FAILED BANK ASSET RECOVERY: THE INFLUENCE OF DEPOSITS AND LOAN EXPOSURE

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ABSTRACT

This study explores the impact of the balance sheet choices of failed bank on asset recovery rates during the Great Recession. We find asset recovery rates are lower for banks with higher exposure to real estate loans and regions with more volatile housing prices, while relying on brokered deposit. This suggests that asset recovery rates are lower as a consequence of banks' choice to fund loans by brokered deposits, to pursue aggressive growth strategies via riskier loans lent in more volatile locations. Finally, this research will shed valuable lights for policy makers in dealing with assets of failed banks.

Keywords: Bank. Bank failure. Asset recovery rates. FDIC Real estate loans. Brokered deposits.

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