as a tool for political influence seeking. We find that the approval rates of mortgage applications from the home states of the Senate Banking Committee chairs are higher than other states, which amounts to about $37-$38 million dollars of extra mortgage credit extended to the home state of the Senate Banking Committee Chair every year. The effect is more pronounced when the incumbent banking chair is up for re-election. To rule out the credit demand explanation, we compare adjacent census tracts on both sides of a state border and confirm our main finding. We do not find a similar effect for other powerful committee chairs or non-bank lenders. Banks strategically target politically active borrowers to maximize their political gain. We also find that banks that have stronger incentives to gain political protection, such as riskier banks and banks headquartered in the home state of the politician, would more aggressively use mortgage lending to favor the politicians' constituents.

Key Words: Political Influence, Mortgage Lending, HMDA, Senate Banking Committee

JEL Codes: D72, G21, G28

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1. Introduction

Companies often spend much effort and resources influencing politicians. For example, many companies contribute directly and indirectly to political campaigns (e.g. Claessens, Feijen, and Laeven, 2008; Cooper, Gulen, and Ovtchinnikov, 2010; Akey 2015) in return for regulations that may benefit them. In fact, it is well documented that firms can benefit from their political connections (e.g. Milyo, Primo, and Groseclose, 2000; Fisman 2001; Grossman and Helpman, 2001; Khwaja and Mian, 2005; Faccio 2006; Faccio, Masulis, and McConnel, 2006). Companies also spend heavily on lobbying activities to influence politicians (Vidal, Draca, and Fons-Rosen, 2012; Betrand, Bombardini, and Trebbi, 2014; Drutman, 2015; Kang, 2015; Kang and You, 2016). Due to the visibility of campaign contributions and political lobbying activities, not surprisingly, the existing literature has also mostly focused on these two channels through which companies spend resources to establish political connections and to gain political favor. However, as argued by Ansolabehere, De Figueiredo, and Snyder (2003), the amount of money involved in campaign contributions and lobbying is rather small, which raises the concern that there might be other channels through which companies can influence politics (Faccio and Hsu, 2017; Agarwal et al., 2018; Bertrand et al., 2018). In this paper, we provide evidence that commercial banks use mortgage lending as an alternative channel of political influence seeking.

Commercial banks are heavily regulated in the United States. And hence, banks have strong incentives to influence regulators to their own benefits. On the other hand, mortgage lending is shown to be able to affect election outcomes (Antoniades and Calomiris, 2018). As such, banks have both the incentives and the power to use mortgage lending to help and to influence politicians. In this paper, we try to document this channel. In particular, we examine whether banks are more lenient in approving mortgage applications from the home state of the Chairman of the Senate

Committee on Banking, Housing, and Urban Affairs (Senate Banking Committee hereafter). The Senate Banking Committee has jurisdictions over, among other things, banks, banking, financial institutions, deposit insurance, and federal monetary policy, most of which are critically relevant to banks. We therefore hypothesize that banks may increase lending to Senate Banking Committee Chairs' constituents.

We use the Home Mortgage Disclosure Act (HMDA) data to examine mortgage lending behavior. Specifically, we aggregate the HMDA data at the bank-county-year level and examine whether counties in the home states of the Senate Banking Committee Chairs have higher mortgage approval rates. Our baseline results suggest that this is indeed the case. The results are robust to the inclusion of state fixed effects and bank-year fixed effects, suggesting that the effects are not driven by time-invariant state-level demand factors or any bank-level supply-side factors fluctuating at the annual frequency. The results also remain robust when we include bank-state pair fixed effects to account for the possibility that banks may have preferences in certain states. The higher approval rates amount to an additional $37-$38 million of home purchase and non-conforming mortgage credit supplied to home states of the Senate Banking Committee chairs each year during our sample period.

We then exploit the most disaggregated level data – the loan application level – and apply granular fixed effects to check the robustness of the estimated effect of political shock on access to credit. Estimating loan-level data has two major benefits. First, the loan-level estimate can largely mitigate the concern that our baseline bank-county-year level estimate can implicitly put more weight on small banks. Second, we can largely control for individual demand-side effects which are most likely unobservable, because at the loan-level a credit supply decision is

conditional on credit demand. We confirm our baseline results: an individual mortgage application is 1.9 to 2% more likely to be accepted if the borrower resides inside the Senate Banking Committee Chair's home state.

Next, we address the possibility that the results may be driven by demand-side factors at the state or local level. For example, the Senate Banking Committee chair may bring more government spending to his/her home state (Cohen, Coval, and Malloy, 2011), which positively affects local economic conditions and hence higher mortgage approval rates. To mitigate this concern, we conduct a spatial discontinuity design by only including census tracts immediately adjacent to state borders and run a bank-tract-year level regression. By adding tract-pair fixed effects in the specification, we are comparing mortgage approval rates of the census tracts in the Senate Banking Committee chairs' home states with adjacent census tracts on the other side of a state border. Because the census tracts are connected, we expect that they have similar local economic conditions, and hence similar demand-side factors. Under this discontinuity design, we still find the same effect as in the baseline OLS regressions, suggesting that the results are unlikely to be driven by state or local demand-side factors.

We also conduct a falsification test to examine whether the chairs of other powerful Senate committees have a similar effect. Following Edwards and Steward (2006), we identify the top 5 powerful Senate Committees, including the Finance, Veterans Affairs, Appropriations, Rules, and Armed Services Committees, all of which are powerful in deciding the allocation of government spending. If the results are indeed driven by government spending, we should find a similar effect of the Chairs of these committees on mortgage approval rates. On the other hand, these committees do not have direct jurisdictions over banking matters, and would not matter if the baseline results

are driven by banks' incentives for political influence. Indeed, we find no effect of the Chairs of these committees, further suggesting that the results are not driven by local economic conditions correlated with increased government spending.

To rule out the reverse causality concerns, we exploit the timing of changes in Senate Banking Chairs by examining the dynamics of the mortgage approval rates around the ascension or descent of Senate Banking Chairs. We find that the effect appears only after, but not before, the Senator is promoted to the Senate Banking Committee chair position, suggesting the results are unlikely to be driven by reverse causality or anticipation.

To identify the motive behind the lending behavior documented above, we examine whether the effect is more pronounced right before the incumbent Senate Banking Committee Chairs' re-election. The potential benefits would be most valuable to the incumbent Senator banking chairs before re-election, and therefore the banks should have the strongest incentives to engage in such behavior exactly at that time. To this end, we indeed find that the effect is the strongest right before re-election, suggesting that banks increase mortgage lending to help the incumbent Senators to win elections. In addition, focusing on non-bank lenders instead, we do not find similar behavior from these non-bank lenders. This result reinforces the political favor story because non-bank lenders are less affected by relevant policy and regulation the Senate Banking Committee oversees.

We then strengthen our interpretation by investigating the variation of our result across politicians' proximity to the financial industry. We posit that politicians are more valuable to and are also more likely to help banks if they receive more political contributions from the financial industry. Furthermore, these politicians may pressure banks more to extend mortgage credit to

voters in their home states and to cater to their political needs. Our results show that mortgage approval rates in home states of Senators who receive more political contributions from the financial industry are significantly higher. This implies that the mortgage credit expansion in Senators' home states is political and strategic.

We also explore the heterogeneity of borrower and bank characteristics to further understand the incentives of the banks. We first show evidence that borrowers located in high political contribution areas enjoy a significantly higher mortgage approval rate, implying that banks strategically direct credit towards politically active borrowers. As politically active consumers are more likely to be high-income and non-minority, our result has further implications on the worsen inequality across borrowers because historically disadvantaged borrowers have more stringent access to credit due to banks' political pressure. Then, we show that riskier banks and banks that are headquartered in the politicians' home states would more aggressively use mortgage lending as a tool for political influence seeking, because these banks have stronger incentives to favor the Senate Banking Committee Chairs' constituents as they stand to gain the most from their connections with the banking chairs.

Exploring the heterogeneity of borrower characteristics, we find suggestive evidence that riskier borrowers receive a higher mortgage approval rate in the home states of the Banking Committee chairs. Consistent with this finding, we also find that the conforming mortgages issued in the banking committee chairs' home states have higher delinquency rates. The results suggest additional ex post costs that banks suffer when directing mortgage credit to the home states of the Banking Committee chairs.

Finally, we show that the mortgage approval rate in the congressional districts of the House Financial Services Committee chairs is significantly higher during the crisis years of 2007-2010. This finding is consistent with our baseline results, suggesting that banks actively steer credit across geographic areas to influence politicians during this period (Agarwal et al., 2018; Chavaz and Rose, 2019).

Our paper contributes to three strands of literature. First, our paper contributes to the literature on corporate political influence activities. Most papers in the existing literature focus on campaign contributions or corporate lobbying activities (Milyo, Primo, and Groseclose, 2000; Grossman and Helpman, 2001; Ansolabehere, 2003; Stratmann 2005; and Leech 2010). Only until very recently, several papers start to identify other channels of corporate political influence activities. Bertrand et al. (2007) find that French companies influence politicians via higher rates of job and plant creation. Faccio and Hsu (2017) find that politically connected private equity firms lead to higher employment after the buyout, which they show are driven by private equity firms' incentives for political influence seeking. Bertrand et al, (2018) find that philanthropic foundations associated with large companies contribute to charitable organizations located in congressional districts of representatives sitting on policy-relevant committees. In a more closely-related paper, Agarwal et al. (2018) show that banks delay the mortgage foreclosure process in congressional districts of the members of the Housing Financial Services Committee during and after the financial crisis. We are the first to show that banks use mortgage lending as a tool for political influence seeking. Furthermore, our results are more general and do not necessarily depend on specific time periods or specific government programs or financial interventions.

Our paper is also related to the literature on the effect of political forces in the financial services industry, especially during and after the 2008-2009 financial crisis. Mian, Sufi, and Trebbi (2010) show that representatives whose constituents experienced sharp increases in mortgage default are more likely to support the Foreclosure Prevention Act. Igan, Mishra, and Tressel (2012) find that mortgage lenders' lobbying activities are associated with more risk-taking before the financial crisis and with worse outcomes during the financial crisis. Duchin and Sosyura (2012) find that banks located in the districts of the Housing Financial Services Committee members are more likely to receive TARP funds. Chavaz and Rose (2019) find that TARP recipient banks increase mortgage and small business lending in their home-representatives' district. Liu and Ngo (2014) document the association between elections and bank failure. Other papers in this literature include Brown and Dinc (2005), Bo et al. (2017), Akey, Heimer, and Lewellen (2018), Akey et al. (2018), and Antoniades and Calomiris (2018). We contribute to this strand of literature by examining politically motivated bank activities during both normal times and the financial crisis.

Finally, our paper is more broadly related to the literature on corporate political connections (e.g., Fisman 2001; Grossman and Helpman, 2001; Khwaja and Mian, 2005; Faccio 2006; Faccio, Masulis, and McConnel, 2006). The literature has largely focused on the benefits and costs of political connections. In this paper, we instead focus on how companies act to establish political connections and seek political influence.

The rest of the paper is organized as follows. Section 2 describes our data and sample construction; Section 3 presents the main empirical results; Section 4 discusses bank performance implications; Section 5 presents results for the House; Section 6 concludes.

2. Data and sample

We obtain the data on mortgage applications and originations from the Home Mortgage Disclosure Act (HMDA) data. The sample covers loan applications from 1990 to 2014. All regulated financial institutions with more than $30 million in assets, such as commercial banks, credit unions, and mortgage companies, must report the data. The HMDA data report the lender's identity, the location of the property, the dollar amount of the loan, application year, and whether or not the loan was accepted or sold to a third party during the year of origination. Borrower information, such as borrower's reported income, race, and gender, is also provided. More importantly for our identification strategy, borrowers' location is reported at the census tract level.

From the raw dataset, we discard refinancing loans and loans securitized through GSEs (Duchin and Sosyura, 2014). This allows us to focus on applications for which banks have the greatest margin of discretion. In particular, GSE loans are typically underwritten automatically using the GSEs' own standards and hard information, leaving little discretion for alternative considerations in the screening process. Refinancing loans usually enhance lenders' ability to observe the applicant's payment history, leaving less discretion to banks (e.g., Gilje, Loutskina, and Strahan, 2016). We then discard any non-conventional loan applications (Federal Housing Administration-insured, Veterans Administration-guaranteed, Farm Service Agency, or Rural Housing Service loans), applications with incomplete location information, a key requirement for our strategy, applications with a home improvement purpose, applications for investment properties (i.e., not owner-occupied properties), loans that the lender does not have a first lien on, or applications for unusual products (manufactured housing or multi-family dwellings).

In our baseline results, we include only commercial banks regulated by the Federal Reserve, Office of the Comptroller of the Currency (OCC), or the Federal Deposit Insurance

Corporation (FDIC) (we call them banks in this paper).[1] Using the lender identity, we then merge the HMDA data with the bank-level data from the Reports of Condition and Income for commercial banks ("Call Reports") and then aggregate lending data to the bank holding company (BHC) level.[2] We follow Loutskina and Strahan (2009) and merge each application with the Call Report of the fourth quarter of the year prior to the mortgage application.[3] All unmatched institutions from the HMDA dataset are then matched manually using the bank's name and location information. The bank control variables include size (log of assets), Tier 1 capital ratio (Tier 1 capital to net risk-weighted assets),[4] accounting profits (net income to total assets), share of loans (total loans to total assets), share of deposits (ratio of deposits to total assets), deposit costs (interest expenses on deposits to total deposits), letters of credit to total assets, unused loan commitments to total assets, real estate loans to total assets, and commercial and industrial loans to total assets. All the bank controls are calculated at the holding company level.

To construct variables of county-level economic characteristics, we obtain data on county income per capita and its growth rate from the Bureau of Economic Analysis, and data on house price index (HPI) and its growth rate from Zillow.com.

Finally, we aggregate the data by BHC-county-year in our main analysis. To minimize the effect of outliers in our estimates, we remove BHC-county-year observations with fewer than five

[1] We exclude non-commercial bank lenders such as thrifts, credit unions, mortgage companies, etc.
[2] We find data on the banks' parent BHC from the FDIC's Call Reports database. For banks unaffiliated to a BHC, we aggregate data at the bank level.
[3] To merge with the HMDA bank identification number, we use the Call Report identification number (RSSD ID) for banks regulated by the Federal Reserve (FR), the Federal Deposit Insurance Corporation (FDIC) certificate ID (item RSSD9050 in the Call Report) for banks regulated by the FDIC, with the Office of the Comptroller of the Currency (OCC) ID (item RSSD9055 in the Call Report) for banks regulated by the OCC.
[4] Since Tier 1 capital ratio is available only after 1994 and largely missing in 1994 and 1995, we use capital ratio (capital divided by total assets) for 1990-1995 as a proxy for Tier 1 capital ratio. To check its robustness, we either use capital ratio throughout our sample period of 1990-2014 or drop this control variable from our regression. We obtain largely identical results.

loan applications. Our results are not sensitive to this requirement. We obtain similar results if we drop observations with fewer than one, three, or ten loan applications in robustness checks. The final dataset has 1,119,092 BHC-county-year observations. In our geographic discontinuity design analysis, we aggregate data at the BHC-census tract-year level by considering only the census tracts immediately adjacent to state borders. We obtain the list of census tracts adjacent to state borders using relationship files from Brown University.[5] The final dataset has 1,845,062 BHC-tract-years observations.

Our main outcome variable is the mortgage approval rates measured either at the BHC-county-year level or the BHC-tract-year level. We also distinguish between mortgage approval rates calculated based on the number of mortgages (count) and based on the value of the mortgages (volume).

We use data on congressional committees collected by Charles Stewart III and Jonathan Woon (Congressional Committee Assignments, 101st–113th Congresses, 1989–2015) and link politicians (by state) to mortgage applicants using the census tract information provided by HMDA dataset.[6] For our purpose, the Senate Banking Committee Chairs in our sample period are reported in Table 1.

The summary statistics are presented in Table 2, with Panel A for the bank-county-year sample and Panel B for the bank-tract-year sample. At the bank-county level, the average mortgage approval rate is 76.4% (count) or 77.3% (volume). At the bank-tract-year level, the numbers are slightly higher. The bank characteristics are in line with those documented in the literature.

[5] See http://www.s4.brown.edu/us2010/Researcher/Pooling.htm.
[6] Congressional committee data are available online on Charles Stewart's Web site: http://web.mit.edu/17.251/www/data_page.html#2.

In determining whether a region is politically active, we obtain data on contributions made by individuals to political action committees (PACs) that are affiliated with a given political candidate or political party. The data are from the U.S. Federal Election Commission (FEC) for all federal elections from 1990-2014. For each election cycle, we obtain individual (personal) political donations to their Senators at the ZIP code level and aggregate them to the county level.

3. Methodology and main results

3.1 BHC-county level analysis

We examine whether political power affects mortgage lending decisions of banks under regulation. Specifically, we are interested in determining whether banks raise the mortgage approval rates in the home states of Chairman of the Senate Banking Committee, which has jurisdictions over matters relevant to banks and the banking industry. We employ a reduced-form regression model to examine the impact of the chairmanship of the Senate Banking Committee on the mortgage approval rate in the Chairman's home state. Following the literature (see, for example, Favara and Imbs, 2015; Gilje et al., 2016; and Chavaz and Rose, 2019), we use counties as the local markets for banks. Although the Senate Banking Committee chairmanship varies at the state-year level, the county-level data allow us to control for finer variations of economic and borrower characteristics that vary at the county-year level. Our regression specification is as follows:

$$AR_{i,c,t} = \beta\ BankChair_{s,t} + \eta X_{c,t} + \xi Z_{i,t} + \theta_{i,c,t} + \varepsilon_{i,c,t}\ , \qquad (1)$$

where $AR_{i,c,t}$ is the mortgage approval rate by bank i in county *c*, in year *t*. *BankChair* is the dummy variable that equals one if state *s* is the home state for the chairman of the Senate Banking Committee in year *t*, and zero otherwise. *X* is a vector of county controls and borrower controls at the county-year level in year *t*, which includes county median income per capita and its growth

rate, county HPI, HPI growth rate and its one-year lag, log applicant income, loan-to-income ratio, minority applicant proportion, and female applicant proportion. Z is a vector of bank controls at the BHC-year level, including size, Tier 1 capital ratio, accounting profits, share of loans, share of deposits, deposit costs, letters of credit in total assets, unused loan commitments in total assets, real estate loans in total assets, and commercial and industrial loans in total assets. $\theta_{i,c,t}$ is a set of fixed effects. In the analysis, we separately include two sets of fixed effects in the specifications: (i) state and BHC-year fixed effects, and (ii) BHC-year and BHC-state fixed effects. Because our main variable of interest, *BankChair,* is measured at the state level, we cluster standard errors at the state level. The coefficient of interest, β, captures the marginal effect of chairmanship of the Senate Banking Committee on the approval rate in the chairman's home state.

Table 3 reports the baseline OLS results at the BHC-county-year level. The dependent variable is the count-based mortgage approval rate. In columns (1) and (2), we control for the state and BHC-year fixed effects to account for any cross-state variation and BHC-level characteristics that vary over time. The inclusion of the BHC-year fixed effects can account for the credit supply changes driven by changes in bank conditions.

The coefficient estimates in columns (1) and (2) of Table 3 suggest a 130-140 bps higher approval rate in the home states of the Senate Banking Committee Chairs, relative to other states. A back-of-the-envelope calculation suggests that an additional $37-38M mortgage credit (home purchase loans and non-conforming loans) is extended to the Banking Committee chairs' home states EACH year during our 1990-2014 sample period. As noted in Agarwal et al. (2018), the top ten mortgage servicers, which include some of the largest financial institutions like Bank of America, Citigroup, and JPMorgan, collectively spent about $44M during the crisis period of

2009-2010 for lobbying all the legislative and executive branches. The combined campaign contributions of these institutions to the committee members by their Political Action Committees were only about $1M. In other words, the amount of *additional* mortgage credit flowing into the Senate Banking chairman's home state in one year is comparable to the total lobbying costs for the ten largest mortgage servicers during the 2009-2010 period and much more than their campaign contributions to committee members.[7] This finding suggests that mortgage lending serves as an important alternative channel for political influence seeking. The estimates are robust to controlling for local housing price levels and its concurrent and lagged growth rates. The coefficient estimates in columns (5) and (6) for volume-based mortgage approval rates are similar.

In columns (3) and (4), we control for more restrictive fixed effects in our empirical model. In addition to the BHC-year fixed effects, we further include the BHC-state pair fixed effects to control for any interaction effect of a BHC-state pair. For instance, a BHC may have superior information in certain states, which can be the BHC's headquarters state or local areas where the BHC has a long lending history. If this is the case, our estimates can be biased upward because we also capture the interaction effect of a BHC in a given state, on top of the effect of the Banking chairmanship we want to capture. Since our variable of interest varies at the state-year level, we cannot include state-year fixed effects. However, we include county-year controls, the level and the growth rate of income and HPI, to account for time-varying demand-side factors. The magnitudes of the coefficient estimates in columns (3) and (4) are similar to those in columns (1) and(2). The Senate Banking chairs' home states have a 110 bps higher mortgage approval rates.

[7] Our number may not capture the absolute amount of money spent because it can be a simple credit reallocation away from other states to the Banking Chair's home state.

In 2001, Senator Phil Gramm (Texas) served as the chairman of the Senate Banking Committee in the first half of the year and Senator Paul Sarbanes (Maryland) served as the chairman in the second half of the year. To check the robustness of the way we assign Senate Banking Committee Chairman shock to these two states, we try an alternative assignment by treating the year 2001 as "co-chair" for both Texas and Maryland. The results in columns (5) and (6) suggest that this treatment yields a stronger effect, both economically and statistically, compared to the parallel regressions in columns (3) and (4). To further check on robustness of the shock treatment in 2001, we also alternatively mute the shock to Maryland in 2001 or assign a shock to Texas in 2001 instead of Maryland, and Table A4 (columns (4) and (5)) shows that the coefficient estimate remains robust.

We also construct the volume-based mortgage approval rate and use the same regression techniques to estimate the coefficient on *BankChair*. The results presented in Table A1 in the appendix suggest that our main finding is robust to this alternative approval rate construct. To provide more information on different senators within Committee, Table A2 combines both committee chair and the ranking member of Senate Banking Committee in the main regression model and shows that the estimate for *BankChair* remains largely unaltered and the coefficient on the ranking member is also positive and significant, but not as strong as that for *BankChair*.

3.2 Loan-level analysis

As an important check on the economic magnitude of the chair effect, we exploit the HMDA data at the most disaggregated level – the loan application level – and apply granular fixed effects to estimate the effect of political shock on access to credit. The specification we estimate is as follows:

$$Accept_{i,b,r,t} = \beta\ BankChair_{s,t} + \eta X_{c,t} + \xi Z_{i,t} + \theta_{b\times t} + \eta_{b\times r} + \varepsilon_{i,b,r,t}\ , \qquad (2)$$

where $Accept_{i,b,r,t}$ is the dummy variable that equals one if the loan application *i* is approved by bank *b* in census tract *r* in year *t*, and zero otherwise. *BankChair* is the dummy variable that equals one if state *s* is the home state for the chairman of the Senate Banking Committee in year *t*, and zero otherwise. *X* is a vector of county controls at the county-year level in year *t*, which includes county HPI, HPI growth rate and its one-year lag. We also control for log median income of a census tract. *Z* is a vector of borrower and loan controls that include log applicant income, loan-to-income ratio, log loan size, a minority dummy, and a female dummy. In the most restrictive model, we include BHC×Year fixed effects and BHC×Tract fixed effects.

Estimating loan-level data has two major benefits. First, although we calculate county-bank-year level mortgage approval rate weighted by loan size, the aggregated evidence might still give more weight on small banks, which can further exaggerate our estimate. However, loan-level data can largely mitigate this bias. Second, we can largely control for individual demand-side effects which are most likely unobservable, because at the loan-level a credit supply decision is conditional on credit demand.

Columns (1) and (2) in Table 4 report the results. We focus on home purchase loans and discard refinancing loans because refinancing loans usually enhance lenders' ability to observe the applicant's payment history, leaving less discretion to banks (e.g., Gilje, Loutskina, and Strahan, 2016).[8] The coefficient magnitude suggests that a mortgage application in the home state of the Senate Banking Chair has a 190 to 200 bps higher approval rate, which is even higher than our baseline results using aggregated data.

[8] Table A3 in the appendix proves our intuition by showing that the effect of political shock is largely missing if we focus on the refinancing loans.

3.3 Identification

In our main empirical model, we benefit from the fact that the Senate Banking Committee chairmanship is determined almost entirely by seniority. To be appointed chair a senator must become the most senior member of the party on that committee. It follows the chair turnovers can only result from the resignation (or defeat) of the incumbent or a change in the party controlling that branch of Congress. As noted in Cohen, Coval, and Malloy (2011), the use of the seniority-based chairmanship has been a governing practice in both chambers of Congress for over 100 years (see Galloway 1946; Goodwin 1959).[9] As such, the ascension of the chairman of the Senate Banking Committee in our setting is likely to be exogenous to the economic and housing market conditions in his/her home state, because both turnovers of the chairman and a change in the party controlling the Senate depend almost entirely on political circumstances in the whole country. Thus, our estimate is unlikely to suffer from a reverse causality problem. However, the endogeneity concern may still come from the omitted variable bias. In this section, we address two particular concerns, confounding credit demand-side factors and the anticipation effect.

3.3.1 Demand-side factors

We first address the concern that our estimates may capture the increases in credit demand. As noted in the literature (e.g., Cohen et al. 2011), powerful politicians can bring in more government-spending to their home states, leading to better economic conditions and higher housing demand. In our empirical model (1), we cannot include state-year or county-year fixed effects to account for changes in demand-side factors because our main variable of interest varies at the state-year level. Even though we control for county-year level income and HPI to partially address the credit

[9] In recent years, there have been occasional deviations from this rule (see Deering and Wahlbeck 2006), but our results do not change much after we incorporate these changes.

demand concern, our estimate can still be biased if there are other confounding factors that we fail to capture in our model.

We first conduct a geographic regression discontinuity design by including only the census tracts *immediately adjacent* to state borders in our sample and run a BHC-tract-year level regression. By doing so, we are taking advantage of the census tract information in HMDA. Contiguous census tracts across a state border share similar economic and housing market conditions. The *only* difference between the two tracts is the Banking chairman shock *exogenous* to local conditions. If the argument of government spending is valid, the positive effect on the home states of the Senate Banking Committee chairs is likely to spill over to the tracts adjacent to the state borders. By comparing mortgage approval rates of these two contiguous census tracts, we are able to mitigate the confounding effect of demand-side factors.

Exploiting the geographic discontinuity design as our identification strategy, we estimate the following specification:

$$AR_{i,j,t} = \alpha_{b,t} + \beta\, BankChair_{s,t} + \eta X_{j,t} + \xi Z_{i,t} + \theta_{i,j,t} + \varepsilon_{i,j,t}, \quad (3)$$

where $AR_{i,j,t}$ is the mortgage approval rate by bank *i* in census tract *j*, in year *t*. *BankChair*, borrower controls, and bank controls are similar to the baseline model (1). A minor difference is that borrower controls are also adjusted to the census tract-year level. To ensure that we are comparing census tracts on different sides of the same border, we include the border-year fixed effects $\alpha_{b,t}$. $\theta_{i,j,t}$ is a set of comprehensive fixed effects in the form of either state border-year and BHC-year fixed effects or additional tract-pair fixed effects.

Table 5 reports the results of estimating model (3). We include state boarder-year fixed effects and BHC fixed effects in columns (1); we further include the BHC-year fixed effects in columns (2) and additionally include the tract-pair fixed effects in columns (3). The coefficient estimates, positive and statistically significant at least at the 5% level, suggest that census tracts in a Banking Committee chair's home state enjoy a 70-120 bps higher mortgage approval rate relative to their adjacent tracts in another state(s).

Although the spatial discontinuity design results are strong, we further address the demand-side factors by conducting a falsification test. We consider chairs of other powerful Senate committees. Following the list of the most influential committees from Edwards and Stewart (2006), we identify the top 5 most powerful Senate committees as the Finance, Veterans Affairs, Appropriations, Rules, and Armed Services committees. If our results are indeed driven by government spending brought by these powerful committee chairs, we would also find a positive effect of the chairman ascension of the other powerful committees.

Table 6 reports the falsification test results. We re-estimate the baseline model (1) by replacing the Senate Banking Committee Chair with other chairmanship shocks of the top 5 powerful Senate committees. For example, Senate Finance Chair is a dummy variable that equals one if state *s* is the home state for the chairman of the Senate Finance Committee in year *t*, and zero otherwise. The top 3 committees include the Finance, Veterans Affairs, Appropriations Committees, and the top 5 committees further include the Rules and Armed Services Committees in addition to the top 3. The effect of these powerful committees on the mortgage approval rate is entirely muted. In particular, the coefficient estimates are negative and statistically insignificant in

most columns (except for columns (2) and (4)). In other words, the documented positive effect of the Banking Committee Chair is unique and cannot be driven by other powerful Senate committees.

3.3.2 Heterogeneity of shocks

Senators can be promoted to Banking Committee Chair for one of the two reasons, or both: current chair steps down as chair and the "number two" politician is promoted, or the control of Congress changes and the current ranking member (the most senior member of the minority party) is promoted. A possible concern of our main finding is that electoral swings are much more likely to be driven by changes in economic conditions and thus the estimate could be upwardly biased by a positive economic turnout.

To address this concern, we discard all changes in control of Congress. In column (2) of Table A4, we remove New York from 1995 to 1998 and keep Alabama and Connecticut over the entire sample period. In column (3), we remove all three states (New York, Alabama, and Connecticut) for their Banking Chair active years (1995-1998, 2003-2006, 2007-2010, respectively). The coefficient estimate remains largely identical in magnitude compared to the baseline result in column (1), suggesting that our main finding of mortgage approval rate is not likely to be biased by changes in Congress control due to endogenous economic conditions.

3.3.3 Anticipation concern

Since Senate chairmanship is determined almost entirely by seniority and the resignation or defeat of the incumbent or a change in the party controlling the Senate, the ascension or descent can be anticipated if the election outcomes are predictable. If a booming economy is expected in the home state following ascension to a chairmanship, banks can act to raise the approval rate in anticipation of improving economic conditions. This argument brings us back to the pitfall of the omitted variable bias with the concern of the anticipation effect.

To mitigate this concern, we examine the dynamics of the approval rate surrounding the timing of ascension to a chairmanship. In particular, we estimate the specification as follows:

$$AR_{i,c,t} = \sum_{\tau=1}^{8} \beta_\tau \ BankChair_{s,t+\tau-5} + \eta X_{c,t} + \xi Z_{i,t} + \theta_{i,c,t} + \varepsilon_{i,c,t}, \quad (4)$$

where $BankChair_{s,t}$ is the dummy variable that equals one if state *s* is the home state for the chairman of Senate Banking Committee who just had ascension in year t, and zero otherwise. We also include the *BankChair* dummies that take the value of one in each of the four years before and three years after the ascension. The coefficients of interest are $\beta_1 - \beta_8$, which capture the differential effects of a chairmanship ascension in each individual year before and after the ascension year. If banks indeed could anticipate the ascension to a Senate Banking Chairmanship, we would expect a positive and significant β_3 *or* β_4, or both.

Table 7 reports the results of the empirical model (4). Column (1) includes only the *BankChair* dummies for four years before the ascension year. The coefficients of the dummies are statistically insignificant and small in magnitude, suggesting that banks do not necessarily anticipate the ascension or actively raise mortgage approval rates before ascension. The coefficient for the year before the ascension year is even negative and significant. Column (2) includes the dummies of the ascension year and the following three years. The estimate of β_6 suggests a significant positive effect of ascension on mortgage approval rates. Banks increase the approval rate in the year after the ascension year. Starting from the third year after ascension, the effect becomes insignificant again. Column (3) includes a full set of the dummies before and after a chairmanship ascension and the coefficient estimates remain similar. The results in Table 7 suggest that banks act quickly following ascension to Senate Banking chairmanship, but we do not find evidence of banks' anticipation of chairmanship ascension or any early movements before the actual ascension year.

3.4 Political incentives and credit allocation

In this section, we seek to provide the direct or indirect evidence of political incentives for both banks and politicians and investigate why and how banks use mortgage lending as a strategic tool to cater to powerful politicians and gain political favor, and how politicians may help banks and cater to their needs. Then we continue to analyze the implications of credit allocation across borrowers and geographical regions.

3.4.1 Strategic lending

In this subsection, we examine the variation of approval rates with respect to the timing of chairman turnovers. We first examine banks' strategic lending behavior when approaching the incumbent's re-election year. Our hypothesis is that banks will strategically raise the approval rates in the incumbent Banking Committee chairman's home state, especially when banks have already put in fixed costs and established a connection with the incumbent politician. We estimate the following specification,

$$AR_{i,c,t} = \sum_{\tau=1}^{8} \beta_{\tau}\ BankChairReElect_{s,t+\tau-5} + \eta X_{c,t} + \xi Z_{i,t} + \theta_{i,c,t} + \varepsilon_{i,c,t}\ , \qquad (5)$$

where $BankChairReElect_{s,t}$ is the dummy variable that equals one if state *s* is the home state for the incumbent chairman of Senate Banking Committee who will run for re-election in year t, and zero otherwise. We also include the *BankChairReElect* dummies that take the value of one in each of the four years before and three years after the re-election year. The coefficients of interest are $\beta_1 - \beta_8$, which capture the differential effects of a re-election event in each individual year before and after the event year. To correctly determine the re-election dummy assignment, we manually search the news to makes sure that we assign a zero to those re-election years when the incumbent announced not to run for re-election.

Columns (4)-(6) in Table 7 report the results of estimating model (5). The estimates suggest that banks strategically increase mortgage approval in the year of the incumbent's re-election, and not after the re-election event. These results provide direct evidence that banks strategically use mortgage lending as a tool to help politicians for their (re-)election needs.

3.4.2 Heterogeneity of borrowers' political activeness

If banks use mortgage lending to improve the voting turnout and cater to politicians' needs, they may focus more on politically active borrowers. Exploiting data on PAC contributions made by individuals, we consider a county to be politically active if the total amount of political contributions is above the state median amount.

Then, we run the baseline regression in model (1) at the bank-county-year level for the subsamples of high and low political contributions. Table 8 reports the results. To facilitate comparison, column (1) provides the baseline estimate of the full sample. Columns (2) and (3) in Table 8 show that the effect of political shock on mortgage lending is more pronounced in politically active counties, both economically and statistically. The coefficient estimate in column (3) (more politically active areas) is larger than that in column (2) and that in the baseline model, and is statistically significant at the 1% level.

3.4.3 Political incentives of banks

Heterogeneity of bank characteristics. – We now explore whether the mortgage credit supply expansion is also stronger for those banks with a bigger incentive to respond to political intervention. If banks are motivated to re-allocate lending across political constituencies, banks in a more vulnerable position or that can benefit more from potential political favor would have stronger incentives to do so. In this subsection, we explore the heterogeneity of bank characteristics

and hypothesize that riskier banks have stronger incentives to re-allocate lending across political constituencies (Adelino and Dinc, 2014; Brandon, Odabasoglu, and Padovani, 2018).

We first hypothesize that banks that are headquartered in the home states of Banking Chairs would presumably gain the most from political protection and thus the impact of political shocks on mortgage lending would be more pronounced for such banks (e.g., Chavaz and Rose, 2019). It might be due to potentially stronger connections with the politician in question and superior information about the local borrower base. We next examine the cross-sectional variation in bank risk and calculate the Tier 1 capital ratio (which measures a bank's financial health), the deposit ratio (which measures a bank's funding profile), and the interest margin and loan charge-offs. We split the sample according to the median values of these measures.

The results are reported in Table 9. Columns (1)-(4) suggest that the effect is much stronger for the banks' headquarter state or county. In terms of bank risk, the results in columns (5)-(12) are consistent with our hypothesis. For the high-risk subsamples (lower Tier 1 capital ratio, lower deposit ratio, lower interest margin, and higher charge-offs), the coefficients on the Banking Chair dummy remain positive and highly significant, and in fact the magnitudes are larger relative to their corresponding low-risk subsamples. The results in Table 9 suggest that the nature of mortgage lending by risky banks appears to have been influenced by political considerations: the effect concentrates among risky banks that have stronger incentives to re-allocate capital and cater to the politicians because they stand to gain more from political connections.

Non-bank lenders. – We have focused on commercial banks regulated by the Federal Reserve, OCC, or FDIC because these lenders are more likely to be affected by policies and regulations that the Senate Banking Committee Chair can influence. If our baseline results are indeed driven by

banks' incentives for political influence seeking, the effect should be smaller for non-bank lenders. We therefore re-estimate model (1) for all non-bank lenders. The results are presented in Table 10. Consistent with our conjecture, the coefficient estimates on Senate Banking Chair are much smaller in magnitude and are statistically insignificant. The results provide further evidence that banks increase mortgage lending to the home states of the Senate Banking Committee chairs for the purpose of political influence.

3.4.4 Heterogeneity of politicians

Next, we explore whether the mortgage credit expansion changes with proxies for politicians' willingness to help banks generally. We assume that politicians who receive relatively more political contributions from commercial banks are friendlier to the financial industry and thereby are more willing to help banks (Mian, Sufi, and Trebbi, 2010). In other words, finance-friendly politicians are more likely to cater to banks' special interests and represent a potentially more valuable connection in the context of regulatory overhauls (Chavaz and Rose, 2019). In addition, if politicians have more sway in Congress and are thus in a good position to influence key legislation affecting the banking system, they are more likely to pressure banks to cater to their political needs, which include, for example, extending mortgage credit to their voters.

We obtain data on political contribution through PACs (Political Action Committee) made to individual politicians from the Center for Responsive Politics and its website Opensecrets.org to construct a variable, *Finance High* (a dummy variable that equals one if the portion of contributions from the financial industry over the total contributions received by the politician is ranked top three among the seven Senators who have served as the Senate Banking chair during

our sample period, and zero otherwise). We add the interaction term between *Finance High* with *BankChair* to the regressions and report the results in Table 11.

Column (1) in Table 11 shows that the mortgage credit expansion effect increases significantly with the politician's friendliness: the mortgage approval rate increases by 0.066 (=0.083-0.017) for home states of finance-friendly Senators, against -0.017 for home states of non-financially proximate Senators. The result is robust to controlling for house price changes (column (2)) and bank-state fixed effects (columns (3) and (4). We also use an alternative measure "Finance Above 50%" (a dummy variable that equals one if the portion of contributions from the financial industry over the total contributions received by the politician is greater than 50%, and zero otherwise) for financial industry friendliness and interact it with *BankChair*. The results in columns (5)-(8) remain qualitatively similar. Taken together, we conclude that banks extend mortgage credit more aggressively in the home states of politicians who represent a valuable connection in Congress and are friendlier to the banking industry.

3.5 Robustness checks

In this section, we provide several additional tests to ensure the robustness of the baseline results. In our baseline results, we cluster the standard errors at the state level because our main variable of interest, *BankChair,* is measured at the state level. However, the correlation may arise from other dimensions of the data, and biases the standard errors. To mitigate this concern, we try three alternative ways of clustering. We first try two-way clustering at the State and Year level, then at the BHC level, and finally at the BHC and Year level. The results are presented in columns (1)-(3) of Table 12, and the coefficient estimates all remain statistically significant.

Next, we remove counties with too few mortgages. In particular, we remove BHC-county-years with fewer than one, three, and ten mortgages originated from our sample. The results, presented in columns (4)-(6) of Table 12, are still consistent with the baseline results. We then remove states that experienced the shale oil boom during our sample period (Gilje, 2017). Gilje, Loutskina, and Strahan (2016) show that the shale oil boom can change lending dynamics. The results, presented in column (7), show that the Senate Banking Chair still has a positive effect on mortgage approval rates.

Finally, we assess whether the results are driven by one particular home state of the Senate Banking Committee chair. For example, Chris Dodd, a Democrat from Connecticut, was the Senate Banking Committee chair from 2007 to 2010. If there are other confounding events happening during that period in Connecticut, the results can be driven by these confounding events. To mitigate that concern, we drop the home state of all the Senate Banking Committee chairs in our sample one at a time, and to examine whether the effects remain robust without a particular home state. The results are presented in columns (8)-(14) of Table 12, with Michigan, New York, Texas, Maryland, Alabama, Connecticut, and South Dakota being removed for each column. The results in all these cases remain robust.

4. Implications of bank performance

The results in the previous section suggest that banks use mortgage lending as a tool to help politicians to cater to voters and to achieve their political goals, such as getting re-elected. In this section, we explore the bank performance implications of mortgage lending under political pressure.

If banks expand the supply of credit to borrowers in the home states of the Senate Banking Committee chairs, we expect the effect to be stronger for borrowers who would have had more difficulty obtaining mortgage credit in the absence of the home state Senate Banking Committee chairs.

Figure 3 plots the characteristics of borrowers that receive mortgage credit in the presence and absence of Senate Bank committee chair shocks. The average borrower that receives credit in the home state of Senate Banking Committee chairs is riskier (the bar on the right for each variable): they have a higher loan-to-value ratio and a higher combined loan-to-value ratio, a higher debt-to-income ratio, and a lower FICO score. The loans they receive are smaller in size and have a higher interest rate.

The formal test results on bank performance are reported in Table 13. At the BHC-county-level, we regress bank-level asset quality measures (non-performing real estate loans or net charge-offs) on the interaction of Bank Chair shock and mortgage approval rate. If banks increase mortgage approval rates in the home states of politicians under political pressure, they may loosen screening standards and suffer worse asset quality the year after. Furthermore, asset quality deterioration may increase with mortgage approval rate. The results in Table 13 are consistent with our expectation: the coefficient on the interaction term is positive and significant, suggesting that both real estate non-performing loans and net charge-offs increase after a bank increases mortgage approval rates in Banking Chairs' home states.

5. House Financial Services Committee

In the previous sections, we have established that banks actively direct mortgage credit to serve the Senate Banking Committee Chair's needs. Following the literature on the importance of the

House Financial Services Committee for financial institutions (Stratmann, 2002), we explore the role of the House Financial Services Committee Chair in mortgage credit allocation in this section.[10]

The existing literature shows that the House Financial Services Committee was particularly active during the recent financial crisis period (Agarwal et al, 2018; Chavaz and Rose, 2019). In particular, the Housing Financial Services Committee was instrumental in the legislation of the Troubled Asset Relief Program (TARP) and the Dodd-Frank Wall Street Reform and the Consumer Protection Act. It is therefore interesting to see if banks also favor the constituents of the chairs of the Housing Financial Services Committee.

To estimate the banks' strategic actions of directing mortgage credit during this period, we split our sample to the crisis years of 2007-2010 and the other "normal" years. We use data on the House Financial Services Committee Chair and their congressional districts collected by Charles Stewart III and Jonathan Woon and link the congressional districts of the representatives to mortgage applicants using the census tract information provided by the HMDA dataset. We obtain data on the congressional district-tract relationship from Census Bureau (106th, 108th, 109th, 111th, 113th, and 114th) over its sample period of 1999-2014.

Table 14 presents the results. Our unit of analysis is BHC-county-district-year, i.e., we split any multi-district county into districts and aggregate banks at the holding company level. The results strongly suggest that the congressional district of the House Financial Services Committee Chair enjoyed a significantly higher approval rate during the crisis years of 2007-2010. The coefficient on Financial Services Committee Chair dummy in columns (1)-(3) is positive and

[10] See, for example, Evans (2011) for a survey of congressional committees.

statistically significant, and its economic magnitude suggests that the mortgage approval rate is about 1.1-1.2 percentage point higher. Interestingly, during the non-crisis years (columns (4)-(6)), the coefficient is negative and significant.

6. Concluding remarks

In this paper, we examine how politics influence financial markets in general. Specifically, we focus on commercial banks and the economically important mortgage lending market through which most American household borrowing occurs. As a political group directly related to commercial banks and the banking industry, the Senate Banking Committee plays an integral role in passing legislation that affects the banking industry and financial markets. We find that the banks increase the mortgage approval rates in the Committee Chairman's home states by 1.3- 1.4 percentage points, which translates into a $37-38M extra mortgage lending for new homes in the Banking chairman's home state in each year during our 1990-2014 sample period. In other words, we document that mortgage lending can serve as an important alternative channel for the banking industry to influence politicians other than campaign contributions and lobbying.

In additional analyses, we also show that banks use mortgage lending strategically and the effect varies in timing: banks raise the approval rate more significantly right after the new Committee leader took the office and when it is closer to the re-election year for the incumbent. Furthermore, we explore the heterogeneity of bank characteristics and find that the effect of the Senate Banking Committee Chair on mortgage lending growth is mostly concentrated among risky banks. To sum up, our evidence reinforces the notion that political influences affect mortgage lending decisions in banks where the scope or motive for political interference and the incentive on the part of the bank to respond to them is higher.

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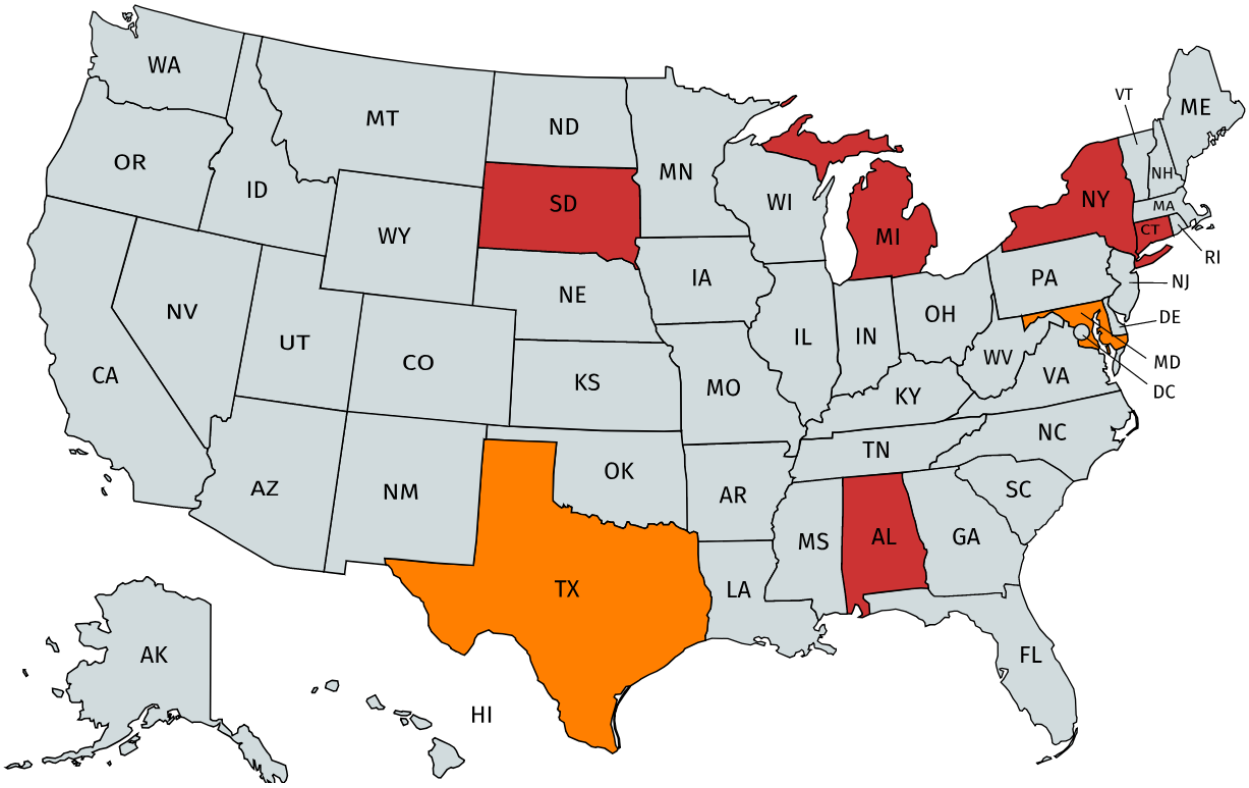

Figure 1. Chairmanship shock distribution

This figure exhibits the shocks of Senate Banking Committee Chairmanship to the Senators' home states. Orange (brown) states indicate the home states of the Senators who have served as Chair of the Senate Banking Committee for two (four) consecutive years during our 1990-2014 sample period.

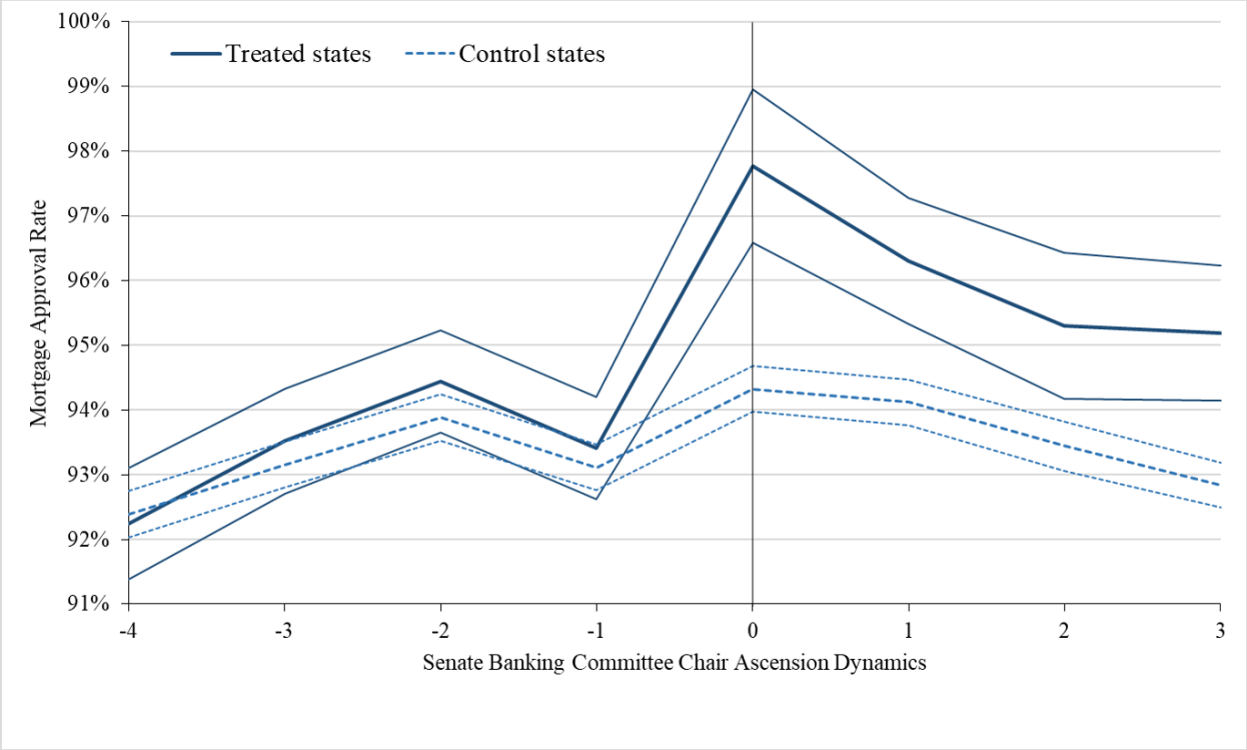

Figure 2. Senate Banking Committee Chairmanship ascension and mortgage lending

This figure shows the mortgage approval rate in the four years before (after) the ascension of a home-state Senator to Banking Committee chair. Treated states are the home states of all seven Senate Banking Committee chairs over our sample period of 1990-2014. Control states are the states that are not a home state of Senate Banking Committee chair. Year 0 is the ascension year. In each dynamic year presented in the figure, we compute the average mortgage approval rate of the seven treated states (solid line) and that for all other states in the same calendar years (dashed line). 95% confidence intervals are also presented. The approval rate is adjusted by state and year fixed effects.

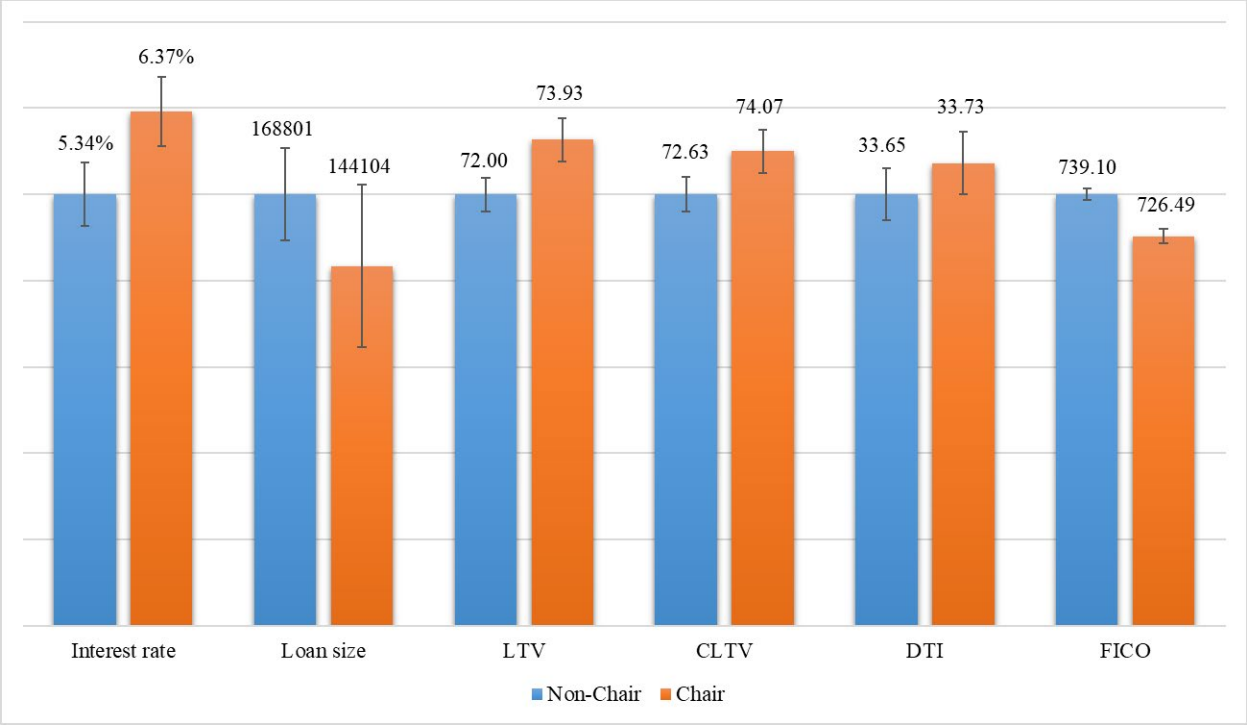

Figure 3. Senate Banking Committee chair home state and borrower characteristics

This figure presents the characteristics of borrowers in and outside the home states of Senate Banking Committee chair. Characteristics variables include interest rate, loan size, loan-to-value (LTV) ratio, combined LTV ratio, debt-to-income (DTI) ratio, and FICO score. Statistics include the mean and standard deviation of each variable.

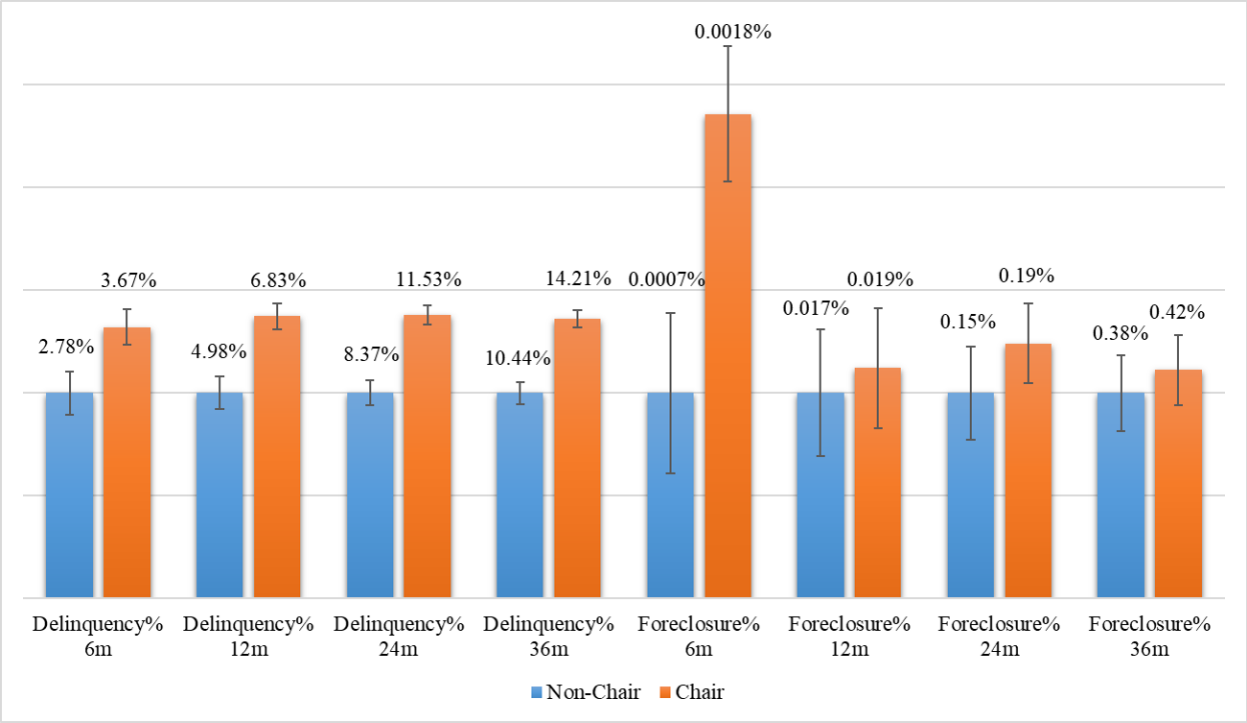

Figure 4. Senate Banking Committee chair home state and loan performance

This figure presents the delinquency and foreclosure fraction of conforming mortgages in and outside the home states of Senate Banking Committee chair. Performance measures include delinquency and foreclosure fraction during the first 6, 12, 24, 36 months after the mortgage acquisition by Fannie Mae. Delinquency is defined as mortgage payment that is more than 30 days past due. Statistics include the mean and standard deviation of each variable.

Table 1. Senate Banking Committee Chairmanship shock description statistics

This table presents the distribution by years for our shocks to the chairmanship of the Senate Banking Committee. Statistics include year, name, party affiliation, home state, Congress, the number of other committees that Banking Chair served on during the same period, and the number of other committees that Banking Chair served on as chair during the same period.

Year	Name	Party affiliation	State	Congress	No. of other committees	No. of other committee as chair
1990	Donald Riegle Jr.	Democratic	Michigan	101	2	0
1991	Donald Riegle Jr.	Democratic	Michigan	102	2	0
1992	Donald Riegle Jr.	Democratic	Michigan	102	2	0
1993	Donald Riegle Jr.	Democratic	Michigan	103	2	0
1994	Donald Riegle Jr.	Democratic	Michigan	103	2	0
1995	Alfonse D'Amato	Republican	New York	104	1	0
1996	Alfonse D'Amato	Republican	New York	104	1	0
1997	Alfonse D'Amato	Republican	New York	105	1	0
1998	Alfonse D'Amato	Republican	New York	105	1	0
1999	Phil Gramm	Republican	Texas	106	2	0
2000	Phil Gramm	Republican	Texas	106	2	0
2001	Paul Sarbanes	Democratic	Maryland	107	3	0
2002	Paul Sarbanes	Democratic	Maryland	107	3	0
2003	Richard Shelby	Republican	Alabama	108	3	0
2004	Richard Shelby	Republican	Alabama	108	3	0
2005	Richard Shelby	Republican	Alabama	109	2	0
2006	Richard Shelby	Republican	Alabama	109	2	0
2007	Chris Dodd	Democratic	Connecticut	110	4	1
2008	Chris Dodd	Democratic	Connecticut	110	4	1
2009	Chris Dodd	Democratic	Connecticut	111	4	0
2010	Chris Dodd	Democratic	Connecticut	111	4	0
2011	Tim Johnson	Democratic	South Dakota	112	4	0
2012	Tim Johnson	Democratic	South Dakota	112	4	0
2013	Tim Johnson	Democratic	South Dakota	113	4	0
2014	Tim Johnson	Democratic	South Dakota	113	4	0

Table 2. Summary statistics

This table presents summary statistics for our main variables of interest and control variables at the BHC-county-year level. The sample period is 1990-2014. We drop the BHC-county-year observations if the number of loan applications is smaller than five. Statistics include the number of observations (N), mean, median, maximum value, minimum value, and standard deviation.

	N	Mean	Median	Maximum	Minimum	Std Dev
Sen. Banking Chair	361,629	0.027	0	1	0	0.163
Sen. Finance Chair	361,629	0.014	0	1	0	0.116
Sen. Veterans Chair	361,629	0.024	0	1	0	0.154
Sen. Appr Chair	361,629	0.008	0	1	0	0.091
Sen. Top3 Chair	361,629	0.044	0	1	0	0.204
Sen. Top5 Chair	361,629	0.092	0	1	0	0.289
Approval Rate (count)	361,629	0.773	0.833	1	0	0.216
Approval Rate (vol)	361,629	0.796	0.867	1	0	0.218
No. of Loan Application	361,629	47.961	17	8094	6	141.649
No. of Accepted Loan	361,629	38.096	13	7159	0	116.047
No. of Issued Loan	361,629	30.233	10	5974	0	93.262
Log(Applicant Income)	353,261	4.278	4.237	9.127	0	0.575
Loan-to-income Ratio	353,261	2.511	2.163	6557	0.016	21.769
Minority%	361,629	0.126	0.060	1	0	0.173
Female%	361,629	0.191	0.170	1	0	0.145
County Income	361,629	31450	29218	194485	8247	11310
County Income Growth	361,629	3.876	4	194.2	-28.9	3.271
HPI	361,629	152846	121600	8258200	20600	194038
HPI Growth	361,629	0.036	0.031	0.511	-0.456	0.071
Log(Assets)	361,629	14.620	15.035	17.442	8.685	1.972
Tier1 Capital Ratio	361,410	0.111	0.099	2.022	0.000	0.051
ROA	361,410	0.010	0.011	0.069	-0.087	0.008
Loans/Assets	361,629	0.652	0.666	0.954	0	0.132
Deposits/Assets	361,410	0.749	0.765	0.977	0	0.115
Deposit Cost	361,396	0.034	0.034	0.110	0.001	0.018
Letter of Credit/Assets	361,623	0.002	0.000	0.062	0	0.004
Unused Loan Cmt/Assets	361,629	0.264	0.192	2.077	0	0.281
C&I Loans/Assets	361,629	0.113	0.107	0.575	0	0.073
Real Estate Loans/Assets	361,629	0.407	0.400	0.840	0	0.180
Loss Provision/Loans	361,396	0.006	0.004	0.098	-0.013	0.009

Table 3. Senate Banking Committee Chair and mortgage lending: Baseline results

This table examines the general effect of Senate Banking Committee Chairmanship on mortgage lending in the chairman's home state. The sample period is from 1990 to 2014. All HMDA-reporting commercial banks are included. The dependent variable is the mortgage approval rate based on the number of loans for BHC-county-year. In columns (5)-(6), we assign Bank Chair shock in 2001 for both Taxes and Maryland. *Senate Banking Chair* is the dummy variable that equals one if the county is in the home state for chairman of the Senate Banking Committee, and zero otherwise. Controls are included: county-year controls include county median income per capita and its growth rate, county HPI, HPI growth rate and its one-year lag; borrower-year controls include log applicant income, loan-to-income ratio, minority applicant proportion, and female applicant proportion. Fixed effects are included and indicated in the bottom rows for each column but not tabulated. Standard errors in parentheses are clustered at the state level. *, **, and *** indicate significance at 10%, 5%, and 1%, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
Senate Banking Chair	0.014***	0.013***	0.011**	0.011**	0.014***	0.015***
	(0.004)	(0.004)	(0.005)	(0.005)	(0.005)	(0.005)
Log(Applicant income)	0.082***	0.081***	0.078***	0.077***	0.078***	0.077***
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
Loan-to-income ratio	0.000	0.000	0.000	0.000	0	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Minority fraction	-0.107***	-0.106***	-0.104***	-0.104***	-0.104***	-0.104***
	(0.007)	(0.007)	(0.007)	(0.007)	(0.007)	(0.007)
Female fraction	-0.054***	-0.054***	-0.046***	-0.046***	-0.046***	-0.046***
	(0.007)	(0.006)	(0.005)	(0.005)	(0.005)	(0.005)
County income	0.000***	0.000***	0.000***	0.000***	0.000***	0.000***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
County income growth	-0.000	-0.000***	-0.000**	-0.000***	-0.000**	-0.000***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
HPI		-0.000***		-0.000***		-0.000***
		(0.000)		(0.000)		(0.000)
HPI growth		0.046***		0.043***		0.044***
		(0.014)		(0.012)		(0.012)
HPI growth-lag		0.006		0.006		0.007
		(0.010)		(0.009)		(0.009)
Observations	320,406	320,406	319,113	319,113	319,113	319,113
R-squared	0.641	0.641	0.671	0.672	0.671	0.672
Adjusted R2	0.601	0.602	0.623	0.624	0.623	0.624
County controls	Yes	Yes	Yes	Yes	Yes	Yes
Borrower controls	Yes	Yes	Yes	Yes	Yes	Yes
State FE	Yes	Yes				
BHC×Year FE	Yes	Yes	Yes	Yes	Yes	Yes
BHC×State FE			Yes	Yes	Yes	Yes

Table 4. Loan-level results

This table examines the effect of Senate Banking Committee Chairmanship on mortgage lending in the chairman's home state using loan-level regressions. The sample period is from 1990 to 2014. All HMDA-reporting commercial banks are included. The dependent variable is a dummy that equals one if the application is approved, and zero otherwise. *Senate Banking Chair* is the dummy variable that equals one if the county is inside the home state for chairman of the Senate Banking Committee, and zero otherwise. Controls are included in all regressions: log applicant income, loan-to-income ratio, log(loan size), minority dummy, female dummy, log(median tract income), county HPI, HPI growth rate and its one-year lag. Fixed effects are included and indicated in the bottom rows for each column but not tabulated. Standard errors in parentheses are clustered at the county level. *, **, and *** indicate significance at 10%, 5%, and 1%, respectively.

	(1)	(2)
Senate Banking Chair	0.020***	0.019**
	(0.007)	(0.008)
Observations	23,564,746	22,254,847
R-squared	0.178	0.265
Adjusted R2	0.171	0.198
County controls	Yes	Yes
Borrower controls	Yes	Yes
Loan controls	Yes	Yes
Tract FE	Yes	
BHC×Year FE	Yes	Yes
BHC×Tract FE		Yes

Table 5. Census tract-level evidence: Spatial discontinuity design

This table focuses on census tracts adjacent to state borders and examines the effect of Senate Banking Committee Chairmanship on mortgage lending in the chairs' home states. The sample period is from 1990 to 2014. All HMDA-reporting commercial banks are included. The dependent variable in columns (1)-(3) ((4)-(6)) is the mortgage approval rate based on loan number (volume) for BHC-tract-year. *Senate Banking Chair* is the dummy variable that equals one if the census tract is inside the home state for chairman of the Senate Banking Committee, and zero otherwise. Controls are included but not tabulated: county-year controls include county median income per capita and its growth rate, county HPI, HPI growth rate and its one-year lag; tract-year borrower controls include log applicant income, loan-to-income ratio, minority applicant proportion, and female applicant proportion; BHC-year controls include log(assets), Tier 1 capital ratio, return on assets, share of loans, share of deposits, deposit costs, letters of credit in total assets, unused loan commitments in total assets, real estate loans in total assets, and commercial and industrial loans in total assets. Fixed effects are included and indicated in the bottom rows for each column but not tabulated. Standard errors in parentheses are clustered at the state level. *, **, and *** indicate significance at 10%, 5%, and 1%, respectively.

	(1)	(2)	(3)
Senate Banking Chair	0.012***	0.007**	0.010**
	(0.003)	(0.003)	(0.005)
Observations	722,193	720,053	719,739
Adjusted R2	0.208	0.283	0.294
County controls	Yes	Yes	Yes
Borrower controls	Yes	Yes	Yes
BHC controls	Yes	Yes	Yes
State border×Year FE	Yes	Yes	Yes
BHC FE	Yes		
BHC×Year FE		Yes	Yes
Tract-pair FE			Yes

Table 6. Other powerful committees on mortgage lending: Falsification test

This table examines the effect of other powerful Senate committees on mortgage lending. The sample period is from 1990 to 2014. All HMDA-reporting commercial banks are included. The dependent variable is the mortgage approval rate based on loan number for BHC-county-year. *Senate Finance Chair* is one if the county is inside the home state for Senate Finance Committee Chair, and zero otherwise. *Senate Veteran Chair* equals one if the county is inside the home state for Senate Veteran Committee Chair, and zero otherwise. *Senate Appr. Chair* equals one if the county is inside the home state for Senate Appropriations Committee Chair, and zero otherwise. *Senate Top3 Chair* is one if the county is inside the home state for any top 3 Senate Committee Chair including Finance, Veterans Affairs, Appropriations Committees, and zero otherwise. *Senate Top5 Chair* is defined similarly but further include Rules, and Armed Services Committees in addition to the top 3. Controls are included but not tabulated: county-year controls include county median income per capita and its growth rate, county HPI, HPI growth rate and its one-year lag; borrower-year controls include log applicant income, loan-to-income ratio, minority applicant proportion, and female applicant proportion; BHC-year controls include log(assets), Tier 1 capital ratio, return on assets, share of loans, share of deposits, deposit costs, letters of credit in total assets, unused loan commitments in total assets, real estate loans in total assets, and commercial and industrial loans in total assets. Fixed effects are included and indicated in the bottom rows for each column but not tabulated. Standard errors in parentheses are clustered at the state level. *, **, and *** indicate significance at 10%, 5%, and 1%, respectively.

	(1)	(2)	(3)	(4)	(5)
Senate Finance Chair	0.001				
	(0.003)				
Senate Veteran Chair		-0.012**			
		(0.005)			
Senate Appr. Chair			-0.015		
			(0.011)		
Senate Top3 Chair				-0.009**	
				(0.004)	
Senate Top5 Chair					-0.004
					(0.003)
Observations	352,153	352,153	352,153	352,153	352,153
Adjusted R2	0.486	0.486	0.486	0.486	0.486
County controls	Yes	Yes	Yes	Yes	Yes
Borrower controls	Yes	Yes	Yes	Yes	Yes
BHC controls	Yes	Yes	Yes	Yes	Yes
State FE	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes
BHC FE	Yes	Yes	Yes	Yes	Yes

Table 7. Chairmanship ascension and re-election: Strategic lending dynamics

This table examines the effect of Senate Banking Committee Chairmanship on mortgage lending in the chairman's home state before and after ascension to a chairmanship or the re-election year. The sample period is from 1990 to 2014. All HMDA-reporting commercial banks are included. The dependent variable is the mortgage approval rate based on the number of loans for BHC-county-year. Eight separate dummies $SBankChair_{t+\tau}$, where $-4 \leq \tau \leq 3$, are, respectively, unity for each year during the period that spans four years before Banking Chair ascension year t and three years after in home state, and zero otherwise. Eight separate re-election dummies $SBankChairRe\text{-}elec_{t+\tau}$, where $-4 \leq \tau \leq 3$, are, respectively, unity for each year during the period that spans four years before the incumbent's re-election year t and three years after in home state, and zero otherwise. Controls are included but not tabulated: county-year controls include county median income per capita and its growth rate, county HPI, HPI growth rate and its one-year lag; borrower-year controls include log applicant income, loan-to-income ratio, minority applicant proportion, and female applicant proportion. Fixed effects are included and indicated in the bottom rows for each column but not tabulated. Standard errors in parentheses are clustered at the state level. *, **, and *** indicate significance at 10%, 5%, and 1%, respectively.

Table 7. Chairmanship ascension and re-election: Strategic lending dynamics (Cont.)

	(1)	(2)	(3)	(4)	(5)	(6)
SBankChair t-4	0.010		0.012			
	(0.012)		(0.012)			
SBankChair t-3	-0.000		0.002			
	(0.011)		(0.013)			
SBankChair t-2	-0.003		-0.001			
	(0.010)		(0.011)			
SBankChair t-1	-0.015**		-0.012			
	(0.007)		(0.009)			
SBankChair t		0.004	0.004			
		(0.010)	(0.011)			
SBankChair t+1		0.023***	0.023***			
		(0.005)	(0.007)			
SBankChair t+2		-0.014	-0.014			
		(0.010)	(0.011)			
SBankChair t+3		0.001	0.001			
		(0.005)	(0.006)			
SBankChairRe-elec t-3				-0.027***		-0.025***
				(0.008)		(0.007)
SBankChairRe-elec t-2				-0.004		-0.001
				(0.008)		(0.010)
SBankChairRe-elec t-1				0.009		0.013
				(0.008)		(0.008)
SBankChairRe-elec t				0.020***		0.024***
				(0.007)		(0.008)
SBankChairRe-elec t+1					0.009	0.012
					(0.007)	(0.008)
SBankChairRe-elec t+2					0.008	0.011
					(0.006)	(0.007)
SBankChairRe-elec t+3					-0.001	0.001
					(0.004)	(0.004)
SBankChairRe-elec t+4					0.013	0.014
					(0.011)	(0.011)
Observations	318,902	318,902	318,902	318,902	318,902	318,902
R-squared	0.672	0.672	0.672	0.672	0.672	0.672
Adjusted R2	0.624	0.624	0.624	0.624	0.624	0.624
County controls	Yes	Yes	Yes	Yes	Yes	Yes
Borrower controls	Yes	Yes	Yes	Yes	Yes	Yes
BHC controls	Yes	Yes	Yes	Yes	Yes	Yes
BHC×Year FE	Yes	Yes	Yes	Yes	Yes	Yes
BHC×State FE	Yes	Yes	Yes	Yes	Yes	Yes

Table 8. Cross-sectional variation in political activeness

This table examines the cross-sectional variation across borrowers' political activeness in the effect of Senate Banking Committee Chairmanship on mortgage lending in the chairman's home state using the baseline bank-county-year level regressions. The sample period is from 1990 to 2014. All HMDA-reporting commercial banks are included. The dependent variable is the mortgage approval rate based on the number of loans for BHC-county-year. Column (1) reports the baseline estimate using the full sample. Columns (2)-(3) focus on subsamples of counties with the total individual contributions below or above the state median total individual contributions, respectively. *Senate Banking Chair* is the dummy variable that equals one if the county is in the home state for chairman of the Senate Banking Committee, and zero otherwise. Controls are included: county-year controls include county median income per capita and its growth rate, county HPI, HPI growth rate and its one-year lag; borrower-year controls include log applicant income, loan-to-income ratio, minority applicant proportion, and female applicant proportion. Fixed effects are included and indicated in the bottom rows for each column but not tabulated. Standard errors in parentheses are clustered at the state level. *, **, and *** indicate significance at 10%, 5%, and 1%, respectively.

	(1)	(2)	(3)
		Political contribution	
	Baseline	Lower	Higher
Senate Banking Chair	0.013***	0.011**	0.017***
	(0.004)	(0.005)	(0.006)
Observations	320,406	147,659	154,430
R-squared	0.641	0.627	0.671
Adjusted R2	0.602	0.580	0.630
County controls	Yes	Yes	Yes
Borrower controls	Yes	Yes	Yes
State FE	Yes	Yes	Yes
BHC×Year FE	Yes	Yes	Yes

Table 9. Cross-sectional variation in bank characteristics: Loan-level results

This table examines the cross-sectional variation across bank characteristics in the effect of Senate Banking Committee Chairmanship on mortgage lending in the chairman's home state using loan-level regressions. The sample period is from 1990 to 2014. All HMDA-reporting commercial banks are included. The dependent variable is a dummy that equals one if the application is approved, and zero otherwise. Columns (1)-(2) ((3)-(4)) focus on mortgage applications in a bank's headquarter state (or county) or non-headquarter state (or county), respectively. Columns (5)-(12) split the full sample by the median measure of bank risk each year, including Tier 1 capital ratio, deposit ratio, interest margin, and net charge-offs. *Senate Banking Chair* is the dummy variable that equals one if the county is in the home state for chairman of the Senate Banking Committee, and zero otherwise. Controls are included in all regressions: log applicant income, loan-to-income ratio, log(loan size), minority dummy, female dummy, log(median tract income), county HPI, HPI growth rate and its one-year lag. Fixed effects are included and indicated in the bottom rows for each column but not tabulated. Standard errors in parentheses are clustered at the county level. *, **, and *** indicate significance at 10%, 5%, and 1%, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
	Home state		Home County		Tier1	
	Yes	No	Yes	No	Lower	Higher
Senate Banking Chair	0.092***	-0.008**	0.226***	0.016**	0.026***	0.001
	(0.024)	(0.003)	(0.010)	(0.006)	(0.009)	(0.004)
Observations	10,596,117	12,956,093	3,795,239	19,754,776	11,951,606	11,608,449
Adjusted R2	0.153	0.180	0.149	0.173	0.152	0.201

	(7)	(8)	(9)	(10)	(11)	(12)
	Deposit ratio		Int Margin		Charge-offs	
	Lower	Higher	Lower	Higher	Lower	Higher
Senate Banking Chair	0.025***	0.004	0.033***	-0.008**	-0.005	0.031***
	(0.010)	(0.003)	(0.010)	(0.004)	(0.005)	(0.011)
Observations	11,628,059	11,932,291	12,021,633	11,538,001	11,896,056	11,664,061
Adjusted R2	0.172	0.175	0.163	0.188	0.164	0.179
County, borrower, loan controls	Yes	Yes	Yes	Yes	Yes	Yes
Tract FE	Yes	Yes	Yes	Yes	Yes	Yes
BHC×Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Table 10. Senate Banking Committee Chair and mortgage lending: Non-bank lenders

This table examines the general effect of Senate Banking Committee Chairmanship on mortgage lending in the chairman's home state during the sample period of 1990-2014. All HMDA-reporting non-commercial banks are included (i.e., thrifts, credit unions, mortgage companies, etc.). The dependent variable in columns (1)-(2) ((3)-(4)) is the mortgage approval rate based on loan number (volume) for lender-county-year. *Senate Banking Chair* is the dummy variable that equals one if the county is in the home state for chairman of the Senate Banking Committee, and zero otherwise. Controls are included but not tabulated: county-year controls include county median income per capita and its growth rate, county HPI, HPI growth rate and its one-year lag; borrower-year controls include log applicant income, loan-to-income ratio, minority applicant proportion, and female applicant proportion. Fixed effects are included and indicated in the bottom rows for each column but not tabulated. Standard errors in parentheses are clustered at the state level. *, **, and *** indicate significance at 10%, 5%, and 1%, respectively.

	(1)	(2)
Senate Banking Chair	0.002	0.002
	(0.003)	(0.004)
Observations	206,326	205,133
R-squared	0.688	0.739
Adjusted R2	0.680	0.722
County controls	Yes	Yes
Borrower controls	Yes	Yes
State FE	Yes	
Lender×Year FE	Yes	Yes
Lender×State FE		Yes

Table 11. Politician's proximity to the financial industry and mortgage lending growth

This table examines the effect of Senate Banking Committee Chair's proximity to the financial industry on mortgage lending in the chairman's home state. The sample period is from 1990 to 2014. All HMDA-reporting commercial banks are included. The dependent variable is the mortgage approval rate based on the number of loans for BHC-county-year. *Senate Banking Chair* is the dummy variable that equals one if the county is inside the home state for chairman of the Senate Banking Committee, and zero otherwise. *Finance High* is a dummy variable that equals one if the portion of contributions from the financial industry over the total contributions received by the politician is ranked top 3 among 7 Senators who have served as Senate Banking chair during our sample period, and zero otherwise. *Finance Above 50%* is a dummy variable that equals one if the portion of contributions from the financial industry over the total contributions received by the politician is greater than 50%, and zero otherwise. Controls are included: county-year controls include county median income per capita and its growth rate, county HPI, HPI growth rate and its one-year lag; borrower-year controls include log applicant income, loan-to-income ratio, minority applicant proportion, and female applicant proportion. Fixed effects are included and indicated in the bottom rows for each column but not tabulated. Standard errors in parentheses are clustered at the state level. *, **, and *** indicate significance at 10%, 5%, and 1%, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Senate Banking Chair × Finance High	0.083***	0.086***	0.085***	0.086***				
	(0.023)	(0.021)	(0.026)	(0.025)				
Senate Banking Chair × Finance Above 50%					0.035**	0.047***	0.028*	0.037**
					(0.016)	(0.017)	(0.015)	(0.016)
Finance High	-0.053***	-0.054***	-0.059***	-0.060***				
	(0.014)	(0.011)	(0.017)	(0.014)				
Finance Above 50%					-0.007	-0.018***	-0.005	-0.014**
					(0.005)	(0.006)	(0.005)	(0.006)
Senate Banking Chair	-0.017	-0.014	-0.019	-0.016	-0.016	-0.013	-0.018	-0.014
	(0.011)	(0.012)	(0.013)	(0.014)	(0.011)	(0.011)	(0.013)	(0.013)
Observations	454,914	453,587	453,690	452,366	454,914	453,587	453,690	452,366
Adjusted R2	0.716	0.717	0.734	0.735	0.716	0.717	0.734	0.735
County and borrower controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
State FE	Yes	Yes			Yes	Yes		
BHC×Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
BHC×State FE			Yes	Yes			Yes	Yes

Table 12. Robustness checks

This table examines the robustness of baseline results to various deviations. The sample period is from 1990 to 2014. All HMDA-reporting commercial banks are included. The dependent variable is the mortgage approval rate based on the number of loans for BHC-county-year. Column (1) reports standard errors double clustered at the state and year level. Column (2) reports standard errors clustered at the BHC level. Column (3) reports standard errors double clustered at BHC and year level. Columns (4), (5), and (6) remove the BHC-county-years with less than 1, 3, 10 loan applications, respectively. Column (7) removes shale oil states that include Arkansas, Louisiana, North Dakota, Oklahoma, Pennsylvania, Texas, and West Virginia. Column (8)-(14), respectively, remove Michigan, New York, Texas, Maryland, Alabama, Connecticut, or South Dakota from our sample. *Senate Banking Chair* is the dummy variable which is one if the county is in the home state for chairman of the Senate Banking Committee, and zero otherwise. Controls are included but not tabulated: county-year controls include county median income per capita and its growth rate, county HPI, HPI growth rate and its one-year lag; borrower-year controls include log applicant income, loan-to-income ratio, minority applicant proportion, and female applicant proportion. Fixed effects are included and indicated in the bottom rows for each column but not tabulated. Standard errors in parentheses are clustered at the state level. *, **, and *** indicate significance at 10%, 5%, and 1%, respectively.

Table 12. Robustness checks (Cont.)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Double cluster State+Year	Cluster BHC	Double cluster BHC+Year	Remove low freq			Remove shale oil states
				Remove 1 loan	Remove 3 loans	Remove 10 loans	
Senate Banking Chair	0.013***	0.013**	0.013**	0.010***	0.011***	0.016***	0.013**
	(0.003)	(0.005)	(0.005)	(0.003)	(0.004)	(0.004)	(0.005)
Observations	320,187	320,187	320,187	613,040	408,155	216,517	261,574
Adjusted R2	0.602	0.602	0.602	0.429	0.545	0.672	0.605

	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	Remove MI	Remove NY	Remove TX	Remove MD	Remove AL	Remove CT	Remove SD
Senate Banking Chair	0.013***	0.014***	0.013***	0.012***	0.013**	0.013***	0.012***
	(0.004)	(0.005)	(0.005)	(0.004)	(0.005)	(0.004)	(0.004)
Observations	310,758	306,115	300,795	314,962	312,948	318,825	318,652
Adjusted R2	0.602	0.603	0.603	0.602	0.601	0.602	0.602
County controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Borrower controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes
State FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes
BHC×Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Table 13. Senate Banking Committee Chair and bank performance

This table examines the interaction effect of Senate Banking Committee Chairmanship and a bank's mortgage approval rate in the chairman's home state on bank asset quality. The sample period is from 1990 to 2014. All HMDA-reporting commercial banks are included. Data are at the BHC-county-year level. The dependent variable is the real estate non-performing loans in the next year in columns (1) and (2), and is net charge-offs in the next year in columns (3) and (4). *Senate Banking Chair* is the dummy variable that equals one if the county is in the home state for chairman of the Senate Banking Committee, and zero otherwise. *AR* is the mortgage approval rate based on loan number for BHC-county-year. Controls are included: county-year controls include county median income per capita and its growth rate, county HPI, HPI growth rate and its one-year lag; borrower-year controls include log applicant income, loan-to-income ratio, minority applicant proportion, and female applicant proportion; BHC-year controls (not tabulated) include log(assets), Tier 1 capital ratio, return on assets, share of loans, share of deposits, deposit costs, letters of credit in total assets, unused loan commitments in total assets, real estate loans in total assets, and commercial and industrial loans in total assets. Fixed effects are included and indicated in the bottom rows for each column but not tabulated. Standard errors in parentheses are clustered at the BHC level. *, **, and *** indicate significance at 10%, 5%, and 1%, respectively.

	(1)	(2)	(3)	(4)
	NPL (RE) next year		Net charge-offs next year	
Senate Banking Chair*AR	0.002***	0.002***	0.001*	0.001*
	(0.001)	(0.001)	(0.000)	(0.000)
AR	-0.001***	-0.001***	-0.000**	-0.000**
	(0.000)	(0.000)	(0.000)	(0.000)
Senate Banking Chair	Omitted	Omitted	Omitted	Omitted
Observations	554,835	548,107	758,342	750,459
R-squared	0.668	0.683	0.656	0.673
Adjusted R2	0.664	0.671	0.652	0.660
County controls	Yes	Yes	Yes	Yes
Borrower controls	Yes	Yes	Yes	Yes
Loan controls	Yes	Yes	Yes	Yes
BHC FE	Yes		Yes	
State×Year FE	Yes	Yes	Yes	Yes
BHC×State FE		Yes		Yes

Table 14. House Financial Services Committee Chair and mortgage lending

This table examines the general effect of House Financial Services Committee Chairmanship on mortgage lending in chairman's congressional district. The sample period is from 1999 to 2014 due to the availability of the data on Congressional district-tract match from Census Bureau. All HMDA-reporting commercial banks are included. The dependent variable is the mortgage approval rate based on the number of loans for BHC-county-district-year. *House Fin. Serv. Chair* is the dummy variable that equals one if the county is in the congressional district (or county-district in multiple-district counties) for chairman of House Financial Services Committee, and zero otherwise. Controls are included: county-year controls include county median income per capita and its growth rate, county HPI, HPI growth rate and its one-year lag; borrower-year controls include log applicant income, loan-to-income ratio, minority applicant proportion, and female applicant proportion; BHC-year controls (not tabulated) include log(assets), Tier 1 capital ratio, return on assets, share of loans, share of deposits, deposit costs, letters of credit in total assets, unused loan commitments in total assets, real estate loans in total assets, and commercial and industrial loans in total assets. Fixed effects are included and indicated in the bottom rows for each column but not tabulated. Standard errors in parentheses are clustered at the congressional district level. *, **, and *** indicate significance at 10%, 5%, and 1%, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
	Crisis years 2007-2010			Normal years		
House Fin. Serv. Chair	0.011**	0.012***	0.011**	-0.016**	-0.013**	-0.014**
	(0.005)	(0.004)	(0.004)	(0.006)	(0.006)	(0.006)
Observations	138,927	136,249	135,286	529,638	522,686	520,504
Adjusted R2	0.347	0.385	0.411	0.368	0.435	0.458
County controls	Yes	Yes	Yes	Yes	Yes	Yes
Borrower controls	Yes	Yes	Yes	Yes	Yes	Yes
BHC controls	Yes	Yes	Yes	Yes	Yes	Yes
State FE	Yes	Yes		Yes	Yes	
Year FE	Yes			Yes		
BHC FE	Yes			Yes		
BHC×Year FE		Yes	Yes		Yes	Yes
BHC×State FE			Yes			Yes

Appendix1. Variable definitions

Variables	Descriptions	Data source
Political shocks		
Sen. Banking Chair	A dummy which is one if state *s* is the home state for chairman of Senate Banking Committee in year *t*, and zero otherwise.	Stewart III and Woon
Sen. Finance Chair	A dummy which is one if state *s* is the home state for chairman of Senate Finance Committee in year *t*, and zero otherwise.	Stewart III and Woon
Sen. Veterans Chair	A dummy which is one if state *s* is the home state for chairman of Senate Veterans Affairs Committee in year *t*, and zero otherwise.	Stewart III and Woon
Sen. Appr Chair	A dummy which is one if state *s* is the home state for chairman of Senate Appropriations Committee in year *t*, and zero otherwise.	Stewart III and Woon
Sen. Top3 Chair	A dummy which is one if state *s* is the home state for chairman of Senate Top 3 Committee in year *t*, and zero otherwise. Top 3 Committees include Finance, Veterans Affairs, and Appropriations Committees.	Stewart III and Woon
Sen. Top5 Chair	A dummy which is one if state *s* is the home state for chairman of Senate Top 5 Committee in year *t*, and zero otherwise. Top 5 Committees include Finance, Veterans Affairs, Appropriations, Rules, and Armed Services Committees.	Stewart III and Woon
House Fin. Serv. Chair	A dummy which is one if county *c* is in the congressional district (or county-district *c* in multiple-district counties) for chairman of House Financial Services Committee in year *t*, and zero otherwise.	Stewart III and Woon
Mortgage lending		
Approval Rate (count)	The ratio of approved mortgage number over total application number across all banks in a given county (or a census tract) in year *t*.	HMDA
Approval Rate (vol)	The ratio of approved mortgage volume over total application volume across all banks in a given county (or a census tract) in year *t*.	HMDA
No. of Loan Application	The total number of mortgage applications across all banks in a given county (or a census tract) in year *t*.	HMDA
No. of Accepted Loan	The total number of accepted mortgage applications across all banks in a given county (or a census tract) in year *t*.	HMDA
No. of Issued Loan	The total number of issued mortgages across all banks in a given county (or a census tract) in year *t*.	HMDA

Variable definitions (Cont.)

Variables	Descriptions	Data source
Borrower characteristics		
Log(Applicant Income)	The average of the logarithm of applicant income reported in HMDA in a given county (or a census tract) in year *t*.	HMDA
Loan-to-income Ratio	The average of the ratio of loan amount divided by reported applicant income in a given county (or a census tract) in year *t*.	HMDA
Minority%	The fraction of minority applicants over all applicants in a given county (or a census tract) in year *t*.	HMDA
Female%	The fraction of applicants who are female over all applicants in a given county (or a census tract) in year *t*.	HMDA
County Income	The median of county per capita income.	BEA
County Income Growth	The growth rate of the median of county per capita income.	BEA
HPI	The housing price index level in a given county (or a state) in year *t*.	Zillow
HPI Growth	The housing price index growth rate in a given county (or a state) in year *t*.	Zillow
HPI Growth - lag	The housing price index growth rate in a given county (or a state) in year *t-1*.	Zillow
Lender characteristics		
Log(Assets)	The logarithm of bank total assets.	Call Report
Tier1 Capital Ratio	The ratio of Tier 1 capital to net risk-weighted assets.	Call Report
ROA	Net income to total assets.	Call Report
Loans/Assets	The ratio of loans to total assets.	Call Report
Deposits/Assets	The ratio of deposits to total assets.	Call Report
Deposit Cost	Interest expenses on deposits to total deposits.	Call Report
Letter of Credit/Assets	Letters of credit in total assets.	Call Report
Unused Loan Cmt/Assets	Unused loan commitments in total assets.	Call Report
C&I Loans/Assets	The share of commercial and industrial loans to total assets.	Call Report
Real Estate Loans/Assets	The share of real estate loans to total assets.	Call Report

Appendix2. Internal Appendix

Table A1. Senate Banking Committee Chair and mortgage lending: Volume-based approval rate

This table examines the general effect of Senate Banking Committee Chairmanship on mortgage lending in the chairman's home state. The sample period is from 1990 to 2014. All HMDA-reporting commercial banks are included. The dependent variable is the mortgage approval rate based on loan volume for BHC-county-year. In columns (5)-(6), we assign Bank Chair shock in 2001 for both Taxes and Maryland. *Senate Banking Chair* is the dummy variable that equals one if the county is in the home state for chairman of the Senate Banking Committee, and zero otherwise. Controls are included: county-year controls include county median income per capita and its growth rate, county HPI, HPI growth rate and its one-year lag; borrower-year controls include log applicant income, loan-to-income ratio, minority applicant proportion, and female applicant proportion. Fixed effects are included and indicated in the bottom rows for each column but not tabulated. Standard errors in parentheses are clustered at the state level. *, **, and *** indicate significance at 10%, 5%, and 1%, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
Senate Banking Chair	0.012***	0.012***	0.010**	0.010**	0.014***	0.014***
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.003)
Observations	320,406	320,406	319,113	319,113	320,406	320,406
R-squared	0.622	0.623	0.651	0.652	0.622	0.623
Adjusted R2	0.581	0.582	0.600	0.601	0.581	0.582
County controls	Yes	Yes	Yes	Yes	Yes	Yes
Borrower controls	Yes	Yes	Yes	Yes	Yes	Yes
State FE	Yes	Yes			Yes	Yes
BHC×Year FE	Yes	Yes	Yes	Yes	Yes	Yes
BHC×State FE			Yes	Yes		

Table A2. Senate Banking Committee Chair and Ranking Member

This table examines the general effect of Senate Banking Committee Chairmanship and Ranking Membership on mortgage lending in the chairman's and the ranking member's home states. The sample period is from 1990 to 2014. All HMDA-reporting commercial banks are included. The dependent variable is the mortgage approval rate based on the number of loans for BHC-county-year. *Senate Banking Chair* is the dummy variable that equals one if the county is in the home state for chairman of the Senate Banking Committee, and zero otherwise. *Senate Banking Rank* is the dummy variable that equals one if the county is inside the home state for the Ranking Member of the Senate Banking Committee, and zero otherwise. Controls are included: county-year controls include county median income per capita and its growth rate, county HPI, HPI growth rate and its one-year lag; borrower-year controls include log applicant income, loan-to-income ratio, minority applicant proportion, and female applicant proportion. Fixed effects are included and indicated in the bottom rows for each column but not tabulated. Standard errors in parentheses are clustered at the state level. *, **, and *** indicate significance at 10%, 5%, and 1%, respectively.

	(1)	(2)	(3)	(4)
Senate Banking Chair	0.016***	0.015***	0.014**	0.014**
	(0.005)	(0.005)	(0.006)	(0.006)
Senate Banking Rank	0.013**	0.013*	0.012**	0.012**
	(0.006)	(0.007)	(0.005)	(0.005)
Observations	320,406	320,187	319,113	318,902
R-squared	0.641	0.641	0.671	0.672
Adjusted R2	0.601	0.602	0.623	0.624
County controls	Yes	Yes	Yes	Yes
Borrower controls	Yes	Yes	Yes	Yes
BHC controls	Yes	Yes	Yes	Yes
State FE	Yes	Yes		
BHC×Year FE	Yes	Yes	Yes	Yes
BHC×State FE			Yes	Yes

Table A3. Refinancing loans

This table examines the general effect of Senate Banking Committee Chairmanship on refinancing mortgage lending in the chairman's home state. The sample period is from 1990 to 2014. All HMDA-reporting commercial banks are included. The dependent variable is the refinancing mortgage approval rate based on the number of loans for BHC-county-year. *Senate Banking Chair* is the dummy variable that equals one if the county is in the home state for chairman of the Senate Banking Committee, and zero otherwise. *Senate Banking Rank* is the dummy variable that equals one if the county is inside the home state for the Ranking Member of the Senate Banking Committee, and zero otherwise. Controls are included: county-year controls include county median income per capita and its growth rate, county HPI, HPI growth rate and its one-year lag; borrower-year controls include log applicant income, loan-to-income ratio, minority applicant proportion, and female applicant proportion. Fixed effects are included and indicated in the bottom rows for each column but not tabulated. Standard errors in parentheses are clustered at the state level. *, **, and *** indicate significance at 10%, 5%, and 1%, respectively.

	(1)	(2)	(3)	(4)
Senate Banking Chair	-0.015	-0.012	-0.017	-0.013
	(0.011)	(0.011)	(0.012)	(0.013)
Observations	454,914	453,587	453,690	452,366
R-squared	0.737	0.738	0.760	0.761
Adjusted R2	0.716	0.717	0.734	0.735
County controls	Yes	Yes	Yes	Yes
Borrower controls	Yes	Yes	Yes	Yes
BHC controls	Yes	Yes	Yes	Yes
State FE	Yes	Yes		
BHC×Year FE	Yes	Yes	Yes	Yes
BHC×State FE			Yes	Yes

Table A4. Heterogeneity of shocks

This table examines the general effect of heterogeneity of Senate Banking Committee Chairmanship shocks on mortgage lending in the chairman's home states. The sample period is from 1990 to 2014. All HMDA-reporting commercial banks are included. The dependent variable is the mortgage approval rate based on number of loans for BHC-county-year. Subsample constructions are indicated in the column head. *Senate Banking Chair* is the dummy variable that equals one if the county is in the home state for chairman of the Senate Banking Committee, and zero otherwise. *Senate Banking Rank* is the dummy variable that equals one if the county is inside the home state for the Ranking Member of the Senate Banking Committee, and zero otherwise. Controls are included: county-year controls include county median income per capita and its growth rate, county HPI, HPI growth rate and its one-year lag; borrower-year controls include log applicant income, loan-to-income ratio, minority applicant proportion, and female applicant proportion. Fixed effects are included and indicated in the bottom rows for each column but not tabulated. Standard errors in parentheses are clustered at the state level. *, **, and *** indicate significance at 10%, 5%, and 1%, respectively.

	(1)	(2)	(3)	(4)	(5)
		Discard all changes in control of Congress (AHL 2018 P9)			
	Baseline	Remove NY 95-98 (keep AL & CT because of retirement)	Remove NY AL CT	Mute MD 2001	Mute MD 2001 & Turn on Texas 2001
Senate Banking Chair	0.013***				
	(0.004)				
Senate Banking Chair (Alter 1)		0.013***			
		(0.005)			
Senate Banking Chair (Alter 2)			0.013**		
			(0.007)		
Senate Banking Chair (Alter 3)				0.013***	
				(0.004)	
Senate Banking Chair (Alter 4)					0.017***
					(0.005)
Observations	320,406	320,406	320,406	320,406	320,406
R-squared	0.641	0.641	0.641	0.641	0.641
Adjusted R2	0.602	0.602	0.602	0.602	0.602
State FE	Yes	Yes	Yes	Yes	Yes
BHC×Year FE	Yes	Yes	Yes	Yes	Yes

Table A5. Senate Banking Committee Chair and mortgage performance

This table examines the general effect of Senate Banking Committee Chairmanship on conforming mortgage performance in the chairman's home state. The sample period is from 2000 to 2017 due to the availability of the loan performance data from Fannie Mae. All conforming loans are included. The unit of analysis is the state three-digit zip code-bank-year. The dependent variable is delinquency percentage defined as the ratio of the number of loans more than 30 days past due to the total number of loans in a three-digit zip code-bank-year. Columns (1)-(3) focus on the full sample; columns (4)-(6) focus on home purchase loans; columns (7)-(9) focus on refinancing loans. *Senate Banking Chair* is the dummy variable that equals one if a three-digit zip code is inside the home state for chairman of the Senate Banking Committee, and zero otherwise. Controls that are an average for a state three-digit zip code-bank-year are included: interest rate, loan amount, loan-to-value ratio, debt-to-income ratio, and borrower FICO; state-year average controls are included: income per capita, income growth rate, and housing price growth rate. Fixed effects are included and indicated in the bottom rows for each column but not tabulated. Standard errors in parentheses are clustered at the state level. *, **, and *** indicate significance at 10%, 5%, and 1%, respectively.

Table A5. Senate Banking Committee Chair and mortgage performance (Cont.)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Full sample			Home purchase			Refinancing loans		
Delinquency percentage	12 months	24 months	36 months	12 months	24 months	36 months	12 months	24 months	36 months
Senate Banking Chair	0.174***	0.589**	0.711*	0.339***	0.752**	0.794*	0.448*	0.604**	0.987
	(0.062)	(0.266)	(0.397)	(0.067)	(0.332)	(0.447)	(0.259)	(0.283)	(0.604)
Avg. int. rate	1.900***	2.599***	2.775***	1.878***	2.468***	2.673***	1.558***	2.333***	2.432***
	(0.181)	(0.213)	(0.232)	(0.188)	(0.244)	(0.275)	(0.158)	(0.246)	(0.276)
Loan amount	0.000**	0.000	-0.000	0.000**	0.000	0.000	0.000	0.000	-0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Loan-to-value ratio	-0.007*	0.005	0.008	-0.004	0.016**	0.024***	-0.001	0.013**	0.022***
	(0.004)	(0.005)	(0.006)	(0.006)	(0.007)	(0.008)	(0.005)	(0.005)	(0.006)
Debt-to-income ratio	0.014*	0.029***	0.049***	0.013**	0.036***	0.057***	0.014**	0.034***	0.061***
	(0.007)	(0.009)	(0.009)	(0.006)	(0.008)	(0.008)	(0.007)	(0.010)	(0.010)
Borrower FICO	-0.080***	-0.126***	-0.150***	-0.076***	-0.122***	-0.145***	-0.082***	-0.127***	-0.150***
	(0.003)	(0.003)	(0.004)	(0.003)	(0.004)	(0.005)	(0.003)	(0.003)	(0.003)
Income p.c.	-0.000	0.000	0.000**	-0.000	0.000	0.000*	0.000	0.000**	0.000***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Income growth	-0.026	-0.122***	-0.160***	-0.025	-0.121***	-0.145***	-0.066**	-0.166***	-0.214***
	(0.026)	(0.035)	(0.043)	(0.025)	(0.036)	(0.042)	(0.026)	(0.041)	(0.050)
HPI growth	-2.768**	-7.159***	-10.591***	-3.078***	-6.699***	-9.552***	-3.335**	-7.542**	-11.631***
	(1.073)	(2.445)	(3.417)	(0.997)	(2.097)	(2.987)	(1.405)	(2.905)	(3.923)
Observations	286,742	286,742	286,742	220,618	220,618	220,618	217,686	217,686	217,686
R-squared	0.153	0.203	0.234	0.110	0.147	0.167	0.128	0.178	0.207
Adjusted R2	0.141	0.192	0.223	0.100	0.138	0.158	0.118	0.170	0.198
State-3 digit zip FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Bank×Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes