

# Robert Prilmeier

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## Current Position

**A.B. Freeman School of Business, Tulane University**  
Associate Professor of Finance, July 2019 - present

## Previous Positions

**A.B. Freeman School of Business, Tulane University**  
Assistant Professor of Finance, July 2012 - June 2019

## Education

**The Ohio State University, Fisher College of Business**, Columbus, OH, USA  
Ph.D. in Finance, Fall 2007 - Spring 2013

**European Business School**, Oestrich-Winkel, Germany  
Diplom (M.Sc. equivalent) in Business Administration, Fall 2001 - Spring 2006

## Research Interests

Debt Contracting, Financial Intermediation, Corporate Finance

## Research Papers

### *Publications*

**Why does fast loan growth predict poor performance for banks?** March 2018, *Review of Financial Studies* 31, 1014-1063 (with Rüdiger Fahlenbrach and René M. Stulz)

From 1973 to 2014, the common stock of U.S. banks with loan growth in the top quartile of banks over a three-year period significantly underperformed the common stock of banks with loan growth in the bottom quartile over the next three years. After the period of high growth, these banks have a lower return on assets and increase their loan loss reserves. The poorer performance of fast-growing banks is not explained by merger activity. The evidence is consistent with banks, analysts, and investors being overoptimistic about the risk of loans extended during bank-level periods of high loan growth.

**Why do loans contain covenants? Evidence from lending relationships.** March 2017, *Journal of Financial Economics* 123, 558-579

Despite the importance of banks' role as delegated monitors, little is known about how non-price terms of loan contracts are structured to optimize information production in a lending relationship. Using a large sample of corporate loans, this paper examines the effect of relationship lending on covenant choice. Consistent with information asymmetry theories, covenant tightness is relaxed over the duration of a relationship, especially for opaque borrowers. In contrast, the effect of lending relationship intensity on the number of covenants included in a loan follows an inverted U shape. I discuss potential explanations for this finding.

**This time is the same: Using bank performance in 1998 to explain bank performance during the recent financial crisis.** December 2012, *Journal of Finance* 67, 2139-2185 (with Rüdiger Fahlenbrach and René M. Stulz)

Are some banks prone to perform poorly during crises? If yes, why? In this paper, we show that a bank's stock return performance during the 1998 crisis predicts its stock return performance and probability of failure during the recent financial crisis. This effect is economically large. Our findings are consistent with persistence in a bank's risk culture and/or aspects of its business model that make its performance sensitive to crises. Banks that relied more on short-term funding, had more leverage, and grew more are more likely to be banks that performed poorly in both crises.

## *Working Papers*

**Nonbank lending** (with Sergey Chernenko and Isil Erel), Revise and Resubmit at the *Journal of Financial Economics*.

We provide novel systematic evidence on the terms of direct lending by nonbank financial institutions. Analyzing hand-collected data for a random sample of publicly-traded middle-market firms during the 2010-2015 period, we find that nonbank lending is widespread, with 30% of all loans being extended by nonbanks. Firms are more likely to borrow from a nonbank lender if local banks are poorly capitalized and less concentrated. Nonbank borrowers are smaller, more R&D intensive, and significantly more likely to have negative EBITDA. Nonbank lenders are less likely to monitor by including financial covenants in their loans, but appear to engage in more ex-ante screening: origination of nonbank loans is associated with larger positive announcement returns. We find that nonbank borrowers pay about 200 basis points higher interest rates than bank borrowers. Using fuzzy regression discontinuity design and matching techniques generates similar results. Overall, our results provide evidence of market segmentation in the commercial loan market, where bank and nonbank lenders utilize different lending technologies and cater to different types of borrowers.

**Securities laws and the choice between loans and bonds for highly levered firms** (with René M. Stulz)

In contrast to bonds, levered loans do not require SEC registration. We show that this distinction plays an important role in firms' choice between funding through loans and bonds and helps understand why the market share of cov-lite loans has increased so much. Compared to cov-heavy loans, cov-lite loans are close substitutes for bonds in that they have similar covenants, have tighter bid-ask spreads, have more trading, and are more likely to be used to refinance bonds than cov-heavy loans. SEC-reporting firms that borrow using cov-lite loans are more likely to deregister subsequently. Non-reporting firms are more likely to borrow through highly-levered loans than through bonds, even though maturities, amounts, covenants, and ratings are similar between the two sources of funding. As expected from theory, we find that the liquidity advantage of cov-lite loans over cov-heavy loans is highest for non-registered issuers where information asymmetries are greater.

## **Presentations**

### Conference Presentations

“Securities laws and the choice between loans and bonds for highly levered firms”

European Finance Association, 46th Annual Meeting, Carcavelos, Portugal, August 22, 2019 (scheduled)

“Nonbank lending”

SFS Cavalcade North America 2019, Pittsburgh, May 22, 2019\*

American Finance Association, 79th Annual Meeting, Atlanta, GA, January 4, 2019

FDIC/JFSR, 18th Annual Bank Research Conference, Arlington, VA, September 6, 2018\*

European Finance Association, 45th Annual Meeting, Warsaw, Poland, August 24, 2018

NBER Corporate Finance Program Meeting, Chicago, IL, April 6, 2018

“Why does fast loan growth predict poor performance for banks?”

American Finance Association, 77th Annual Meeting, Chicago, IL, January 6-8, 2017

Fifth Wharton Conference on Liquidity and Financial Crises, Philadelphia, PA, October 14-15, 2016\*

European Finance Association, 43rd Annual Meeting, Oslo, Norway, August 20, 2016\*

NBER Summer Institute in Corporate Finance (joint session with Risk), Cambridge, MA, July 12, 2016\*

“Why do loans contain covenants? Evidence from lending relationships”

European Finance Association, 41st Annual Meeting, Lugano, Switzerland, August 29, 2014

The Ohio State University, Steve Buser Seminar Series, Columbus, OH, May 18, 2011

“This time is the same: Using bank performance in 1998 to explain bank performance during the recent financial crisis”

American Finance Association, 72nd Annual Meeting, Chicago, IL, January 7, 2012\*

European Finance Association, 38th Annual Meeting, Stockholm, Sweden, August 19, 2011

FDIC/JFSR, 11th Annual Bank Research Conference, Arlington, VA, September 17, 2011

\* indicates presentation by co-author.

#### Invited Seminar Presentations

2019: City University of Hong Kong (scheduled)

2018: Tsinghua University (PBC School of Finance), Peking University (Guanghua School of Management)

2017: National Taiwan University

2016: Maastricht University

2012: Erasmus University, The Federal Reserve Board, London Business School, Rutgers University, Tulane University, University of Alberta, University of Amsterdam, University of New South Wales, University of Notre Dame, University of South Carolina, Virginia Tech

2011: Pace University

## Teaching Experience

FINE 4100: Advanced Financial Management, Tulane University, Fall 2012 - Fall 2018

Business Finance 721: Corporate Finance, The Ohio State University, Spring 2011

## Academic Service

Ad hoc referee for *Journal of Finance*, *Journal of Financial Economics*, *Review of Financial Studies*, *Journal of Financial and Quantitative Analysis*, *Review of Finance*, *Journal of Corporate Finance*, *Review of Economic Dynamics*, *Journal of Banking and Finance*, *Journal of Financial Services Research*, and *Financial Management*

Session Chair, European Finance Association, 46th Annual Meeting, Carcavelos, Portugal, August 2019

Member of the Program Committee and Session Chair, Conference on Financial Economics and Accounting, New Orleans, LA, November 2018

Discussant, Fixed Income and Financial Institutions Conference, Columbia, SC, April 27, 2018

Member of the Program Committee, European Finance Association, 46th Annual Meeting, Carcavelos, Portugal, August 2019

Member of the Program Committee, European Finance Association, 45th Annual Meeting, Warsaw, Poland, August 2018

Member of the Program Committee, European Finance Association, 44th Annual Meeting, Mannheim, Germany, August 2017

Member of the Program Committee, European Finance Association, 43rd Annual Meeting, Oslo, Norway, August 2016

Member of the Program Committee, European Finance Association, 42nd Annual Meeting, Vienna, Austria, August 2015

Member of the Honor Code Advisory Committee (since 2018), Member of the Committee on Undergraduate Studies (2016-2018), Research Databases Committee (Spring 2015) and Master of Finance Curriculum Committee (since 2012), A.B. Freeman School of Business

Interviewer for faculty recruitment, 2013 - 2018 job markets

Co-organizer of the A.B. Freeman School of Business Finance Speaker Series (with Nick Pan), academic year 2014-2015

Faculty judge for the finance case competition at Tulane University, March 2015

Session Chair, Financial Management Association Annual Meeting, Chicago, IL, October 19, 2013

Reviewer for 2013 Midwest Finance Association Annual Meeting

Faculty judge for the third annual Association of Corporate Growth (ACG) Cup case competition at Tulane University, February 2013

Discussant, Financial Management Association Annual Meeting, Atlanta, GA, October 19, 2012

Discussant, Ohio State Alumni Conference, Columbus, OH, July 7-9, 2011

Member, American Finance Association and European Finance Association

## Professional Experience

Consultant, xtp Transaction Partners GmbH, Frankfurt, Germany, 2006-2007

## Honors, Awards & Research Grants

Research Grant, National Center for the Middle Market, 2016

Pace Setter Award, Fisher College of Business, 2012

René M. Stulz Scholar Development Award, Fisher College of Business, 2011

AFA Student Travel Grant, 2011

German National Academic Foundation, full scholarship, 2003-2006

European Business School excellence award – research, 2007

Best GPA, European Business School, Class of 2006

Chinese Scholarship Council, tuition waiver for Intensive Mandarin Chinese Immersion Program, 2004-2005

Alfried Krupp von Bohlen und Halbach Foundation, full scholarship for Intensive Course in Mandarin Chinese at University of Trier, Germany, 2002

## **Languages**

German (native), English (fluent), French (good), Mandarin Chinese (good)