

Debt flexibility*

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Abstract

This paper documents new facts on the modification of bank loans using Y-14 regulatory data on C&I loans. We find that loan-level modifications of key contractual terms, such as interest and maturity, occur at least once for 41% of loans. Cross sectional differences in modifications are substantial and amplified by borrower distress. Relative to single-lender loans, syndicated loans are 1.5 times more likely to be modified and interest rate changes are twice as likely. Our findings call into question whether 1) creditor dispersion makes loan modifications more challenging and 2) relationship lending between banks and small borrowers creates more scope for flexibility when firm-level conditions change.

Keywords: Corporate debt, Renegotiation, SME lending, Relationship lending.

JEL codes: G21, G32, G33,.

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1 Introduction

Theories rationalizing debt as an optimal financial contract often emphasize the importance of state-contingent shifts in control and cash-flow rights between lenders and borrowers. State-contingent shifts in control and cash-flow rights are either a way to minimize costs of state verification or a way to stop the borrower from diverting funds (Townsend, 1979; Aghion and Bolton, 1992; Hart and Moore, 1994, 1998). Consistent with these theories, evidence from recent empirical work shows that debt contracts are indeed highly state-contingent securities, with payoffs and control rights that adjust in a flexible manner to firm outcomes. This state-contingency can be part of the ex ante contractual design, as empirical work on the prevalence of debt covenants has shown (Smith Jr and Warner, 1979; Chava and Roberts, 2008; Nini, Smith and Sufi, 2009; Chodorow-Reich and Falato, 2022), but it can also result from ex post renegotiation outside the stipulations of the initial credit agreement (Roberts and Sufi, 2009; Roberts, 2015). Most of this evidence comes from the syndicated loan market where groups of lenders, often including both banks and non-banks, provide credit to a single borrower under a common loan agreement¹

While important in terms of value, the syndication market is typically restricted to relatively large and mature firms whose capital needs exceed the capacity of any single lender. By contrast, the vast majority of corporate loan contracts involve one borrower and one bank, particularly for smaller or less mature borrowers. The literature on relationship lending has long hypothesized that one of the benefits of such lending arrangements is the flexibility that a bank can offer the borrower as their financial conditions evolve (Boot, Greenbaum and Thakor, 1993; Boot and Thakor, 2000; Boot, 2000). This flexibility is, in principle, facilitated by the fact that there is a single creditor in the relationship, thus eliminating free-rider problems inherent in adjusting debt contracts with multiple creditors (Bolton and Scharfstein, 1996).² However, there is little direct empirical evidence on whether loans in these relationships are actively modified or renegotiated after origination, as syndicated loans appear to be.

In this paper, we offer a unified perspective on how flexible lenders actually are, contrasting large and small borrowers, and a wide variety of loans. In particular, we fill an important gap in the literature by providing some of the first empirical facts about the flexibility of single lender loans to smaller firms. In so doing, we show that there are notably different patterns among these loans than among the more heavily researched syndicated loan population.

¹For an early analysis of the US syndicated loan market, see Dennis and Mullineaux (2000). For more recent evidence on its evolution, see Berg, Saunders and Steffen (2021).

²Indeed, Dennis and Mullineaux (2000) argue that syndicated loans have lower relationship intensity, and are generally more "transaction-oriented" than single-lender bank loans.

Our evidence comes from the FR-Y14Q, a regulatory dataset of corporate loan portfolios of large US banks. For our purposes, the FR-Y14Q has two main advantages. First, after the issuance of a loan, the dataset tracks the evolution of key loan terms and re-origination or renewal events at a quarterly frequency. Second, it covers both syndicated and single-lender loans, allowing us to compare the degree of flexibility involved in these two types of lending relationships.

We have five main empirical findings. First, consistent with existing evidence for the syndicated loan market, we document high loan modification rates overall: after origination, 41% of all loans experience at least one ex post modification to either the interest rate (or spread, for floating rate loans) or the maturity. Around a quarter experience two or more modification events.

Second, syndicated and single-lender loans exhibit sharp differences in the frequency, type, and timing of loan modifications. Unconditionally, 55% of syndicated loans are modified at least once, and 37% are modified more than once, while the analogous shares are 37% and 20% for single-lender loans. In addition, modifications to single-lender loans overwhelmingly consist of maturity extensions. These tend to occur only once, and typically towards the end of the initially contracted maturity period. In contrast, syndicated loans tend to experience interest rate adjustments and these tend to occur throughout the life of the loan.

Third, we show that modification rates are responsive to the onset of financial distress: that is, lenders tend to give financial slack to borrowers when its financial conditions deteriorate. But this propensity to modify loans in response to financial distress is substantially larger for syndicated than for single-lender loans. For the same change in the internal rating of the loan, and controlling for observable characteristics, the incremental propensity for a bank to modify interest rates is approximately twice as large for a syndication as for a single-lender loan.

Fourth, notwithstanding the higher rates of modifications in times of distress, the lion's share of adjustments occur outside such episodes. Digging deeper, we discuss whether the frequent maturity extensions that occur for single-lender loans are related to "evergreening" - i.e. banks rolling over troubled loans to avoid acknowledging realized losses on the original credits. While loans in distress *are* more likely to be extended than average, the majority of extensions occur for loans that do not show signs of deterioration.

Finally, we explore whether covenant violations account for the high rate of loan modifications that we observe among syndicated loans. As such, we merge the syndicated loan subsample with information on covenants from the Shared National Credit (SNC) register. We show that, while most covenant violations recorded in the merged sample lead to a loan modification, most modifications occur without any covenant being violated. Thus,

the modifications we document for syndications are not all the result of ex ante contractual provisions.

A simple but potentially powerful explanation for the fact that single-lender loans are modified far less often than syndications is that ex post modifications involve costs that do not scale with the size of the loan. We show that this explanation has some empirical power, in that there is a clear upward sloping relationship between loan modification rates and loan size, even after controlling for other observable characteristics of the borrower, and for lender and sector fixed effects. However, we also show that this pattern does not entirely explain why single-lender loans are less likely to be modified. Therefore, factors beyond fixed costs may affect the degree of flexibility that banks are willing to provide their borrowers. We hypothesize that for small business lending, banks in our sample primarily rely on standardized products and hard information — as they do in consumer credit markets — whereas syndicated loans make greater use of soft information and tailored credit agreements.³

The broader implication of our findings is that flexibility and discretion are *less* frequently exercised in single-lender borrowing situations than in syndicated lending arrangements. That is, the syndicated market may be best described as involving a form of relationship lending with flexibility, whereas the single-lender loan market may best be described as involving a form of arm's-length lending with options to extend the loan upon maturity. Thus, in the data we study, the flexibility benefits that single-bank lending relationships have often been hypothesized to generate for small businesses appear to be limited, particularly when compared to those afforded to syndicated borrowers.

Relation to the literature While there has been extensive theoretical work on factors that facilitate renegotiation and its impacts on ex ante incentives (Berlin and Mester, 1992; Bolton and Scharfstein, 1996; Kiyotaki and Moore, 1997; Diamond and Rajan, 2001; Garleanu and Zwiebel, 2009; Zhong, 2021; Glode and Opp, 2023), empirical evidence on the incidence of loan flexibility is more scarce and restricted to certain types of debt contracts, either bonds (Asquith, Gertner and Scharfstein, 1994) or syndicated loans (Roberts and Sufi, 2009). The paper closest to our work is Roberts (2015), which uses a sample of credit agreements collected from public filings of syndicated lenders to trace out the evolution of contractual terms within individual loans.

Relative to this literature on the flexibility of debt contracts, we make several contributions. First, we provide systematic evidence on the nature and frequency of loan modifications for a large cross-section of borrowers, not limited simply to participants in the syndicated loan market. Our extension beyond the syndicated market is important, as we show

³Consistent with this hypothesis, we show that internal ratings are more responsive to changes in financial information about borrowers for SD than for SL loans.

that syndications seem to provide more flexibility to borrowers than single-lender loans. This suggests that, creditor dispersion may not necessarily imply a lower likelihood of success when attempting to modify loans. Furthermore, the nature of adjustments to loans also differs between syndicated and single lender facilities.

In addition, we demonstrate that flexibility is manifested in a broader variety and a wider set of contingencies than hitherto considered. Our work reveals a hierarchy of flexibility: modifications that do not require the execution of a new credit agreement versus those that do. In both cases, a substantial fraction occur without any reference to covenant violations, so can be regarded as *ex post* renegotiation - reflecting incompleteness in the original contract. Furthermore, loan modifications in our data are not necessarily compelled by financial distress and typically do not occur in times of bankruptcy or where bankruptcy concerns are high (though they are - unsurprisingly - more common in such situations).

We also connect to the important—and recently active—literature on covenants in debt contracts. Classic analyses include (Smith Jr and Warner, 1979; Beneish and Press, 1993; Chava and Roberts, 2008; Nini, Smith and Sufi, 2009, 2012; Murfin, 2012; Bradley and Roberts, 2015), while (Chodorow-Reich and Falato, 2022) have recently reinvigorated the literature. Extant work has shown that covenant violations, or the threat thereof, are common events over the life of syndicated loans, and often lead to modification in contractual terms of the loan, with consequences for both financial and real borrower outcomes. Relative to this literature, we show that loan modifications are a common occurrence even outside episodes where covenants are triggered or likely to be triggered. The prevalence of modifications among single-lender loans, which are less likely to be governed by complex credit arrangements, such as covenants, also suggests that the covenant channel, while important, is not the final word.

Interestingly, we demonstrate that the magnitude of adjustments to loan terms in modifications outside covenant violations are substantial, and comparable to those implemented around the time of violations. Thus, to the extent that covenants are regarded as important sources of adjustments in loan terms (emphasized in particular by (Chodorow-Reich and Falato, 2022)), the additional sources of flexibility we identify are also worthy of note, particularly. Indeed, loan modifications are also more frequent than covenant violations. These facts suggest that the evidence on covenants implies, if anything, a lower bound on the state-contingency of loans.

Finally, we contribute to the literature on relationship lending (Leland and Pyle, 1977; Diamond, 1984, 1991; Boot, Greenbaum and Thakor, 1993; Berger and Udell, 1995, 1998; Boot and Thakor, 2000; Berger and Udell, 2002, 2006; Bolton et al., 2016; Papoutsis, 2021; Faria-e Castro, Paul and Sánchez, 2021). Our contribution in this case is to challenge the notion that *ex post* discretion is an important benefit of relationship lending contracts for small

businesses, who disproportionately are represented in our single-lender loan data. Our evidence suggests that, if anything, single-lender relationship lending is less conducive to ex post discretion than lending through organized syndicates. In this respect, the papers closest to ours are [Cole, Goldberg and White \(2004\)](#) and [Berger et al. \(2005\)](#), which both highlight the organizational difficulties that large banks face in scaling up traditional relationship lending models, and which may result in reduced flexibility for borrowers.

2 Data construction

Sources Our main source is the Federal Reserve’s FR Y-14Q, which contains detailed quarterly data on the loan portfolios of bank holding companies, savings and loans companies, and intermediate holding companies. Because these data are collected primarily for stress-testing, only institutions with \$100 billion or more in total consolidated assets are required to report the FR Y-14Q schedules. Thus our analysis speaks to lending by large banks.⁴

We use Schedule H.1 which contains facility-level data on corporate loans and leases. The population is limited to loans with a committed balance higher than \$1 million as of the reporting quarter.⁵ Our basic unit of observation is a loan-quarter. We observe information on committed exposure, interest rate (or spread), collateral, maturity date, and whether the credit agreement was renewed or restated in the preceding quarter. Additionally, summary borrower financial information and internal loan ratings are available. More information on key variables in Schedule H.1 is reported in Appendices [A.1.1](#).

We use two additional data sources, which we merge with the FR Y-14Q H.1: data on the population of chapter 11 and chapter 7 bankruptcies in the US; and data on covenants and covenant violations for the subsample of syndicated loans within our sample, from the Shared National Credit (SNC) program. More information on these data sources and our merge with Schedule H.1 are reported in Appendices [A.1.2](#) and [A.1.3](#).

Other data sources have been used to study how loans are modified after origination, particularly in the wake of covenant violations. These sources include Dealscan ([Roberts and Sufi, 2009](#)), hand-collected data from SEC filings ([Roberts, 2015](#)), and the SNC data ([Chodorow-Reich and Falato, 2022](#)). Relative to these sources, the FR Y-14Q has two main advantages for studying loan modifications: it covers a wider swath of the firm population (including borrowers non-syndicated borrowers) and it allow researchers to track loan terms

⁴More information on the FR Y-14Q, along with reporting guidelines and forms, is available at <https://www.federalreserve.gov/publications/fr-y-14-qas/y-14-qas.htm>.

⁵Reporting in Schedule H.1 is aggregated at the credit facility level, defined as a credit extension under a particular credit agreement. A credit facility may be drawn or undrawn, it may consist of a term loan or a credit line, it may be secured or unsecured, and so on. When the same facility provides for multiple extensions of credit (for instance, credit lines with different interest rates that may be drawn at different dates), these multiple extensions are aggregated. An obligor may have multiple facilities with the same bank.

continuously after origination, making it straightforward to observe modifications to key loan terms through the life of the loan. One drawback to the FR Y-14Q is that it contains no information on covenants. However, by merging the FR Y-14Q with the covenant review subsample of the SNC data, we observe covenants directly for a subset of syndicated loans. As discussed in [Chodorow-Reich and Falato \(2022\)](#), loans in this subset are accompanied by additional information on covenant compliance and bank responses to any violations.

Sample selection and loan classification Our loan-quarter level dataset runs from 2012:Q3 to 2022:Q1. We apply a number of selection criteria to the raw data. In particular, we drop any loans to borrowers in the Financial and Real Estate, Construction, and Utilities sectors; loans carried off-balance sheet by reporting banks; loans for which there is a gap in the sequence between the first and last observations; and loans with missing or difficult to interpret information on key loan terms.⁶ The final sample contains 3.3m observations for 337k loans to 136k distinct borrowers. Appendix Table [A-1](#) describes sample selection steps in detail and reports borrower-level summary statistics in the final sample.

In what follows, we will frequently contrast two groups of loans: single-lender (SL) loans, in which a single bank is providing credit to a borrower, and syndicated (SD) loans, in which a group of lenders, often including both banks and non-bank institutions, provide credit to a borrower under a common loan agreement. Schedule H.1 asks banks to report whether the loan is a participation in a syndicated facility, and we use this flag to partition our loans into these two groups.⁷ Because different tranches of the same syndicated facility (say, credit line and term loan) may have different contractual terms, we include tranches as separate observations in our sample.⁸ We note that our data will generally not contain information on all tranches of a given syndication, since they may be held by institutions not subject to the FR Y-14Q reporting requirement. Appendix [A.1.1.3](#) provides additional details.

Summary statistics Panel A of Table [1](#) reports summary statistics on the loans in our sample at the time of their origination, for all loans jointly, and for SL and SD loans separately. SL loans make up about 74% of the total number of loans in our sample, though as of 2019:Q4, they only accounted for about two-thirds of total committed exposure by value.

Panel A of Table [1](#) shows three main differences in contractual terms between SL and

⁶For instance, a loan for which information on maturity is always missing, or for which the origination date declines across two consecutive reporting periods.

⁷Specifically, we use the FR Y-14Q variable `participationflag` to classify loans according to their syndication status. We exclude loans that never exit the syndication pipeline and classify a loan as syndicated if its last observation in the FR Y-14Q is not “No, not participated or syndicated”. Appendix [A.1.1.3](#) provides more details.

⁸However, some of our robustness checks also include results when restricting the syndicated sample to tranches identified in Schedule H.1 as being held by the agent or lead bank of the syndication.

SD loans. First, SL loans are smaller: the median SL loan has a committed exposure at origination approximately one-ninth of the median SD loan. Second, SL loans are more likely to be secured, though the majority (72%) of SD loans are backed by some collateral. Third, 39% of SL loans are fixed-rate, while only 6% of SD loans are.

We also note that the average maturity at origination is higher for SL loans. Here, the summary statistics reported in Table 1 mask substantial variation between the two loan groups. Appendix Figure A-2 shows that the distribution of loan maturity at origination has a large mass at five years for SD loans. In contrast, for SL loans, short-term (one-year) credit lines are very prevalent, as are term loans with maturity beyond five years at origination. We will take this heterogeneity into account in our analysis by comparing outcomes of loans of similar maturities at origination.

Finally, Appendix Table A-2 reports summary statistics at the borrower level, and compares these summary statistics with their equivalent in Compustat data for the subsample of public borrowers in our dataset. Relative to the loans of Compustat borrowers, the loans of non-Compustat borrowers have a longer *initial* maturity, on average. Although the 5th percentile and median initial maturities are similar across firm types, the distribution of loans of non-Compustat borrowers has a longer right tail resulting in loans with longer initial maturities. Comparing the distributions of maturity *remaining* gives similar results: the average loan of a non-Compustat borrower has a longer maturity remaining than its Compustat counterpart due to a longer right tail. The spreads on loans of Compustat borrowers are typically lower than those of non-Compustat borrowers, suggesting that public borrowers may obtain more favorable financing terms on average. This tendency is also reflected in the quantity margin: the ratio of loans-to-assets is generally lower for non-Compustat borrowers than for their Compustat counterparts. Loans of Compustat borrowers are, on average, more likely to be syndicated, credit lines, floating rate and unsecured than loans of non-Compustat borrowers.

3 Empirical findings

This section describes our main empirical findings. We start with unconditional facts about loan modifications. We then discuss how modifications relate to borrower financial distress.

3.1 Unconditional facts on loan modifications

Definition We define a loan modification as a change in the loan's reported maturity date, or the loan's interest rate, or both, from reporting quarter $t - 1$ to reporting quarter t .

Two things are worth noting about this definition. First, our sample contains both floating

rate and fixed rate loans. For floating rate loans, the interest rate spread is reported explicitly, so we use the spread to detect interest rate modifications.⁹ For fixed rate loans, we use changes in the overall interest rate reported, as opposed to a change in the spread measure reported in Table 1. Second, our definition of loan modifications only involves two of the four key loan terms that are observable in the data (interest rate, maturity, collateral, commitment and collateral). This is because changes in commitment or collateral are rare and generally occur alongside changes in either interest rate or maturity, as we document below. Focusing on interest rate or maturity changes helps streamline the discussion.

Our definition of loan modifications is based on changes in loan terms over the life of the loan. Not all these changes, however, are necessarily associated with a major amendment to the existing credit agreement. Major amendments to existing credit agreements are flagged by reporting banks.¹⁰ We refer to these events as renegotiations, and discuss their relationship to loan modifications in Section 4.1.2.

Modification frequency Our first set of findings, on the frequency of loan modifications, is reported in Panel B of Table 1. This table is constructed using the data collapsed to the loan level, and reports the distribution of the number of modifications per loan.

There are two main points to note in Panel B of Table 1. First, unconditionally, 41% of loans experience a modification — a change in either maturity date or interest rate — over the course of their life. The most common pattern is for the loan to be modified only once after origination.¹¹ Second, SD loans are approximately 1.5 times more likely to be modified than SL loans, at 55% and 37%, respectively. Table 1 also shows that the bulk of the difference is accounted for by loans that undergo several modifications: 26% of SD loans undergo three or more modifications, while only 13% of SL loans do.

Appendix Figure A-1 reports a time-series corresponding to Table 1, Panel B. Here we use the full loan-quarter sample, and compute the fraction of loans undergoing a modification in each reporting quarter. Consistent with Table 1, in any given quarter, the fraction of SD loans undergoing a modification is substantially higher (about 20%, on average) than the fraction of SL loans undergoing a modification (about 10%, on average).¹² These modification rates are stable over our sample period, except for a spike in modification rates in 2020, particularly for SD loans, which was followed by a slight increase since then.¹³

⁹In cases where the interest rate on a floating rate loan — the sum of the base plus the spread — is subject to a ceiling or floor, we do not count an adjustment of the spread in order to meet the floor as a modification.

¹⁰Banks will explicitly update the initially reported origination date of the loan in these cases, acknowledging the substantive nature of the change.

¹¹Note that given our definition, a loan modification could potentially reflect a simultaneous change in interest rate and maturity; we discuss the composition of modification by type of change in the section below.

¹²[ZZZ.3: How can we square quarterly modification rates with estimates of the probability that any one loan is modified?].

¹³We discuss modification during and after COVID in Appendix A.3. While modification rates overall in-

Thus, overall, modifications in key terms after origination is a very common occurrence. Moreover, relative to SL loans, SD loans are more likely to experience modifications — and repeated modifications — over the life of the loan.

Modification type Panel C of Table 1 reports a breakdown of modifications by type. For clarity, we only report the type of the *first* modification over the life of the loan.

The first line in Panel C of Table 1 considers the pooled sample of SL and SD loans. Of the 41% of loans that are modified at least once in the pooled sample, 52% (or 21% of total loans) experience a change in spread, and 55% (or 23% of total loans) experience a change in maturity upon their first modification. Maturity modifications are almost always extensions. In contrast, increases and decreases in interest rates are equally likely.

Additionally, upon first modification, only 11% of modified loans also experience a change in committed exposure, and only 5% also experience a change in collateral. Changes in other loan terms are therefore rare.¹⁴ Finally, simultaneous modifications of both interest rate and maturity are rare, involving only 3% of modification cases. Thus, generally, modifications involve one loan term at a time, either maturity or interest rate.

The rest of Table 1 compares the distribution of modification types between SL and SD loans. Here a very sharp difference stands out. About three quarters of modifications of SL loans are maturity extensions, while the number is only one quarter for SD loans. By contrast, about four fifths of modifications of SD loans involve interest rate changes, while the number is about one third for SL loans. Thus not only the frequency, but also the type of loan modifications differs between the two loan groups: SL modifications tend to be maturity extensions, while SD modifications tend to be adjustments to contractual interest rates.

Table 2 reports related results on the frequency and composition of modifications, using the data at the loan-quarter level. Specifically, this table reports OLS estimates of the following model:

$$Y_{l,b,k,t} = \beta X_l + \Gamma Z_{l,b,t} + \alpha_{m(l)} + \alpha_{s(b),t} + \alpha_{k,t} + \varepsilon_{l,b,k,t}. \quad (1)$$

where l indexes the loan, b the borrower, k the bank, and t the quarter, while $m(l)$ refers to the maturity at origination for loan l , and $s(b)$ refers to the sector of borrower b . $Y_{l,b,k,t}$ is either an indicator for whether a modification occurs in quarter t , whether a maturity extension occurs, or whether a change in interest rate occurs. Finally, X_l is an indicator for

creased during COVID, we show that, consistent with the rest of our analysis in the paper, the increase was more marked for SD loans, and generally took the form of interest rate changes. The higher modification rates among that group have persisted since then.

¹⁴Modifications to commitment or collateral are rare overall; when they do they occur, generally coincide with a modification in interest rate or maturity. Only 17% and 40% of modifications to commitments or collateral, respectively, occur without an accompanying change in interest rates or maturity.

whether the loan is a syndication or a single-lender loan, while $Z_{l,b,t}$ is a vector of controls for loan l and firm b in quarter t , and α refers to fixed effects. Standard errors are reported in parentheses and double-clustered by borrower and quarter.

The first group of columns, marked "Modification", reports results from a specification where the dependent variable is a dummy for whether the loan is modified. The first column in that group has no controls or fixed effects. In this specification the mean modification rate is 12.8%, and it is 9.0% higher for SD loans. These magnitudes are consistent with the time-series of modification rates reported in Appendix Figure A-1. The second column is the most saturated specification, which includes lender-by-quarter, sector-by-quarter, and maturity at origination fixed effects, along with loan-level and firm-level controls.¹⁵ Thus, this specification compares loans by the same borrower in the same sector with similar maturity at origination, and controls for the effects of leverage and profitability. This more saturated specification reduces the sample size. The remaining sample of loans has an unconditional quarterly modification rate of 14.5%, and the incremental modification rate for SD loans is 10%. The higher modification rate of SD loans is further confirmed by the third column in this group, where we restrict the sample to firms that have at least one syndicated and one-single lender loan. We include the same saturation as in the second column, but replace borrower level controls with borrower by quarter fixed effects. In this case, the comparison is between two loans issued by the same borrower, one of which is an SD loan and the other is an SL loan, controlling for fixed differences in modification rates between lenders, between borrowers, and between groups of loans with different maturities at origination, as well as for loan characteristics. In that sample, the average modification rate is 17.1%; the incremental modification rate for SD loans is 6.3%, or about one-third higher than average.

The groups of columns marked "Maturity extension" and "Interest rate change" estimate similar specifications, but with different dependent variables: indicators for whether the loan experiences a maturity extension, or whether it experiences a change in interest rate. Consistent with the results mentioned above, maturity extensions are significantly less likely for syndications (-1.4p.p. less, compared to an unconditional rate of 6.7%). By contrast, interest rate modifications are much more likely for syndications (11.4p.p. more, compared to a 9.1% unconditional rate).

Thus, even when comparing SL and SD loans within bank, to borrowers with similar characteristics, and with similar maturities at origination, the picture from the simple summary tables above remains: SD and SL loans differ in both the frequency and type of their modifications. SD loan modifications are more frequent and tend to involve interest rate

¹⁵We include maturity at origination fixed effects because, as mentioned above, the distribution of maturity at origination differs substantially between SL and SD loans. The groups of maturity at origination we use are based on the initial number of quarters until maturity for each loan. Table 2 reports more details on loan and firm-level controls.

changes, while SL loan modification are less frequent and tend to involve maturity extensions. The tightest comparison possible in the data, between SD and SL loans issued by the same borrower, confirm this result.

Modification timing Finally, Figure 1 speaks to differences in the timing of loan modifications across the two groups of loans. Panel A shows evidence for interest rate modifications, and Panel B for maturity extensions. Each panel contains non-parametric estimates of the hazard rate of each event. We group loans by initial maturity at issuance. The horizontal axis is the time from loan origination to the modification event.

The hazard rate estimates are derived from the Nelson-Aalen estimator of the cumulative hazard rate (Aalen, 1978; Kalbfleisch and Prentice, 2011), which is given by:

$$\forall t = 6, \dots, 35, \quad H(t) = \sum_{q=0}^t \frac{M(t-q)}{N(t-q)} - \sum_{q=0}^{t-1} \frac{M(t-1-q)}{N(t-1-q)}. \quad (2)$$

where $M(t)$ is the number of loans experiencing the event (interest rate change, or maturity extension) t quarters after origination, and $N(t)$ is the number of loans that are still in sample t quarters after origination. Intuitively, the estimator in Equation (2) is obtained by summing the change in the share of active loans that experience the event during each quarter. We plot the first-difference of $H(t)$, which should be interpreted as the (instantaneous) hazard rate of modification of loans in quarter t .¹⁶

Panel A and B of Figure 1 show that hazard rates of modification (either interest rates or maturity) generally increase as time to maturity declines.¹⁷ If, over the life of the loan, borrower financial conditions change relative to origination, the incentive for either party to seek a loan modification would increase, generating the upward sloping relationship apparent in the data. Additionally, since the hazard rates we document only reflect the first modification, it may be that borrowers whose loans are not modified early on experience greater changes in financial conditions, making a late modification more likely.

Focusing more specifically on Panel A of Figure 1, we observe that interest rate changes are strictly more likely for SD loans than for SL loans at all points in the life of the loan, consistent with the results discussed above. Moreover, the increase in hazard rate over the life of the loan is steeper for SD loans than for SL loans. This suggests that lenders may be more responsive to changes in borrower creditworthiness in the context of SD lending relationships than in the context of SL lending relationships, a point we will come back to

¹⁶We report estimates for 1 to 7 years of maturity at origination primarily because our sample covers 10 years of data, so that there is substantial truncation for the majority of loans with maturities higher than 7 years.

¹⁷The only exception is the hazard rate of maturity extensions for seven-year SD loans, which shows a modest decline in the last two years to maturity.

below, when we discuss the effects of financial distress.

Turning to Panel B of Figure 1, which reports the hazard rate of maturity extensions, two main patterns stand out. First, loans of longer maturity at origination generally have lower hazard rates: for instance, the hazard rate of modification of five year loans is, on average, approximately half that of one-year loans. Second, the hazard rates are broadly similar for SD and SL loans, except toward the end of the life of the loan, where there is a more marked increase in the hazard rate for SD loans.

A joint interpretation of these two facts is that maturity extensions primarily depend on remaining time to maturity, as opposed to the evolution of borrower creditworthiness. If that is the case, short-maturity loans should have higher likelihood of extension, as the data suggest. Additionally, if SL loans are less sensitive to evolving borrower credit conditions, then this horizon effect should be stronger for SL than SD loans. This appears to be the case in the data, particularly for long maturity loans, which show a very rapid increase in extension hazard rate as maturity approaches.

Overall, while the hazard rate of modification increase over time within loan, the results also indicate that the timing of modifications differs between loan types. SD loans are likely to experience interest rate modifications throughout their life, whereas SL loans experience sharp increases in the likelihood of maturity extension toward the end of their life.

Summary The results so far can be synthesized as follows:

1. Loan modifications are a frequent phenomenon: approximately 40% of all loans originated in our sample are eventually modified, and approximately 15% of all active loans in our sample are modified in any given quarter.
2. SL loans are modified less frequently than average. When they are modified, the modification is overwhelmingly a maturity extension, and, for longer-maturity loans, tends to occur close to the contractual maturity date of the loan.
3. SD loans are modified more frequently than average. The typical modification is an interest rate change, and it can occur throughout the life of the loan.

3.2 Borrower financial distress and modifications

We now study whether loan modification propensities change in response to evolving borrower financial conditions, and whether they do so differently between SD and SL loans.

Internal loan ratings For each loan, the FR Y-14Q requires banks to report internal risk rating measures. This rating is computed by banks and is primarily meant to measure

distance to default. Banks also report a description of their rating system, which we use to harmonize the ratings into a single scale from 1 to 10 for all 29 banks in our sample.¹⁸ Details of this procedure are reported in Appendix A.1.1.4. We then define a loan as “distressed” if it experiences a 1 unit decrease in rating. On average, in a given quarter, about 20% of loans undergo a change in rating, and 4.5% of loans experience a unit decrease on rating.¹⁹

Table 3 then reports OLS estimates of the following model:

$$Y_{l,b,k,t} = \beta_1 D_{l,t}^{(-)} + \beta_2 \left(D_{l,t}^{(-)} \times X_l \right) + \alpha_l + \alpha_{s(b),t} + \alpha_{k,t} + \varepsilon_{l,b,k,t}. \quad (3)$$

where $D_{l,t}^{(-)}$ is a dummy variable equal to one if and only if the loan experiences a deterioration in internal rating from quarter $t - 1$ to quarter t , α_l is a loan-level fixed effect, and the rest of the notation is as in specification (1). In particular, X_l is an indicator for whether the loan is syndicated or not. Note that compared to specification (1), in addition to the interaction with financial distress, the specification contains loan fixed effects. The specification therefore compares modification propensities within the same loan over time, when internal loan ratings for this specific loan change relative to their average for the loan.²⁰

There are two results to note in Table 3. First, unconditionally, financial distress is associated with an increase in the likelihood of a loan modification. The effects are substantial: a deterioration in rating is associated with a 5.1p.p. increase in the probability of a modification, relative to a baseline rate of 14.5%. The effects on maturity extension propensities are particularly large; the increase is 4.4p.p. relative to a baseline rate of 6.7%.

The second result is that SD loans are significantly more likely to be modified than SL loans when internal ratings deteriorate. The overall increase in modification propensity following a downgrade is 3.7p.p. higher for SD loans than for SL loans (or about three-fourths of the average effect of 4.8%). Moreover, for SD loans, modifications generally take the form of a change in interest rate: the last column shows that on average, a downgrade increases the propensity to adjust interest rates by 1.7p.p. relative to a baseline rate of 9.1%; for SD loans, this increase in propensity is 6.4p.p., or almost double the average. In contrast, the propensity to extend loan maturity in the wake of a deterioration in credit rating only increases marginally less for SD loans than for SL loans. For both types of loans, about two-thirds of interest rate changes in financial distress are increases.

Overall, these findings suggests that when the financial health of the borrower worsens, SD lenders are more likely to provide short-term relief to the borrower, particularly in the

¹⁸Specifically, we use the information reported in Schedule H.2 variable `internalrating` and Schedule H.4 variable `internalratingdescription`.

¹⁹Robustness with respect to this definition of financial distress is discussed in Appendix A.1.1.4.

²⁰Table 3 also reports results from a specification that only includes borrower fixed effects, thus documenting the change in modification propensity when the loan rating deteriorates relative to the average rating for the borrower across all their loans. The results are qualitatively identical and quantitatively close.

form of interest rate adjustments. For SL loans, short-term relief through modifications is less likely, and tends to come in the form of maturity extensions.

Bankruptcy Next, we focus on a more extreme form of financial distress than deterioration of internal loan ratings: bankruptcy. Our data sources on bankruptcy filings and the methodology we follow in order to merge the bankruptcy data to the FR Y-14Q are described in Appendix A.1.2. Out of the 18,766 borrowers that file for bankruptcy during our sample period and report more than \$1 million in book assets at filing, we are able to match 915 with active loans prior to filing in our sample, corresponding to 6,355 loans.

Appendix Table A-3 describes modification patterns for loans of bankrupt borrowers. The top panel first shows that, compared to borrowers that do not enter bankruptcy, loans of bankrupt borrowers are more likely to be modified. The difference in modification rate is approximately 7p.p. compared to an average rate of 41% for all loans. Second, roughly half of all loan modifications within this group occur while bankruptcy proceedings are *ongoing*. The other half of modifications occurs outside the bankruptcy process.²¹

The bottom panel of table A-3 shows that the higher average modification rate in the sample is driven by SL loans of bankrupt borrowers. These loans have a modification rate that is 3p.p. higher than that of average SL loans.²² In comparison, while the modification rates of SD loans are higher on average than SL loans, the modification rate of SD loans of bankrupt borrowers is similar to that of average SD loans.

Overall, these results indicate that loan modifications for bankrupt firms occur even outside the formal bankruptcy process. Moreover, for SL borrowers, bankruptcy is associated with higher modification rates, in contrast to milder forms of financial distress, like the internal downgradings analyzed above.

Summary Loan modifications are more likely when borrowers enter financial distress. The bulk of modifications in this case appear to be aimed at providing borrowers with short-term relief, both in the form of maturity extensions and interest rate reductions. However, except in the extreme case of bankruptcy, financial distress is more likely to lead to loan modifications for SD borrowers than for SL borrowers, consistent with the view that SD lending relationships are more active and information-intensive than SL lending relationships.

²¹Appendix Table A-3 also reports renegotiation rates; we discuss renegotiation in Section 4.1.2.

²²This figure is lower than the 7p.p. difference in modification rates between the matched bankruptcy sample and the baseline sample because of composition: the matched bankruptcy sample contains a much larger fraction of SD loans.

4 Mechanisms

In this section, we address three important questions regarding the interpretation of the empirical findings described in Section 3. First, are modifications explained by covenant violations? Second, do differences in loan modification rates simply reflect loan size? Third, are loan modifications driven by banks' desire to evergreen failing loans?

4.1 Are modifications simply explained by covenants?

As mentioned in the introduction, a large literature has argued that, in the syndicated loan market, credit agreements contain a formal mechanism — covenants — that is often used to modify loan terms as borrowers' financial conditions change. A basic question about the results of Section 3 is whether the modifications we observe generally stem from covenants. More broadly, the results are silent about whether modifications are the result of ex ante contractual arrangements (including, but potentially not limited to covenants), or whether they reflect ex post, ad hoc changes to the initial agreement between lender and borrower.

Our data does not contain covenant information or details of credit agreements for all loans. However, we next discuss two pieces of evidence consistent with the view that modifications are *not* all due to provisions in original agreements being triggered or exercised.

First, we merge a subset of our SD loan sample to information on loan covenants, obtained from the Shared National Credit (SNC) database. We show that in the merged sample, the majority of SD loan modifications happen outside covenant violations. Second, we provide a direct measure of instances when borrowers and lenders issue a new credit agreement that supersedes the existing one. We call these instances "renegotiations". We show that these major amendments to credit agreements (which are generally accompanied by modifications in the key loan terms we observe) occur for 8% of all loans (compared to 41% of all loans for modifications). Thus we can attribute at least one quarter of modifications to major amendments to the initial credit agreement.

Both these pieces of evidence suggest that modifications appear to frequently happen outside formally agreed upon mechanisms to change loan terms: they are generally not the consequence of ex ante provisions in credit agreements, but rather ad hoc, ex post decisions between lenders and borrowers, that reflect the borrowers' evolving financial conditions.

4.1.1 Covenant violations

Data We merge the FR Y-1Q to the "covenant review sample" (as coined by Chodorow-Reich and Falato 2022) of the SNC database. The covenant review sample is a periodic and random subsample of the SNC database, providing information on whether each loan under

review is either currently in violation of a covenant, or whether, at some point in the six months preceding the review, the loan experienced a violation that was since remedied. For each loan-quarter observation in the FR Y14-Q data that we successfully merge to the SNC covenant review sample, we use this information to measure whether a covenant violation has occurred at any point in the last two quarters preceding reporting of loan terms the FR Y14-Q. Appendix A.1.3 reports more details on the merge, the measurement of covenants violations, and summary statistics for the merged subsample.

Relative to the SD loan subsample of the FR Y14-Q, the merged subsample consists of loans that are larger on average, but otherwise have comparable maturities and spreads, and are equally likely to be secured and fixed-rate.²³ Additionally, 57% of all FR Y-14Q loans that appear in the covenant review sample are modified at least once in the FR Y14-Q, a rate comparable to our baseline loan-level modification rate for SD loans overall in the FR Y14-Q sample (55%).²⁴

Findings Appendix Tables A-5 and A-6 provide detailed information on the relationship between covenant violations and modifications. The first table provides information at the syndication level, and the second table provides information at the syndication-quarter level.

At the syndication level, Appendix Table A-5 shows that the fraction of syndications that are in violation of a covenant at the time of their inclusion in the covenant review sample, and are modified at some point in their presence in the FR Y-14Q, is 80%, higher than the baseline modification rate of 55% in the overall SD loan sample. Thus covenant violations appear to be associated with higher modification rates than average. However, Appendix Table A-5 also shows that the vast majority (63%) of loans that are modified at some point after origination, and appear in the covenant review sample, are not in violation of a covenant when they appear in the covenant review sample.

Thus it appears that covenant violations are generally associated with modifications, but that modifications are a broader phenomenon, in that they happen even for syndications that do not violate covenants. Appendix Table A-6 confirms this, looking at the syndication-quarter level data. We classify a syndication-quarter observation included in the covenant review subsample as being in violation if and only if a violation is reported in the 6 months prior to the quarterly reporting date in the FR Y-14Q. Relative to Appendix Table A-5, this table speaks to whether modifications tend to occur immediately after a covenant violation. We find that, in general, that is the case; 60% of syndications reporting a violation in

²³The difference in size is due to a higher reporting threshold for committed exposures in the FR Y14-Q than in SNC. For a more complete description of SNC and its covenant review, and in particular a discussion of composition biases therein, see Chodorow-Reich and Falato (2022).

²⁴Appendix Table A-4 reports summary statistics on the merge between the full SNC sample and the FR Y14-Q (top panel), and the SNC covenant review sample and the FR Y14-Q (bottom panel).

the review sample are modified in the following six months. The converse is however not true. In the merged sample, the majority of syndication-quarter observations currently being modified are *not* doing so in the wake of a covenant violation.

Furthermore, Appendix Table A-7 suggests that the magnitude of the modifications made outside covenant violations are substantial, and in the direction of relief. The average change among loans that never violated a covenant is -14 bps, a loosening of terms, comparable in magnitude to the 11, 38, and 105 bps increases occurring in the quarter of, or immediately following, a covenant violation, depending respectively on whether the loan experiences violations, enforcements and waivers in its life.

Thus overall, the evidence from the covenant review sample of the SNC data suggests that while violations are generally associated with modifications of loan terms (consistent with the findings of Roberts and Sufi 2009), modifications are a more widespread phenomenon, even for covenant-heavy SD loans. In other words, in line with the evidence on renegotiations, explicit contractual contingencies (encoded in covenants) are not a pre-requisite for lender and borrower to implement adjustments in key loan terms. In addition, to the extent that covenants are regarded as important in influencing loan terms and control, modifications of interest rates outside these ex ante contractual elements, should also be regarded as important, given their comparable scale but different sign.

4.1.2 Renegotiations

We now define a direct measure of ex post and major changes in contractual arrangements, which we refer to as “loan renegotiations”. This measure is meant to rule out the cases where changes in loan arrangements are driven by ex ante provisions (such as covenants) being triggered or exercised, and where the changes to the loan are substantial in some dimension. We show that these events, which generally lead to loan modifications, are relatively frequent, and particularly so for SD loans.

Measurement In order to detect loan renegotiations, we use information reported by banks in the FR Y-14Q on re-originations. A re-origination occurs when a major amendment is made to the original credit agreement, and the obligor executes the amended credit agreement. This is reflected in the FR Y-14Q through a change in the origination date of loan. It is explicit in the documentation that a new origination date should not generally be applied simply because of a covenant violation. Appendix A.2 gives more detail on our construction of renegotiation dates.

Results Appendix Table A-8 shows that for 85% of all renegotiations in the quarter preceding, coinciding with, or succeeding the renegotiation. Thus, renegotiations approximately

form a subset of all loan modifications. Second, even though they relate to substantial changes, they are not especially rare—they occur at least once for 8% of all loans. Third, during a renegotiation, the change in key contractual terms that is most commonly observed is an increase in loan maturity, while changes in spreads or reductions in maturity are observed in less than 10% of all renegotiations. Fourth, Appendix Table A-8 shows that, in times of financial distress (defined as a reduction in internal rating), the propensity to renegotiate loans increases by 4.2p.p., relative to the average renegotiation rate of 5.4%. Finally, on average, the fraction of SD and SL loans that are renegotiated at least once is similar. However, this (lack of) difference is driven by a composition effect. Relative to SD loans, SL loans have a higher share of one-year credit lines (as indicated in Appendix Figure A-2), and these credit lines often tend to be renegotiated at maturity thereby increasing overall renegotiation rates of SL loans. To overcome these composition effects, we compare loans of similar maturity at origination. Appendix Table A-9 shows that renegotiation is significantly *more* likely for SD loans than for SL loans, consistent with the findings on modification rates above.

Overall, these results suggest that ad hoc, ex post changes to credit agreements are relatively common events, though more so for SD than SL loans; that they generally involve maturity extensions; and that they are more likely if the borrower enters financial distress, though again more so for SD than SL loans.

4.2 Is the distinction between SD and SL loans simply proxying for size?

The results discussed in Section 3 contrast the frequency of loan modifications for two groups of loans — syndications (SD) and single-lender (SL) loans. This is motivated by a literature, mentioned in the introduction, arguing that debt held by more diffuse groups of creditors is less likely to be successfully modified or renegotiated in times of borrower financial distress (Bolton and Scharfstein, 1996; Becker and Ivashina, 2014). By contrast, we provide evidence that SD loans are *more* likely to be modified than SL loans, particularly in financial distress.

A natural question about this result is whether the distinction between SD and SL loans simply reflects loan size, as opposed to credit concentration. Indeed, Table 1 shows that the median committed exposure of the average SD loan in our sample is approximately 9 times larger than that of the average SL loan. If loan modifications involve costs that do not scale with size, then our findings may simply be explained by size heterogeneity.

The top panel of Figure 2 reports, in our full sample, a binned scatterplot of modification frequencies. The horizontal axis corresponds to deciles of the distribution of loans by committed exposure (expressed in dollars), and the vertical axis is the average modification rate in each decile. The modification rates reported are net of lender-time, sector-time, and

maturity at origination fixed effects.²⁵

Figure 2 shows two main findings. First, within each group of loans (SD and SL loans), there is a clear positive relationship between size and modification rates. The relationship is non-linear; in each group, the slope of modification rates with respect to size is largest for the smallest loans, a pattern which would be consistent with the hypothesis of fixed costs of loan modifications. Second, however, the figure shows size does *not* entirely account for the difference in modification rates across the two loan groups: indeed, modification rates, even for loans of comparable size, remain approximately 1.5× larger for SD than for SL loans.²⁶ Thus, while the relationship between modification rates and size is consistent with fixed costs of modifying loans, the interaction of (identical) fixed costs with differences in loan size cannot account for our finding of higher modification rates for SD loans.

Finally, we note that the finding of higher modification rates for SD loans does not necessarily contradict the idea that creditor dispersion hinders loan modifications. Our data in fact show some support for this mechanism. For instance, Appendix Table ?? shows that loans to firms with more banking relationships are, all else equal, less likely to be modified. But this effect appears to be independent from the impact of syndication status.²⁷ Thus our finding simply says that creditor dispersion is not the most important factor for understanding modification rates in bank lending relationships.

4.3 Do maturity extensions simply reflect evergreening?

One of the findings of Section 3 is that loan modifications, when they are granted, often take the form of maturity extensions, particularly for SL loans. Additionally, these extensions occur toward the end of the life of the loan. Finally, maturity extensions are also the most common form of loan modification when a renegotiation (as defined in Section 4.1.2) occurs.

This tendency for banks to grant maturity extensions to small borrowers close to maturity bring the notion of "evergreening" to mind. In line with Faria-e Castro, Paul and Sánchez (2021), we use the term "evergreen" to refer to situations where lenders extend additional credit, at favorable terms, to borrowers that are close to default, with the hope of helping the borrower avoid default altogether. Maturity extensions could be one of the mechanisms through which banks provide short-term relief to insolvent borrowers, as a substitute to having to recognize loan losses.

²⁵Specifically, we first residualize modification rates by estimating the OLS regression $Y_{l,b,k,t} = \alpha_{m(l)} + \alpha_{s(b),t} + \alpha_{k,t} + \varepsilon_{l,b,k,t}$, where the notation is as in specification (1), and construct Figure 2 using $\varepsilon_{l,b,k,t}$.

²⁶The bottom panel of Figure 2, by contrast, shows that variation in *renegotiation* rates is explained to a greater degree — though not completely — by differences in size.

²⁷We cannot directly test, in our full sample, whether the size or concentration of a syndicate has an impact on modification rates, because, for each loan that we identify as belonging to a syndicate, we do not have information on the number or committed exposures of all syndicate participants, which potentially include non-bank institutions that are not included in the FR-Y14Q.

We cannot rule out the fact that ad hoc maturity extensions are one of the tools through which evergreening occurs, and in fact, the results of Section 3.2 suggest that financial distress increases the likelihood of a maturity extension, even if they are silent on whether these extensions are “efficient”, or instead disproportionately benefit low-productivity firms. However, loan modifications appear to be a broader phenomenon than evergreening. Appendix Table A-14 shows that the typical loan modification is *not* granted in times of financial distress. Specifically, the table reports the fraction of modifications happening outside, and during, financial distress (defined as a three quarter window around an internal downgrading of the loan). Even for SL loans, 93% of all modifications occur outside financial distress; the figure is 94% for maturity extensions. Thus, by and large, loan modifications occur outside financial distress, suggesting that other motives than evergreening are at play in the decisions to adjust loan terms.

5 Conclusion

In this paper, we have used a new source of data, built from regulatory filings on corporate loan portfolios of large banks, to document the frequency, nature, and timing of typical modifications to corporate loans. In doing so, we have highlighted three main findings. First, modifications are very frequent events; about 40% of all loans issued are modified before their initial contractual maturity. This magnitude is even higher than the propensity to violate covenants documented in the literature on syndicated lending. Second, the frequency, nature, and timing of loan modifications differs substantially between single-lender and syndicated loans: while single-lender loans tend to be modified once, typically through a maturity extension toward the end of the life of the loan, syndicated loans are often modified multiple times, typically with a change in the interest rate spread of the loan. Third, we show that modification rates are sensitive to the onset of borrower financial distress, though syndicated loans are substantially more responsive than single-lender loans.

These results are useful for at least three reasons. First, they confirm and extend the evidence from syndicated loans and covenants suggesting that corporate debt contracts have a high degree of flexibility and state-contingency, consistent with theoretical predictions of models based on contractual incompleteness. Second, the contrast between single-lender and syndicated modification rates suggests that creditor concentration may not always guarantee a higher success of ex-post loan modifications, contrary to predictions of models in which creditor coordination hinders ex-post contractual re-arrangements, like restructurings. Third, our findings challenge the traditional view that relationship lending between a single bank and its borrower generate benefits for both by creating space for ex-post discretion. At least in the context of relationships between large banks and small borrowers covered by our

dataset, lender relationships appear to be more arm's length than they are in the syndicated market. Essentially modification rates of single-lender loans are substantially less responsive to changes in firm-level financial conditions than their syndicated counterparts.

There are at least two questions that our analysis leaves open. First, we do not provide a mechanism for why single-lender relationships may be less flexible than syndicated relationships. The relationship literature has hypothesized that difficulties in scaling the relationship lending model, which does not lend itself to automation, may be partly responsible for this (Cole, Goldberg and White, 2004; Berger et al., 2005). Variation across banks in modification rates in our data may be useful to test for this hypothesis. Second, we do not explore the real economic consequences of debt flexibility, though related literature on covenants has shown that covenant violations or changes in covenant tightness can be associated with changes in revenue growth or investment rates (Nini, Smith and Sufi, 2009; Chodorow-Reich and Falato, 2022). Though more limited in scope than existing datasets on public firms, the FR-Y14Q can, in principle, be used to trace out financial and real outcomes after modifications. Both of these questions matter for tackling a broad issue: are large banks providing too little flexibility to their SME borrowers? That is, would the costs of closer relationship lending by large banks be smaller the benefits that ex-post discretion might create? We hope to tackle this question in future research.

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	All loans	Single-lender (SL) loans	Syndicated (SD) loans		
			All	Agent	Non-agent
Panel A: Summary statistics at origination					
# Loans	338k	248k	99k	16k	72k
# Borrowers	133k	125k	14k	7k	12k
<u>Committed exposure (\$mn)</u>					
mean	15.8	7.6	38.9	51.1	36.1
median	3.3	2.3	18.0	23.0	17.0
<u>Spread (bps)</u>					
mean	171	165	186	207	182
median	175	175	175	200	162
<u>Maturity (yrs)</u>					
mean	5.2	5.4	4.5	4.9	4.4
median	5.0	5.0	5.0	5.0	5.0
% Fixed-rate	30%	39%	6%	8%	6%
% Secured	84%	88%	72%	74%	72%
Panel B: Modification frequencies					
% 0 modifications	59%	63%	45%	41%	46%
% 1+ modifications	41%	37%	55%	59%	54%
% 1 modification	17%	16%	18%	18%	18%
% 2 modifications	8%	7%	11%	11%	11%
% 3 modifications	5%	4%	8%	8%	7%
% 4+ modifications	11%	9%	18%	23%	17%
Panel C: Modification types					
% 1+ loan term modified	41%	37%	55%	59%	54%
Modification to:					
Spread	52%	37%	80%	80%	81%
Maturity	55%	72%	24%	25%	24%
Committed exposure	11%	11%	9%	9%	10%
Collateral	5%	4%	5%	5%	5%

Table 1: Summary statistics at origination (Panel A), modification frequencies (Panel B), and modification types (Panel C). The sample contains loans originated after 2012:Q3 and active up to and including 2022:Q1. There are 29 banks in the sample. In Panel A, all loan terms are measured as of the first origination date of the loan. "Committed exposure" is the amount borrowed. "Spread" is the interest rate spread, expressed in basis points. If the loan is floating rate, we use the spread reported by the lender; if the loan is fixed rate we use the spread of the contractual interest rate over 3-month LIBOR. Maturity is the difference, expressed in years, between the origination date reported the first time the loan is observed, and the maturity date reported the first time the loan is observed. "Fixed rate" indicates whether the loan is fixed or floating rate. "Secured" indicates whether the loan is secured by a specific asset or group of assets. The columns "Agent" and "Non-agent" focus on loan tranches held by the syndicate's agent, and those held by other banks. In Panel B, a modification is defined as change in the interest rate (for fixed rate loans) or interest rate spread (for floating rate loans), or a change in maturity date, from the preceding quarter to the following quarter. Modifications are counted from the first time a loan is observed in sample, to the time of its disposal. In Panel C, we consider only the distribution of modification types for the first time that the loan is modified. See Section 2 and Appendix A.1 for more details on the definition of variables in terms of underlying data items, on sample selection, and on the classification of loans between single-lender and syndicated. The columns in the bottom of panel C can to values greater than 100 percent because modifications can occur simultaneously, i.e. an interest rate change and spread change occur in the same quarter.

	$\mathbf{1}\{\text{Modification}\}_{l,b,k,t}$			$\mathbf{1}\{\text{Maturity extension}\}_{l,b,k,t}$			$\mathbf{1}\{\text{Interest rate change}\}_{l,b,k,t}$		
$\mathbf{1}\{\text{Syndication}\}_l$	9.0 (0.25)	10.0 (0.27)	6.3 (0.37)	-3.5 (0.11)	-1.4 (0.14)	-1.9 (0.22)	12.3 (0.24)	11.4 (0.25)	8.1 (0.33)
mean rate	12.8%	14.5%	17.1%	6.5%	6.7%	4.9%	7.5%	9.1%	13.7%
lender \times quarter f.e.	\times	\checkmark	\checkmark	\times	\checkmark	\checkmark	\times	\checkmark	\checkmark
sector \times quarter f.e.	\times	\checkmark	\checkmark	\times	\checkmark	\checkmark	\times	\checkmark	\checkmark
borrower \times quarter f.e.	\times	\times	\checkmark	\times	\times	\checkmark	\times	\times	\checkmark
maturity at orig. f.e.	\times	\checkmark	\checkmark	\times	\checkmark	\checkmark	\times	\checkmark	\checkmark
loan controls	\times	\checkmark	\checkmark	\times	\checkmark	\checkmark	\times	\checkmark	\checkmark
borrower controls	\times	\checkmark	\times	\times	\checkmark	\times	\times	\checkmark	\times
borrowers w/ SL & SD loans	\times	\times	\checkmark	\times	\times	\checkmark	\times	\times	\checkmark
# obs	3210k	2130k	792k	3210k	2130k	792k	3210k	2130k	792k
# loans	337k	250k	95k	337k	250k	95k	337k	250k	95k
# borrowers	137k	84k	6k	137k	84k	6k	337k	84k	6k

Table 2: Syndication status and loan modifications. The sample contains loans originated after 2012:Q3 and active up to and including 2022:Q1. There are 29 banks in the sample. We use the data at the loan-quarter level, and the specifications we estimate are summarized in Equation (1). The line "mean rate" indicates the unconditional average of the independent variable in the regression sample corresponding to each specification. Standard errors are reported in parentheses and double clustered at the borrower and quarter levels. In the first three columns, a modification is defined as either a maturity extension, or a modification of interest rates. For each of the three outcome variables, we consider a specification with no independent variables other than syndication status, a saturated specification, and one restricted to firms that have at least one single-lender and one syndicated loan. In the saturated specification, the loan-level controls are: an indicator for whether the loan is a credit line; an indicator for whether the loan is secured; and indicator for whether the loan is fixed-rate; and the ratio of committed exposure to total assets of the borrower. The borrower-level controls are: the ratio of current assets to total assets; the ratio of net income tot total assets; the ratio of book debt to total assets; and an indicator for whether the borrower is a publicly traded firm. In the third specification, which is restricted to firms that have at least one single-lender and one syndicated loan, we include the same loan-level controls as in the saturated specification. Section 2 and Appendix A.1 provide more details on the definition of variables in terms of underlying data items, on sample selection, on the classification of loans between single-lender and syndicated, and on summary statistics in the regression sample.

	$\mathbf{1}\{\text{Modification}\}_{l,b,k,t}$		$\mathbf{1}\{\text{Maturity extension}\}_{l,b,k,t}$		$\mathbf{1}\{\text{Interest rate change}\}_{l,b,k,t}$	
$D_{l,t}^{(-)}$	5.2 (0.29)	1.6 (0.57)	4.4 (0.24)	1.1 (0.38)	1.7 (0.18)	0.9 (0.53)
$D_{l,t}^{(-)} \times \mathbf{1}\{\text{Syndication}\}_t$	3.7 (0.54)	2.6 (0.68)	-2.9 (0.32)	0.74 (0.41)	6.4 (0.52)	2.3 (0.64)
mean rate	14.5%	16.8%	6.7%	4.7%	9.1%	13.3%
lender \times quarter f.e.	✓	✓	✓	✓	✓	✓
sector \times quarter f.e.	✓	✓	✓	✓	✓	✓
borrower \times quarter f.e.	✗	✓	✗	✓	✗	✓
maturity at orig. f.e.	✓	✓	✓	✓	✓	✓
loan f.e.	✓	✓	✓	✓	✓	✓
borrower controls	✓	✗	✓	✗	✓	✗
borrowers w/ SL & SD loans	✗	✓	✗	✓	✗	✓
# obs	2159k	848k	2159k	848k	2159k	848k
# loans	250k	98k	250k	98k	250k	98k
# borrowers	84k	6k	84k	6k	84k	6k

Table 3: Financial distress and loan modifications. The sample contains loans originated after 2012:Q3 and active up to and including 2022:Q1. There are 29 banks in the sample. We use the data at the loan-quarter level, and the specifications we estimate are summarized in Equation (3). The variable $D_{l,t}^{(-)}$ is a indicator that is equal to 1 if the internal loan rating of the loan declines by 1 on a scale of 1 to 10 between quarters $t - 1$ and t . The line "mean rate" indicates the unconditional average of the independent variable in the regression sample corresponding to each specification. Standard errors are reported in parentheses and double clustered at the borrower and quarter levels. In the first three columns, a modification is defined as either a maturity extension, or a change in interest rates. For each of the three outcome variables, we consider specifications with 1) borrower controls and 2) borrower \times quarter fixed effects on the sample restricted to firms that have at least one single-lender and one syndicated loan. Section 2 and Appendix A.1 provide more details on the definition of variables in terms of underlying data items, on sample selection, on the classification of loans between single-lender and syndicated, and on summary statistics in the regression sample.

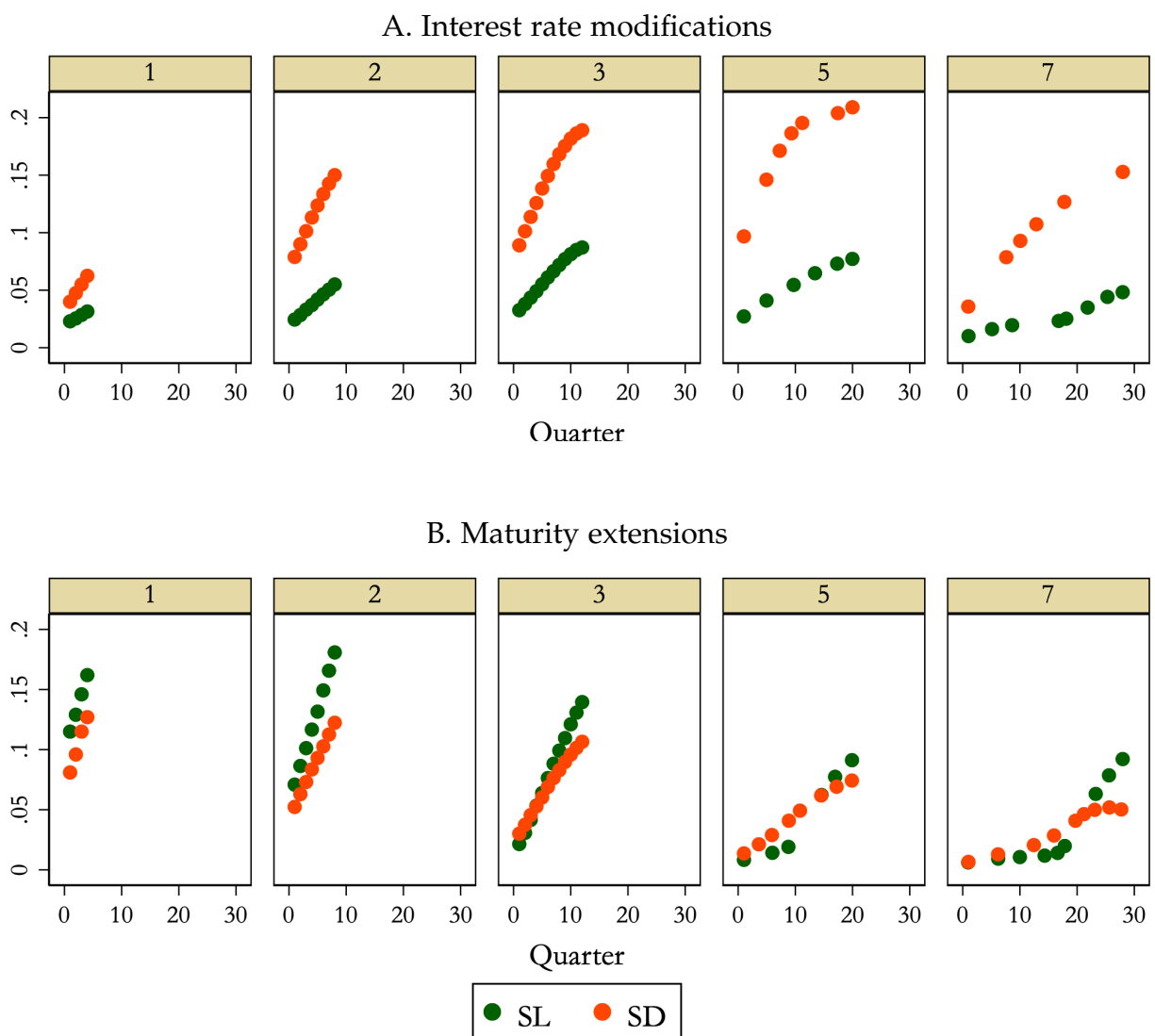


Figure 1: The timing of loan modifications. The sample contains loans originated after 2012:Q3 and active up to and including 2022:Q1. Panel A shows interest rate changes, and Panel B shows maturity extensions. Each subpanel focuses on loans with different maturities at origination, with the number of years at origination indicated in the title of the subpanel. In each subpanel, the horizontal axis is the number of quarters after the origination of the loan. On the vertical axis, we report an estimate of the hazard rate of each event (interest rate change or maturity extension) using the Nelson-Aalen estimator of the hazard function. The orange dots correspond to syndicated (SD) loans and the green dots correspond to single-lender (SL) loans.

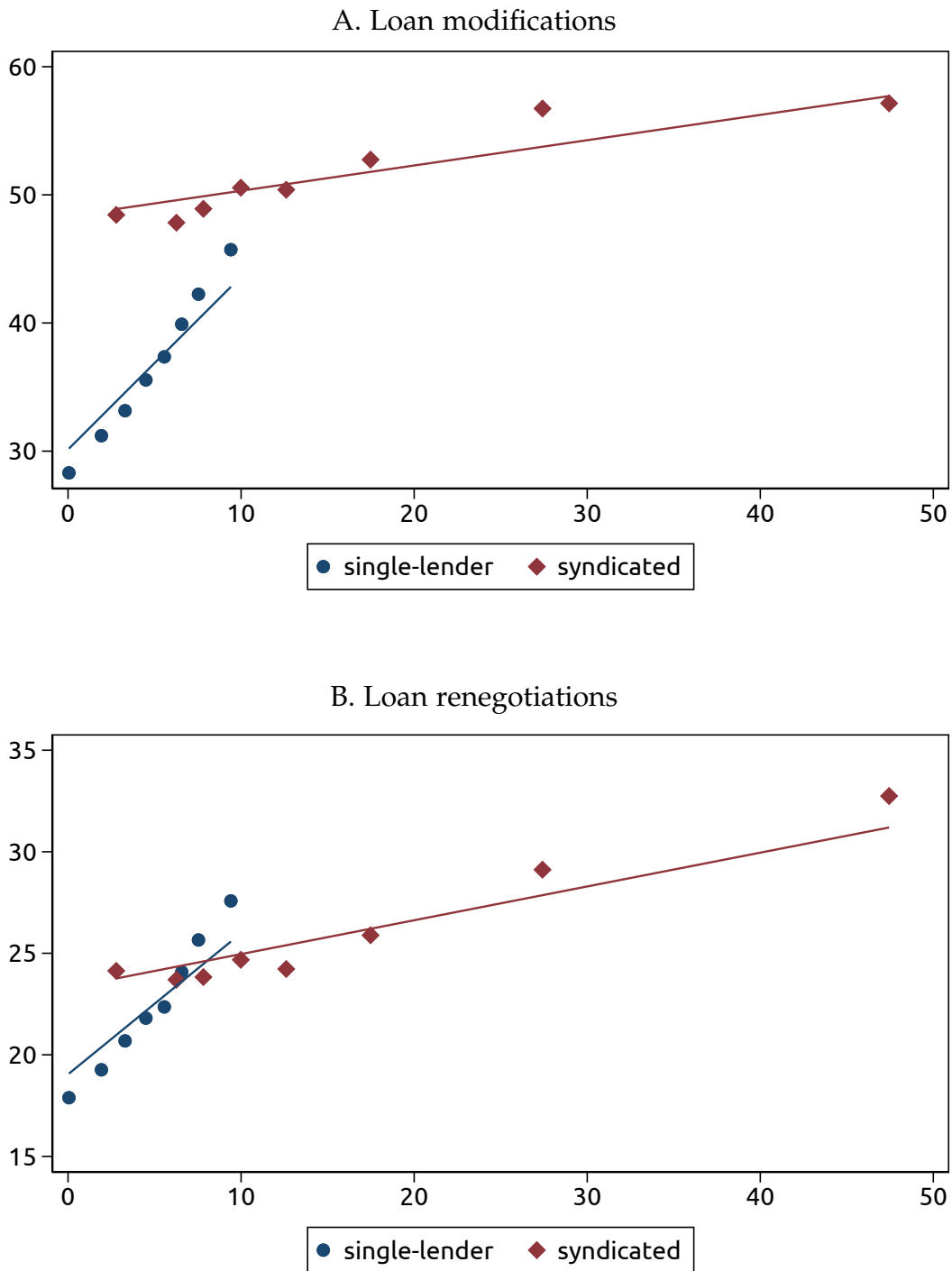


Figure 2: The role of loan size. The sample contains loans originated after 2012:Q3 and active up to and including 2022:Q1. There are 29 banks in the sample. Panel A focuses loan modifications, as defined in Section 3, while Panel B renegotiations, as defined in Section 4.1.2. In each panel, the horizontal axis is loan size, expressed in \$, and the vertical axis is the fraction of loans modified or renegotiated at least once after issuance within that size bin. Size is defined as the committed exposure at the time of first origination of the loan. Scatterplots reported in red correspond to syndicated loans, while scatterplots reported in blue correspond to single-lender loans. The data are residualized with respect to sector-time, lender-time, and maturity at origination fixed effects before constructing the binned scatterplots.

Internet Appendix for "Debt Flexibility"

A.1 Details on data construction

A.1.1 The FR Y14-Q schedule H.1

This appendix provides more details on our treatment of the Schedule H.1 data. The data have a loan \times quarter panel structure.

A.1.1.1 Variable definitions and sample selection

The variables we use rely on (a) underlying fields corresponding to the variables defined in the FR Y-14Q reporting instructions; and (b) identifiers which we define and construct ourselves.²⁸ The following listing contains a description of these variables.

Variable	Field	Description and Cleaning Steps
date_q	N/A	quarterly reporting date
loanID	3	fill forward OriginalInternalObligorID
borrowerID	4, 9, 13, 14	<ol style="list-style-type: none"> 1. drop loans missing obligorname, tin, tickersymbol, and cusip 2. fill in missing tin when obligorname matches 3. create borrower id for each obligorname or tin
IndustryCode	8	NAICS, SIC, or GICS code reported to 4 to 6 digits
committed_flag	24	Loans where committedexposure increases by more than 10 percent are flagged.
variability	37	<ol style="list-style-type: none"> 1. Because loans can be reported as “fully undrawn”, fill forward from the previous variability 2. Then backfill if “fully undrawn” <p>A change in variability is flagged as positive when a loan goes from fixed (1) to either floating (2), mixed (3), or fee-based (4) and vice versa for negative. These changes are rare and only occur for about 5 percent of loans.</p>
interestrate	38	<p>For fixed rate loans, as indicated by the cleaned variability variable</p> <ol style="list-style-type: none"> 1. Fill forward with the previous interestrate if its 0 or missing because the loan is fully undrawn as indicated by field 37. 2. Back fill with the next interestrate if its 0 or missing because the loan is fully undrawn as indicated by field 37. <p>A change in interestrate greater than 5 bps is flagged if the loan has exited the syndication pipeline. Our results are robust to using a threshold of 10 or 15 bps.</p>
interestratespread	40	<p>For non-fixed rate loans, as indicated by the cleaned variability variable</p> <ol style="list-style-type: none"> 1. Fill forward with the previous interestratespread if its 0 or missing because the loan is fully undrawn as indicated by field 37. 2. Fill backward with the previous interestratespread if its 0 or missing because the loan is fully undrawn as indicated by field 37. 3. For fixed rate loans out of the syndicated loan pipeline, set interestratespread as the interestrate less the Treasury yield that matches the remaining maturity of loan if the remaining maturity is greater than one year. Otherwise, use interestrate less prime if the remaining maturity of the loan is less than one year. <p>A change in interestratespread greater than 5 bps is flagged if the loan has exited the syndication pipeline. Results are robust to a threshold of 10 or 15 bps.</p>

²⁸See pages 169 to 221 of <https://www.federalreserve.gov/apps/reportingforms/Download/DownloadAttachment?guid=5bc5f538-ec2f-41ed-9b4c-b6265c0a428c>.

interestrate_flag		The composite of either a flagged change in interestrate for fixed rate loans or interestratespread for all other loans including floating rate loans
maturitydate	19	<ol style="list-style-type: none"> 1. If maturitydate is missing, fill forward as long it is greater than than date_q, i.e. the loan did not mature in the previous period. 2. Backfill maturity date if it's missing and greater than or equal date_q <p>A change in maturitydate is flagged when loans have exited the syndication pipeline.</p>
modification_flag		the maximum of flagged changes in maturity_date and interestrate_flag
securitytype	36	A change in securitytype is flagged after 2012:Q2 and is a positive change if it goes from unsecured (6) to secured (0,1,2,3,4,5) and vice versa for negative.
renewaldate	91	<ol style="list-style-type: none"> 1. If renewaldate== maturitydate and renewaldate>date_q, replace renewaldate with date_q and fill forward 2. If originationdate==renewaldate, set renewaldate to originationdate in the quarter prior to the accidental change in originationdate 3. Fill forward renewaldate if missing 4. Replace with max of renewaldate and originationdate if originationdate is backwards moving 5. Fill forward renewaldate again if missing 6. Fill forward renewaldate again if missing 7. If renewaldate> date_q and prior observations are missing, set to date_q 8. If a change in renewaldate is recorded one quarter after it occurs, set it to the quarter when it occurs <p>a change in renewaldate for loans not in the syndicated pipeline is flagged when the updated renewaldate is within one quarter of date_q. Because the data is at a quarterly frequency, we only flag changes in renewaldate that occur more than 92 days apart.</p>
originationdate	18	<ol style="list-style-type: none"> 1. backfill originationdate if it is blank or is backwards moving. It can be backwards moving if renewaldate==originationdate 2. If originationdate> date_q and prior observations are missing, set equal to the preivous originationdate 3. If a re-origination is recorded one quarter after it occurs, set it to the quarter when it occurs <p>A change in originationdate is flagged under the same criteria as renewaldate described above</p>
renegotiation_flag		Because the definition of originationdate is changed and renewaldate is introduced in 2014:Q4 as explained in section A.2.1, it is useful to take the maximum of the two dates and use this as composite flag.
date_of_financials	52	see section A.1.1.2.
total_assets	70	see section A.1.1.2.
net_income	59	see section A.1.1.2.

Appendix Table A-1 describes the sample selection steps we apply in order to arrive at our analysis sample, along with the number of observations remaining at each step.

A.1.1.2 Firm level financial and loan/borrower level controls

Our regression specifications use various borrower and loan level controls as well as several borrower-level financial variables from the FR Y-14Q. The financial variables listed in Appendix A.1.1.1 are available at the loan level at the quarterly frequency. However, each quarterly observation does not necessarily reflect up-to-date financial information. Instead, the variable date_of_financials, reports the date the financial information was updated

last. In practice, financial data gets updated somewhat irregularly, but typically new data are available at least annually for each loan. Using our constructed borrower identifier we take the median value of the financial variable at hand across all available observations for a given borrower at a given date (for the financials). We additionally define:

- Number of banking relationships: number of banks with whom a given borrower currently has outstanding loans.
- Bond access: =1 if a borrower currently has a CUSIP identifier at any date; = 0 otherwise.
- Age of banking relationship: number of years since the borrower had their first loan outstanding with the bank.
- Number of loans in relationship: number of currently outstanding loans between the bank and the borrower.

A.1.1.3 Syndication status

We use the variable `participationflag` to classify loans between syndicated and single-lender loans. Because other variables related to syndication—such as `sncinternalcredit`, `participationinterest`, and `syndicatedloanflag`—are not available for the full sample, we do not use these to define syndicated loans. Instructions to reporting banks regarding `participationflag` changed in 2016:Q2:

- Before 2016:Q2, reporting instructions are:²⁹ *Indicate if the credit facility is participated or syndicated among other financial institutions.*
 1. No
 2. Yes, purchased by reporting BHC [bank holding company]
 3. Yes, sold by reporting BHC [bank holding company]
- After 2016:Q2, reporting instructions are:³⁰ *Indicate if the credit facility is participated or syndicated among other financial institutions and if it is part of the Shared National Credit Program. For fronting exposures report option 1, 'No'.*
 1. No
 2. Yes, syndicate/participant in syndication but does not meet the definition of a Shared National Credit
 3. Yes, agent in syndication or participation but does not meet the definition of a Shared National Credit
 4. Yes, syndicate/participant in Shared National Credit

²⁹See https://www.federalreserve.gov/reportforms/forms/FR_Y-14Q20140331_i.pdf, p.183, field 34.

³⁰See https://www.federalreserve.gov/reportforms/forms/FR_Y-14Q20160930_i.pdf, p.202, field 34.

5. *Yes, agent in Shared National Credit*

We define syndicated loans as those where the last observation `participationflag` \neq 1, and single-lender loans as the remainder. Additionally, we exclude loans that never exit the syndication pipeline. Finally, after 2016:Q2, we use the additional information reported in the variable `participationflag` to determine whether the reporting bank is acting as the agent in the syndication to which the loan tranche belongs.

A.1.1.4 Internal loan ratings

Banks are required to submit their `InternalRating` for each obligor. As there is no standardized rating across banks, staff of the Federal Reserve System has internally standardized the ratings on a scale from 1-10, with 1 being the lowest and 10 being the highest rating. These ratings are then further mapped to various agency ratings such as S&P.

A.1.2 Bankruptcy data

Data is taken from <https://www.bankruptcydata.com/>. We use information on business bankruptcy filings for Chapter 7 and 11. The bankruptcy data is taken from the filings at state bankruptcy courts. We focus on Chapter 7 and 11 as they comprise the overwhelming majority of cases in our sample period. We merge the bankruptcy filings to the Y14 using quarterly dates, company names, 6-digit CUSIP, and zip code. Our matching algorithm sequentially matches borrowers in the following order. We first match the bankruptcy data to the Y14 by date-tin-name-zip, any unmatched observations then get matched by date-tin-name-CUSIP. We continue this matching procedure with, date-tin-name-state, date-tin-name, date-tin-zip, date-tin-CUSIP, date-name-zip, date-tin-state, date-name-state, date-tin, date-cusip, and ultimately date-name.

A.1.3 Shared National Credit (SNC) registry data

The SNC data has an annual frequency from May 2004 to May 2014. After that, the data are bi-annual, though the quarters of reporting vary from year to year. The reporting threshold changed from \$20m to \$100m (at origination) in January 2018. As a result, there is a significant drop in the number of loans from 2018:Q1 to 2018:Q3 (the next observation) from about 11,500 observations for `snc_credit_ids` (the SNC identifier, described below) to about 8500. Even though there are two reviews per year, some loans are only audited once a year. For example, of the loans originated before 2018, only about 70 percent appear in 2018, the remaining 30 percent only once. Like in the FR Y-14Q, loans in the SNC do not necessarily show up on their quarter of origination. Each loan \times time observation is classified as either

non-compliant if the borrower has breached a covenant threshold as of the end of the year, or compliant after receiving a waiver or an amendment if the borrower has not breached a covenant threshold after it was reset, but would have otherwise breached it (if it had not been reset) as of the end of the year. We classify a borrower’s loan covenants to be binding in a given year if the borrower is either non-compliant or compliant after receiving a waiver or an amendment on one of its credit in that year.

The following listing compares the concepts of loans, agents, and participants across the FR Y-14Q and the SNC data.

Definition	SNC (<code>snc_credit_id</code> × year or half-year)	FR Y-14Q (<code>loanID</code> × quarter)
Loan	<code>snc_credit_id</code> is formally a <i>credit</i> which is any loan or commitment to extend credit, or group of commitments, aggregating \$100 million or more at origination; and committed under a formal lending arrangement; and shared by three or more unaffiliated supervised institutions. ³¹ A non-bank subsidiary of a holding company is considered a supervised institution.	<code>loanID</code> is a loan or lease with a committed balance greater than or equal to \$1 million reported at the credit facility level. For purposes of this collection, a credit facility is defined as a credit extension to a legal entity under a specific credit agreement.
Agent	<code>agent_submission_entity_id</code> never more than 1 agent per credit; agent is also a participant in 92 percent of loans and the review bank for 90 percent. ³²	<code>participationflag</code> lead bank in a syndication.
Participant	<code>participant_rssd_id</code> each participant has one entry per <i>t</i> for a given <code>snc_credit_id</code>	<code>participationflag</code> lender in a syndication

Our merge procedure takes into account the following points:

- `snc_credit_id` in the SNC identifies the syndicate while `loanID` in the FR Y-14Q identifies the facilities/tranches of each syndicate. `snc_credit_id` is thus a superset of `loanID`. All FR Y-14Q statistics are computed at the level of `snc_credit_id` which is merged in from the SNC. One `snc_credit_id` may therefore correspond to multiple `loanIDs`.
- In theory, the agent and review banks’ internal ID should correspond to `sncinternalcreditid` in the FR Y-14Q. In practice, this does not always hold. Therefore, we merge sequentially, based on the following combinations of ids and obligor variables:
 1. `bhc snc_credit_id date`
 2. `bhc sncinternalcreditid date`
 3. `o_name bhc date committed`
 4. `o_name bhc date o_zip5`
 5. `o_name bhc date o_zip5 dup`
 6. `o_name bhc date originationdate_w`
 7. `o_name bhc date originationdate_w dup`
 8. `o_name bhc financialsdate committed`

³¹These are financial institutions subject to regulation by one of the three regulatory agencies.

³²For 90 percent of the loans a review bank is also a participant.

- 9. o_zip5 bhc date committed
- 10. o_zip5 bhc date originationdate_w

Appendix Table A-4 reports summary statistics on the merge. The top panel shows the merge between the SNC sample and the FR Y14-Q, while the bottom panel shows the merge between the SNC covenant review sample and the FR Y14-Q.

A.2 Details on the measurement of re-originations and renewals

This Appendix provides more details on the two additional ways of measuring changes in loan contracts in the FR Y-14Q which were described in Section 4.1.2: re-originations and renewals.

A.2.1 Definition

The definition of the originationdate variable used to define re-originations is changed three times in our sample: in 2014:Q1, 2015:Q1, and 2016:Q1. Moreover, in 2016:Q1 the originationdate variable is split into the renewaldate variable. 2012:Q2 is the first available instructions form. The following listing clarifies the changes in variable definitions.

	originationdate			renewaldate
	2011:Q3-2013:Q3	2013:Q4-2014:Q3	2014:Q4-present	2014:Q4-present
Legally binding agreement	✓			
Legally binding commitment		✓	✓	
Renewal	✓			✓
All credit actions that require bank approval	✓			
Change in contractual date of obligation	✓	✓		
New or amended and restated credit agreement			✓	
1. Extension options				
2. Covenants	✓			
3. Waivers	✓			
4. Change in maturity date	✓	✓		✓
5. Repricing	✓	✓		✓
6. Periodic credit reviews	✓	✓		

The following gives a more precise report of the different definitions used in the FR Y14-Q reporting guidelines:

- 2011:Q3 to 2013:Q3 definition: page 7, field 18.³³ *The date a credit facility becomes a legally binding agreement. If the credit facility has been renewed, use the renewal date as the Origination Date (except for extension options that were at the sole discretion of the obligor). The renewal date would include all credit actions that require bank approval and that change the contractual date of the obligation.*
- 2013:Q4 to 2014:Q3 definition: page 184, field 18.³⁴ *Report the origination date of the commitment. The “originationdate” is the date the commitment to lend becomes a legally binding commitment. If there has been a major modification to the loan that requires credit approval such that the contractual date of the loan is changed in the loan system, use the revised contractual date as the “origination date.” The following examples would generally not result in a change in the contractual date of the loan in the loan system, and thus would not be considered major modifications:*
 - *extension options at the sole discretion of the borrower*
 - *covenants*
 - *waivers*
- 2014:Q4 to present definition: page 192, field 18.³⁵ *Report the origination date. The origination date is the date the commitment to lend becomes a legally binding commitment. If there has been a major modification to the loan such that the obligor execute a new or amended and restated credit agreement, use the revised contractual date of the credit agreement as the origination date. The following independent examples would generally not result in a change in the contractual date of the loan, and thus would not be considered major modifications:*
 - *extension options at the sole discretion of the borrower*
 - *covenants*
 - *waivers*
 - *change in the maturity date*
 - *repricing*
 - *periodic credit reviews*

Additionally, exclude all renewals which meet the definition in “RenewalDate” Field 91

³³See <https://www.federalreserve.gov/apps/reportingforms/Download/DownloadAttachment?guid=92c98f5c-df39-46c4-97b8-2621d997432f>. The file in the .zip folder is called /FR Y-14Q/Wholesale/FR_Y-14Q_CorpLoan_2Q12.pdf.

³⁴See <https://www.federalreserve.gov/apps/reportingforms/Download/DownloadAttachment?guid=2f122a09-cf30-49fe-8a51-5f33682c26c8>.

³⁵See <https://www.federalreserve.gov/apps/reportingforms/Download/DownloadAttachment?guid=7104872b-af71-4447-a59a-57956e39cafc>.

- 2014:Q4 to present definition: page 222, field 91.³⁶ *If the credit facility has been renewed per the terms of the original loan agreement, re-priced, or has a change in the maturity date such that the Origination Date did not change, report the date on which the most recent renewal notification became effective. If a credit facility has been renewed as part of a major modification such that the contractual date of the original loan is changed, then such date would be reported in Field 18 (Origination Date) and the BHC should report 9999-12-31 in this field. If the credit facility has not been renewed the BHC should report 9999-12-31 in this field.*

A.3 Loan modifications during COVID

Appendix Figure A-1 shows that modification rates were unusually elevated after the start of the COVID pandemic. Total modification rates spiked in 2020:Q1, particularly for SD loans. Since then, modification rates of SD loans have trended slightly upward, reaching approximately 25% of all loan-quarter observations in 2022:Q1 (our last quarter of data), compared to the 20% average modification rate for these loans pre-COVID.

The top panel of Appendix Figure A-5 focuses on the period ranging from 2019:Q1 to 2022:Q1, and reports the rates of renewals and re-originations in our data. The latter correspond to the major modifications to credit agreements which we referred to as "renegotiations" in Section 4.1.2. In contrast to modification rates, neither of these types of events show a surge in frequency during or after the COVID pandemic. This suggests that, to the extent that lenders used loan flexibility to provide relief to their borrowers, this was done through modification of key loan terms as opposed to a general overhaul of credit agreements. Consistent with the rest of our analysis, lenders seem to have offered more flexibility to SD borrowers than SL borrowers during this period.

In Appendix Figure A-6, we show that this change in modification rates is robust to controlling for borrower, lender, sector and maturity at origination. Specifically, we estimate a specification of the form:

$$Y_{i,t} = \gamma_{m,j,b} + \delta_t + \varepsilon_{i,m,j,b,t} \tag{A1}$$

restricted to the sample of 2019:Q1 to 2020:Q4, for loan i , borrower j , lender b , maturity at origination m , and quarterly date t . In Appendix Figure A-6, we report estimates of the time effects δ_t , using 2019:Q4 as the omitted category. In the top panel, the dependent variable is a dummy for whether the loan experiences a maturity extension; in the middle panel, the dependent variable is a dummy for whether the loan experiences a modification in interest rates; and in the bottom panel, the dependent variable is a dummy for whether the loan experiences a renewal. The main result is that most modifications appear to have taken the

³⁶See <https://www.federalreserve.gov/apps/reportingforms/Download/DownloadAttachment?guid=7104872b-af71-4447-a59a-57956e39cafc>.

form of changes in interest rates; maturity extensions do not exhibit a significant change, while renewals exhibit a significant but economically small change. Appendix Figure A-7 confirms this result, accounting for potential fixed calendar quarter effects on modification and re-origination rates. Namely, in the sample restricted to 2017:Q1 to 2020:Q4, we estimate:

$$Y_{i,t} = \gamma_{m,j,b} + \sum_{q=1}^4 \mathbf{1}\{q(t) = q\} (\alpha_q + \mathbf{1}\{t \geq 2020 : Q1\} \delta_q) + \varepsilon_{i,m,j,b,t} \quad (\text{A2})$$

where $q(t)$ denotes the quarter corresponding to date t . Appendix Figure A-7 reports the point estimates for $\{\delta_q\}_{q=1}^4$, which represent the incremental likelihood of re-origination (top panel) and interest rate modification (bottom panel) compared to the average rates for that quarter over the 2017-2019 period. The top panel shows that, if anything, re-originations fell slightly compared to pre-COVID. Interest rate changes increased significantly (about 3p.p. higher, relative to a baseline of about 15%), though the increase was concentrated in 2020:Q1 and 2020:Q2. Thus overall, COVID was marked by an increase rate of loan modifications, particularly interest rate changes, and particularly among SD borrowers.

		# obs.	# loans	# borrowers	# banks
1	Drop observations with date after 2022:Q1	12,509,702	1,276,421	428,965	42
2	Drop if originated after 2022:Q1, matured before 2011:Q3, or a foreign firm	10,092,271	1,016,640	343,423	41
3	Drop banks that are acquired	9,675,978	977,920	334,003	38
4	Drop banks with < 100 loans per quarter	9,538,967	956,471	324,791	31
5	Drop loans observed for only one quarter, obs. before 2012:Q3	9,461,287	878,791	307,863	31
6	Drop NAICS-2 industries FIRE, Construction, Utilities; loans in a SPV	6,131,430	548,446	215,689	30
7	Drop loans not continuously observed	5,758,311	522,006	207,029	30
8	Drop loans where interestrate, committed, originationdate, spread, or utilized is missing for all observations	5,674,474	509,816	203,082	29
9	Drop loans with negative interestrate, committed, utilized or missing securitytype	5,572,398	501,938	201,185	29
10	Drop loans with a decreasing originationdate	5,478,156	496,594	199,614	29
11	Drop loans observed after maturity	5,444,792	493,886	198,498	29
12	Drop firms with totalssetscurrent, netsalescurrent < 0	5,276,763	483,626	196,037	29
13	Drop loans that never exit the syndication pipeline	5,135,308	468,587	192,152	29
14	Drop loans where initial maturity is always missing	4,595,670	426,367	171,935	29
15	Drop loans originated before 2012:Q1	3,307,116	336,795	135,736	29

Table A-1: Sample Selection Steps. The third column reports the number of observations before the drop step described in each line. The fourth, fifth and sixth columns report, respectively, the remaining number of unique loans, borrowers, and banks in the sample.

	mean	s.d.	p5	median	p95	Nr. of entities
Panel A: Loan-level						
Initial maturity (qtrs.)	20.8	21.2	3.0	20.0	50.0	337k
Maturity remaining (qtrs.)	16.6	19.8	1.5	13.6	42.5	337k
Interest rate spread (bps.)	171	133	0	175	400	337k
Loan/asset ratio	0.485	2.047	0.001	0.055	1.370	265k
1 {Syndication}	26.4	44.1	0	0	100	337k
1 {Line}	40.6	49.1	0	0	100	337k
1 {Fixed-rate}	30.3	45.2	0	0	100	337k
1 {Secured}	85.6	34.0	0	100	100	337k
Panel B: Borrower-level (all borrowers)						
Initial maturity (qtrs.)	24.3	25.1	4.0	20.0	80.0	136k
Maturity remaining (qtrs.)	19.8	23.7	1.9	13.5	70	136k
Interest rate spread (bps.)	182	124	0	192	382	136k
Loan/asset ratio	0.762	2.476	0.001	0.193	2.621	91k
1 {Syndication}	9.1	27.4	0	0	100	136k
1 {Line}	38.6	44.5	0	0	100	136k
1 {Fixed-rate}	34.01	44.2	0	0	100	136k
1 {Secured}	91.9	24.6	0	100	100	136k
Panel C: Borrower-level (public borrowers)						
Initial maturity (qtrs.)	16.9	6.2	4.0	18.7	24.5	3k
Maturity remaining (qtrs.)	12.7	5.3	3.1	13.1	19.8	3k
Interest rate spread (bps.)	145	107	0	138	339	3k
Loan/asset ratio	0.235	1.000	0.001	0.020	1.036	1k
1 {Syndication}	62.24	39.2	0	79.9	100	3k
1 {Line}	68.1	31.5	0	74.8	100	3k
1 {Fixed-rate}	16.3	26.1	0	4.5	88.7	3k
1 {Secured}	70.4	37.0	0	91.0	100	3k

Table A-2: Additional summary statistics at the loan-by-quarter level. Panel A reports summary statistics on the distribution of loan characteristics across all loan-by-quarter observations. In this case, the column marked "Nr. of entities" is the total number of loans in the sample. Panel B reports the summary statistics on the same variables, after taking a weighted average of outstanding loans at a point in time within each borrower, where the weights are committed exposures. In this case, the column marked "Nr. of entities" is the number of borrowers. Panel C reports the same summary statistics restricted to the sample of borrowers that can be matched to Compustat.

	# borrowers	# loans	% no change	% change		
				before	during	after
Change = modification	129k	322k	59%			
Matched to bankruptcy data	1k	6k	52%	15%	24%	9%
Change = renegotiation	129k	322k	76%			
Matched to bankruptcy data	1k	6k	78%	6%	12%	4%
Change = modification						
Single-lender	118k	240k	64%			
Syndication	11k	82k	46%			
Matched to bankruptcy data						
Single-lender	1k	3k	61%	12%	20%	7%
Syndication	0k	4k	45%	17%	27%	11%
Change = renegotiation						
Single-lender	118k	240k	77%			
Syndication	11k	82k	74%			
Matched to bankruptcy data						
Single-lender	1k	3k	81%	4%	11%	3%
Syndication	0k	4k	75%	8%	13%	4%

Table A-3: Modification and renegotiation rates for all borrowers and those that enter bankruptcy and match to a loan in our sample of the FR Y-14Q dataset. 33,647 firms have non-missing assets in the bankruptcy data; of these, 915 can be matched to borrowers in the FR Y-14Q. Modification and renegotiation rates are expressed as a fraction of all loans outstanding for each group of borrowers. Renegotiations are renewals and/or re-originations.

	SNC sample \cap Y14				SNC sample			
	p25	p50	p75	mean	p25	p50	p75	mean
Loan size (\$ mn)	16.5	17.6	18.6	17.5	70.0	198.8	500.0	459.8
Facilities per loan (#)	1	2	3	2	4	8	17	50
Mat. at orig. (quart.)	16	20	20	18	15	20	20	22
# participants	27,448				30,184			
# loans	12,723				24,870			
# facilities	32,731				30,184			
% term loans	32				—			
% fixed rate	6				—			
% public	50				—			
	SNC cov. sample \cap Y14				SNC cov. sample			
	p25	p50	p75	mean	p25	p50	p75	mean
Loan size (\$ mn)	16.4	17.4	18.4	17.4	72.41	198.00	497.5	422.82
Facilities per loan (#)	1	2	3	2	5	9	24	77
Mat. at orig. (quart.)	17	20	20	19	20	20	22	20
# participants	10,631				20,744			
# loans	4,913				10,368			
# facilities	13,219				20,744			
% term loans	33				—			
% fixed rate	7				—			
% public	47				—			

Table A-4: Summary statistics for the FR Y-14Q merged with the full SNC sample (top panel) and the SNC covenant review sample (bottom panel). The first group of columns reports summary statistics at origination for loans that are covered both in the SNC sample, and in our Y14 sample. The second group of columns reports the same summary statistics at origination for the full SNC sample.

	# modified	# reneg.	# both	# neither	# total
only violated & waived	402	34	642	233	1,311
only violated & enforced	48	4	47	15	114
both enforced & waived	78	6	122	30	236
never violated	1,055	80	1,261	856	3,252
total	1,583	124	2,072	1,134	4,913

Table A-5: Modifications and renegotiations in the cross-section of syndications observed in both the SNC and the FR Y14-Q. Statistics are computed at the syndication level which may correspond to multiple loans in the FR Y14-Q. A modification is tabulated if any of the facilities or tranches has ever experienced a change in interest rate or maturity. A renegotiation is tabulated if any of the facilities or tranches are ever renewed or re-originated. A syndication is both modified and renegotiated if any of the facilities or tranches experience both. A syndication is tabulated as neither if none of the facilities or tranches are modified or renegotiated. Violated and waived is tabulated if the borrower would have ever breached a covenant threshold had it not been reset. Violated and enforced is tabulated if a borrower ever breached a covenant threshold. Both enforced and waived is tabulated if a borrower has experience both a breach and reset of a covenant (it could be on the same syndication in different periods or on different syndications). Never violated is tabulated if a borrower never breached nor reset a covenant.

	# modified	# reneg.	# both	# neither	# total
only violated & waived	489	37	218	415	1,159
only violated & enforced	35	2	20	43	100
both enforced & violated	46	7	31	55	139
never violated	1,381	90	534	1,660	3,665
total	1,951	136	803	2,173	5,063

Table A-6: Modifications and renegotiations in the current and following two quarters in the panel of syndications observed in both the SNC and the FR Y14-Q. Statistics are computed at the syndication *times* quarter level which may correspond to multiple loans in the FR Y14-Q. A modification is tabulated if any of the facilities or tranches has experienced a change in interest rate or maturity in the current and following two quarters. A renegotiation is tabulated if any of the facilities or tranches are renewed or re-originated in the current and following two quarters. A syndication is both modified and renegotiated if the facilities or tranches experience both in the current and following two quarters. A syndication is tabulated as neither if none of the facilities or tranches are modified or renegotiated in the current and following two quarters. Violated and waived is tabulated if the borrower would have breached a covenant threshold had it not been reset in the past 6 months. Violated and enforced is tabulated if a borrower breached a covenant threshold in the past 6 months. Both enforced and waived is tabulated if a borrower has experience both a breach and reset of a covenant in the past 6 months. Never violated is tabulated if a borrower never breached nor reset a covenant in the past 6 months.

	Δ IR w/o. reneq.	Δ IR w/. reneq.	Δ IR all
only violated & waived	10.91	23.59	15.76
only violated & enforced	52.67	21.27	46.13
both enforced & violated	39.50	72.14	53.78
never violated	-2.83	-37.06	-13.87
total	3.29	-13.38	

Table A-7: Average change in interest rate (or interest rate spread for fixed rate loans), in basis points, in the current and following two quarters in the panel of syndications observed in both the SNC and the FR Y14-Q for loans that undergo a change in interest rates or spreads. Statistics are computed at the syndication \times quarter level which may correspond to multiple loans in the FR Y14-Q. The average change in interest rate is tabulated if any of the facilities or tranches has experienced a change in interest rate in the current and following two quarters but has not been renegotiated in these quarters (column " Δ IR"). A syndication has a change in IR and is renegotiated if the facilities or tranches experience both events in the current and following two quarters (column " Δ IR w/. reneq."). The column market " Δ IR all" pools cases from the two previous columns. Violated and waived is tabulated if the borrower would have breached a covenant threshold had it not been reset in the past 6 months. Violated and enforced is tabulated if a borrower breached a covenant threshold in the past 6 months. Both enforced and waived is tabulated if a borrower has experience both a breach and reset of a covenant in the past 6 months. Never violated is tabulated if a borrower never breached nor reset a covenant in the past 6 months.

Panel A.	# Loans	# Modifications					
		0	1+	1	2	3	4+
All loans	337k	59%	41%	17%	8%	5%	11%
Single-lender	248k	63%	37%	16%	7%	4%	9%
Syndications	89k	45%	55%	18%	11%	8%	18%

Panel B.	Origination		Modification at re-origination				
	all	re-orig.	% modif.	% incr.	mean incr.	% decr.	mean decr.
Spread (p.p.)							
All loans	1.70	1.71	12	6	0.72	6	-0.65
Single-lender	1.65	1.58	12	6	0.72	6	-0.74
Syndications	1.85	1.96	11	5	0.70	6	-0.47
Maturity (y)							
All loans	5.44	3.85	56	54	1.86	2	-2.63
Single-lender	5.79	3.69	58	56	1.73	2	-3.03
Syndications	4.52	4.18	52	50	2.18	2	-1.52

Table A-8: Syndication status, number of loan modifications, and modifications at re-origination. The sample contains loans originated after 2012:Q3 and active up to and including 2022:Q1. There are 29 banks in the sample. We use the data at the loan level in both panels. In Panel A., 0 tabulates loans that are never modified, 1+ those that are modified at least one time throughout their life, and so on; these data are the same as in Table 1. In Panel B., the average spread and maturity at origination for all loans (column 2) and those that are re-originated at some point (column 3). Columns 4, 6, and 8 tabulate the percentage of loans that undergo a modification when re-originated and the direction (increase or decrease) of either a change in interest rate spreads or maturity. Columns 7 and 9 detail the average size of a change in a spread or maturity at re-origination.

$\mathbf{1}\{\text{Syndication}\}_{i,t}$	$\mathbf{1}\{\text{Re-originations}\}_{i,t}$		
	0.2 (0.07)	0.3 (0.01)	0.4 (0.10)
mean rate	1.2%	1.2%	1.2%
lender \times quarter f.e.	\times	\checkmark	\checkmark
sector \times quarter f.e.	\times	\checkmark	\checkmark
borrower \times quarter f.e.	\times	\times	\checkmark
maturity at orig. f.e.	\times	\checkmark	\checkmark
loan controls	\times	\checkmark	\checkmark
borrower controls	\times	\checkmark	\times
borrowers with single-lender and syndicated loans	\times	\times	\checkmark
# obs	2069k	1347k	525k
# loans	245k	177k	70k
# borrowers	102k	60k	5k

Table A-9: Propensity to re-originate loans in the loan \times quarter sample. The sample contains loans originated after 2012:Q3 and active up to and including 2022:Q1, but starts in 2014:Q4 because of the change in the definition of the re-origination variable. There are 29 banks in the sample. We use the data at the loan-quarter level, and the specifications we estimate are summarized in Equation (1). The line "mean rate" indicates the unconditional average of the independent variable in the regression sample corresponding to each specification. Standard errors are reported in parentheses and double clustered at the borrower and quarter levels. We consider specifications with no independent variables other than syndication status, a saturated specification, and one restricted to firms that have at least one single-lender and one syndicated loan. In the saturated specification, the loan-level controls are: an indicator for whether the loan is a credit line; an indicator for whether the loan is secured; and indicator for whether the loan is fixed-rate; and the ratio of committed exposure to total assets of the borrower. The borrower-level controls are: the ratio of current assets to total assets; the ratio of net income tot total assets; the ratio of book debt to total assets; and an indicator for whether the borrower is a publicly traded firm. In specification restricted to firms that have at least one single-lender and one syndicated loan, we included we include the same loan-level controls as in the saturated specification. In the final Section 2 and Appendix A.1 provide more details on the definition of variables in terms of underlying data items, on sample selection, and on the classification of loans between single-lender and syndicated. Additionally, Appendix Table A-2 contains summary statistics for the regression sample and a comparison of key financial ratios in our sample to the sample of Compustat non-financial borrowers.

Panel A.	# Loans	# Modifications					
		0	1+	1	2	3	4+
All loans	337k	59%	41%	17%	8%	5%	11%
Single-lender	248k	63%	37%	16%	7%	4%	9%
Syndications	89k	45%	55%	18%	11%	8%	18%
Panel B.	Origination		Modification at renewal				
	all	renewal	% modif.	% incr.	mean incr.	% decr.	mean decr.
Spread (p.p.)							
All loans	1.70	1.64	9	5	0.75	4	-0.63
Single-lender	1.65	1.52	9	5	0.82	4	-0.69
Syndications	1.85	1.92	10	5	0.59	5	-0.53
Maturity (y)							
All loans	5.44	5.01	52	51	1.55	1	-2.82
Single-lender	5.79	4.92	55	54	1.41	1	-2.97
Syndications	4.52	5.22	46	45	1.98	1	-2.42

Table A-10: Syndication status, number of loan modifications, and modifications at renewal. The sample contains loans originated after 2012:Q3 and active up to and including 2022:Q1. There are 29 banks in the sample. We use the data at the loan level in both panels. In Panel A., 0 tabulates loans that are never modified, 1+ those that are modified at least one time throughout their life, etc. Columns 2 and 3 add up to 100. In Panel B., tabulates the average spread and maturity at origination for all loans (column 2) and those that are renewed at some point (column 3). Columns 4, 6, and 8 tabulate the percentage of loans that undergo a modification when renewed and the direction (increase or decrease) of either a change in interest rate spreads or maturity. Columns 7 and 9 detail the average size of a change in a spread or maturity at renewal.

$\mathbf{1}\{\text{Syndication}\}_{i,t}$	$\mathbf{1}\{\text{Renewals}\}_{i,t}$		
	-0.3 (0.15)	1.0 (0.09)	0.8 (0.16)
mean rate	3.6%	3.6%	3.1%
lender \times quarter f.e.	\times	\checkmark	\checkmark
sector \times quarter f.e.	\times	\checkmark	\checkmark
borrower \times quarter f.e.	\times	\times	\checkmark
maturity at orig. f.e.	\times	\checkmark	\checkmark
loan controls	\times	\checkmark	\checkmark
Borrower controls	\times	\checkmark	\times
Borrowers with single-lender and syndicated loans	\times	\times	\checkmark
# obs	2069k	2069k	525k
# loans	245k	177k	70k
# borrowers	102k	60k	5k

Table A-11: Propensity to renew loans in the loan \times quarter sample. The sample contains loans originated after 2012:Q3 and active up to and including 2022:Q1, but starts in 2014:Q4 because of the introduction of the renewal variable. There are 29 banks in the sample. We use the data at the loan-quarter level, and the specifications we estimate are summarized in Equation (1). The line "mean rate" indicates the unconditional average of the independent variable in the regression sample corresponding to each specification. Standard errors are reported in parentheses and double clustered at the borrower and quarter levels. We consider specifications with no independent variables other than syndication status, a saturated specification, and one restricted to firms that have at least one single-lender and one syndicated loan. In the saturated specification, the loan-level controls are: an indicator for whether the loan is a credit line; an indicator for whether the loan is secured; and indicator for whether the loan is fixed-rate; and the ratio of committed exposure to total assets of the borrower. The borrower-level controls are: the ratio of current assets to total assets; the ratio of net income tot total assets; the ratio of book debt to total assets; and an indicator for whether the borrower is a publicly traded firm. In specification restricted to firms that have at least one single-lender and one syndicated loan, we included we include the same loan-level controls as in the saturated specification. In the final Section 2 and Appendix A-2 provide more details on the definition of variables in terms of underlying data items, on sample selection, and on the classification of loans between single-lender and syndicated.

		Modified, never re-originated	Modified before re-origination	Modified during/after re-origination
Spread (bps)	All loans	21%	2%	2%
	Single-lender	14%	1%	2%
	Syndicated	40%	4%	2%
Maturity (yrs.)	All loans	19%	1%	4%
	Single-lender	20%	1%	4%
	Syndicated	14%	1%	5%
At least 1 modif. (spread or maturity)	All loans	33%	2%	4%
	Single-lender	28%	2%	4%
	Syndicated	45%	4%	3%
Amount (\$mn)	All loans	11%	1%	2%
	Single-lender	9%	1%	1%
	Syndicated	16%	2%	3%
Security	All loans	13%	1%	1%
	Single-lender	12%	1%	1%
	Syndicated	15%	1%	1%
# Loans	All loans	79k	6k	9k
	Single-lender	49k	3k	7k
	Syndicated	30k	3k	2k

Table A-12: Timing of loan modifications relative to re-originations by loan type. The sample contains loans originated and observed after 2014:Q4 and active up to and including 2022:Q1. There are 29 banks in the sample. We use data at the loan-quarter level. The columns tabulate the first modification of a loan that is not accompanied by a re-origination (column 3), the first modification that is accompanied by a re-origination (column 4), and the first modification occurs during or after the first re-origination (column 5).

		Modified, never renewed	Modified before renewal	Modified during/after renewal
Spread (bps)	All loans	18%	3%	4%
	Single-lender	12%	1%	4%
	Syndicated	35%	6%	5%
Maturity (yrs.)	All loans	12%	2%	10%
	Single-lender	13%	2%	10%
	Syndicated	9%	1%	10%
At least 1 modif. (spread or maturity)	All loans	25%	4%	9%
	Single-lender	21%	3%	10%
	Syndicated	38%	7%	8%
Amount (\$mn)	All loans	8%	1%	4%
	Single-lender	6%	1%	4%
	Syndicated	13%	2%	5%
Security	All loans	11%	2%	2%
	Single-lender	10%	1%	2%
	Syndicated	12%	2%	3%
# Loans	All loans	62k	10k	23k
	Single-lender	36k	5k	18k
	Syndicated	25k	4k	5k

Table A-13: Timing of loan modifications relative to renewals by loan type. The sample contains loans originated and observed after 2014:Q4 and active up to and including 2022:Q1. There are 29 banks in the sample. We use data at the loan-quarter level. The columns tabulate the first modification of a loan that is not accompanied by a renewal (column 3), the first modification that is accompanied by a renewal (column 4), and the first modification occurs during or after the first renewal (column 5)

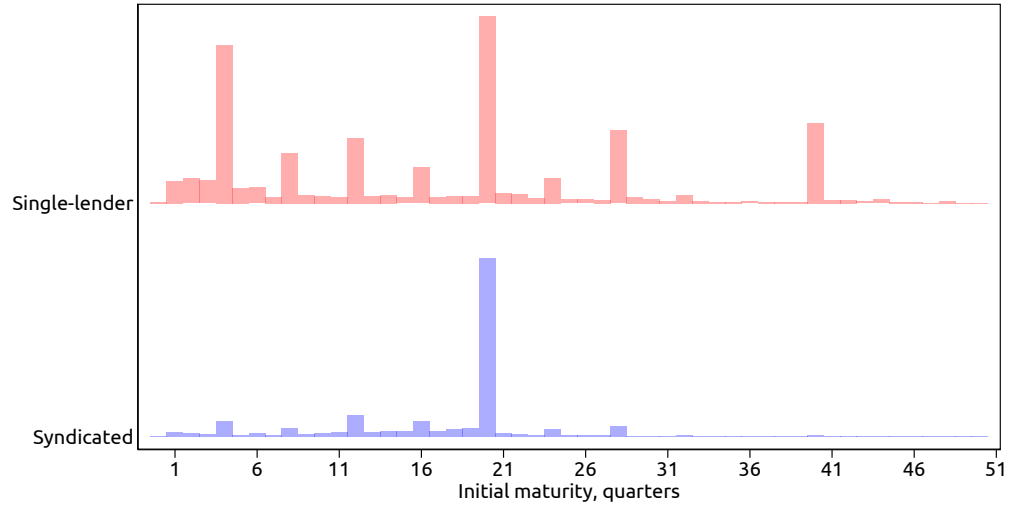
	# loans	# obs	% distressed	Modification		IR change		Mat. extension	
				% distr.	% not distr.	% distr.	% not distr.	% distr.	% not distr.
All loans	337k	3,307k	4%	16%	84%	17%	83%	19%	81%
Single-lender	248k	2,458k	4%	17%	83%	19%	81%	19%	81%
Syndications	89k	849k	4%	14%	86%	15%	85%	22%	78%

Table A-14: Debt flexibility beyond financial distress. Financial distress is defined as a deterioration in internal credit rating 1 notch on a scale of 1 to 10. The fractions reported under "Modification", "IR change", and "Mat. extension" add up to the total fraction of loan-quarter observations that are modified, received a maturity extension, or experienced a change in interest rates.



Figure A-1: Time series of modification rates. The top panel reports quarterly modification rates in the panel of loan-quarter observations. A loan is flagged as modified in quarter t if it experiences a change in either interest rate (or interest rate spread, for floating rate loans), or a change in maturity date, from quarter t to quarter $t - 1$. The bottom panel reports modification rates in the subsample of SD loans (solid green line) and of SL loans (dashed red line).

A. Pooling term loans and credit lines



B. Separating term loans and credit lines

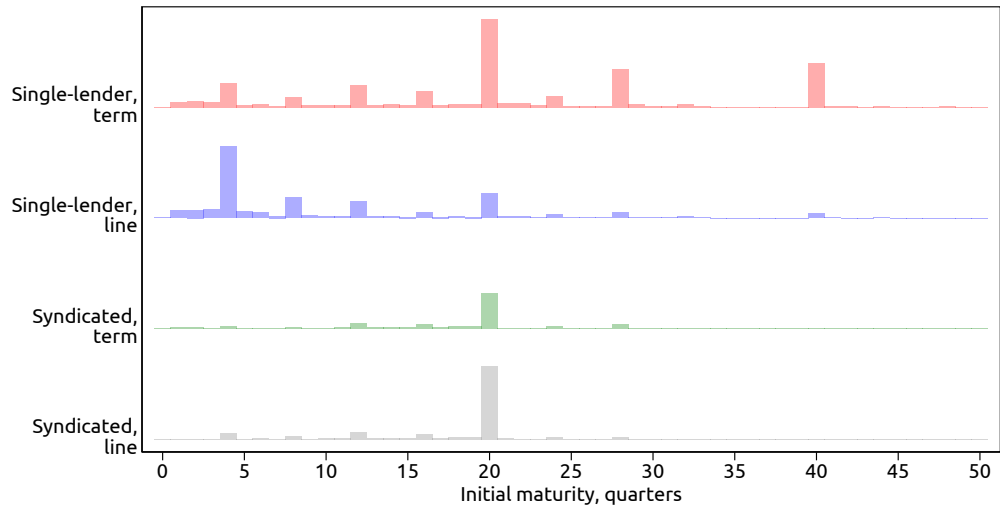


Figure A-2: The distribution of maturity at origination. In both panels, maturities on the horizontal axis are expressed in quarters. Panel A shows the distribution of maturity at originations for all loans in our final sample, distinguishing between SL loans (red) and SD loans (blue). Panel B also shows the distribution of maturity at origination for each loan group, but separates term loans from credit lines.

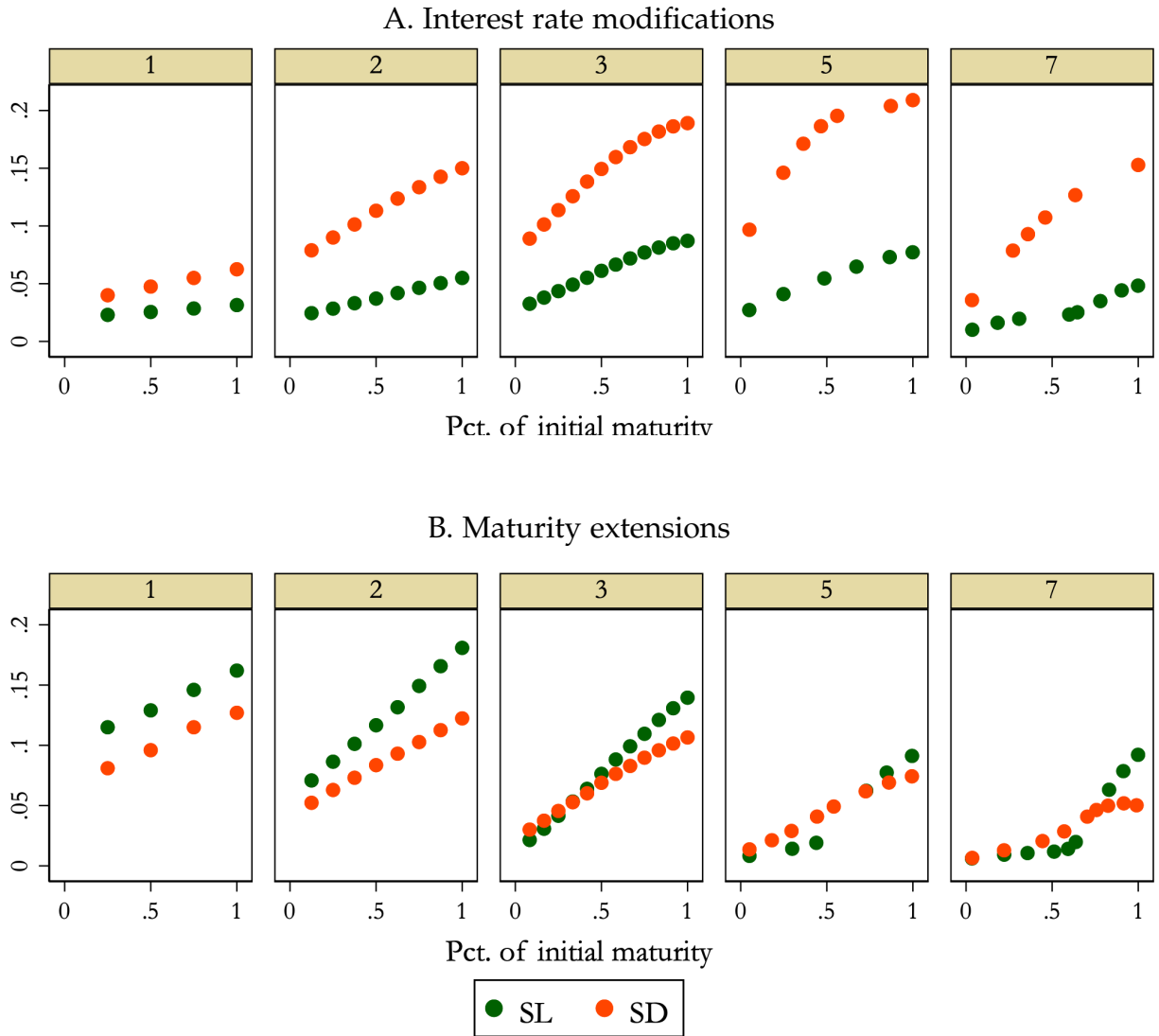


Figure A-3: The timing of loan modifications. The sample contains loans originated after 2012:Q3 and active up to and including 2022:Q1. Panel A shows interest rate changes, and Panel B shows maturity extensions. Each subpanel focuses on loans with different maturities at origination, with the number of years at origination indicated in the title of the subpanel. In each subpanel, the horizontal axis is time expressed elapsed since origination expressed as a fraction of the original maturity at origination. On the vertical axis, we report an estimate of the hazard rate of each event (interest rate change or maturity extension) using the Nelson-Aalen estimator of the hazard function. The orange dots correspond to syndicated (SD) loans and the green dots correspond to single-lender (SL) loans.

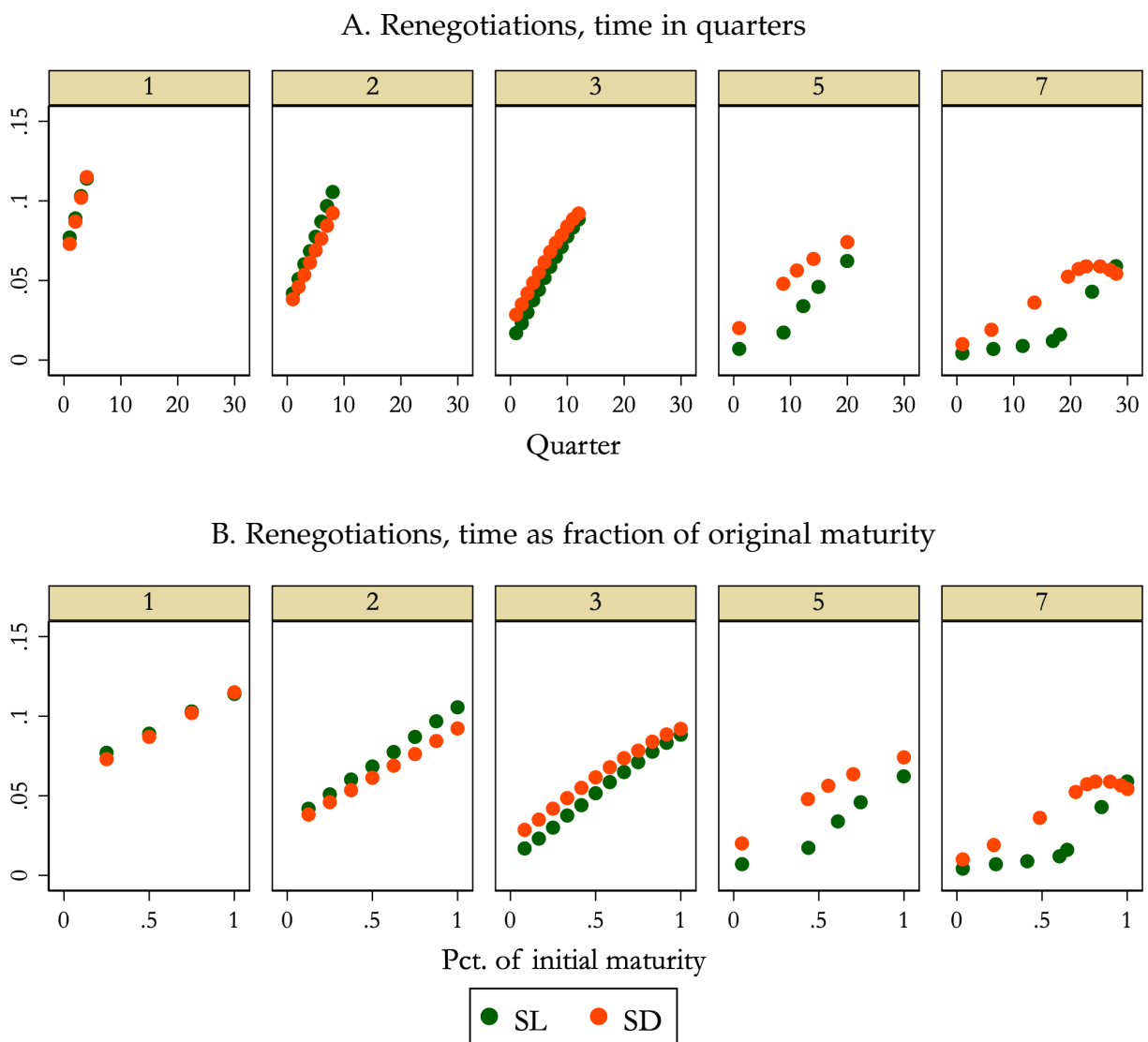


Figure A-4: The timing of loan renegotiations. The sample contains loans originated after 2012:Q3 and active up to and including 2022:Q1. Each subpanel focuses on loans with different maturities at origination, with the number of years at origination indicated in the title of the subpanel. In Panel A, time is expressed in quarters since origination; in Panel B, time is expressed as fraction of maturity at origination. On the vertical axis, we report an estimate of the hazard rate of renegotiation using the Nelson-Aalen estimator of the hazard function. The orange dots correspond to syndicated (SD) loans and the green dots correspond to single-lender (SL) loans.

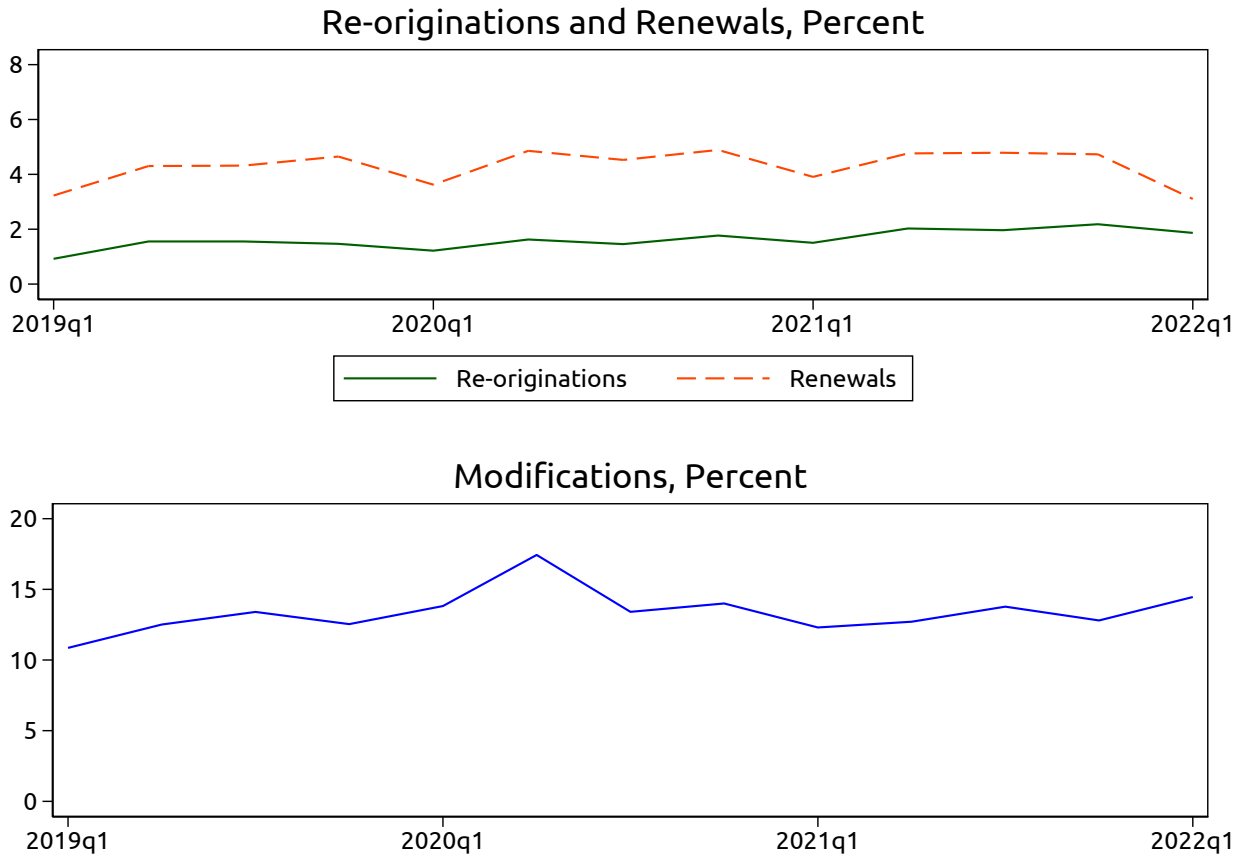


Figure A-5: Time series of re-origination and renewal rates (top panel) and modification rates (bottom) panel during the 2019:Q1-2022:Q1 period. The bottom panel reports the same data as Appendix Figure A-1, but focuses on the COVID period. A loan is flagged as modified in quarter t if it experiences a change in either interest rate (or interest rate spread, for floating rate loans), or a change in maturity date, from quarter t to quarter $t - 1$. The top panel reports the time series for renewals and re-origination over the same period. For a definition of renewals and re-originations, see Section 4.1.2.

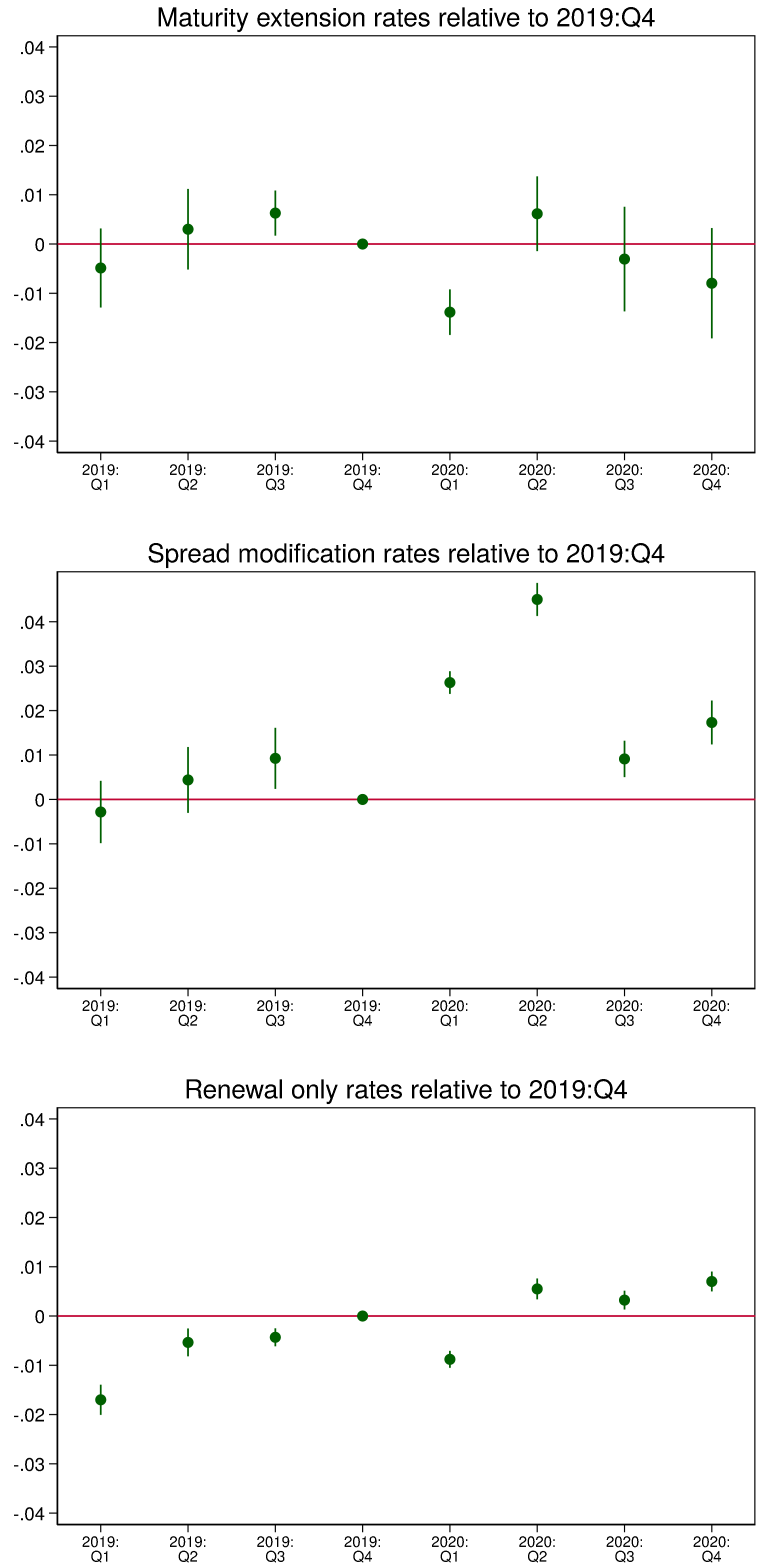


Figure A-6: Time effects in the specification: $Y_{i,t} = \gamma_{m,j,b} + \delta_t + \varepsilon_{i,m,j,b,t}$ (Equation A1, for loan i , in quarter t , with maturity at origination m , lender j , borrower b , and sector s). In the top panel, the dependent variable is an indicator for whether the loan experiences a maturity extension in quarter t . In the middle panel, the dependent variable is an indicator for whether the loan experiences an interest rate modification in quarter t . In the bottom panel, the dependent variable is an indicator for whether the loan experiences a renewal or a re-origination in quarter t .

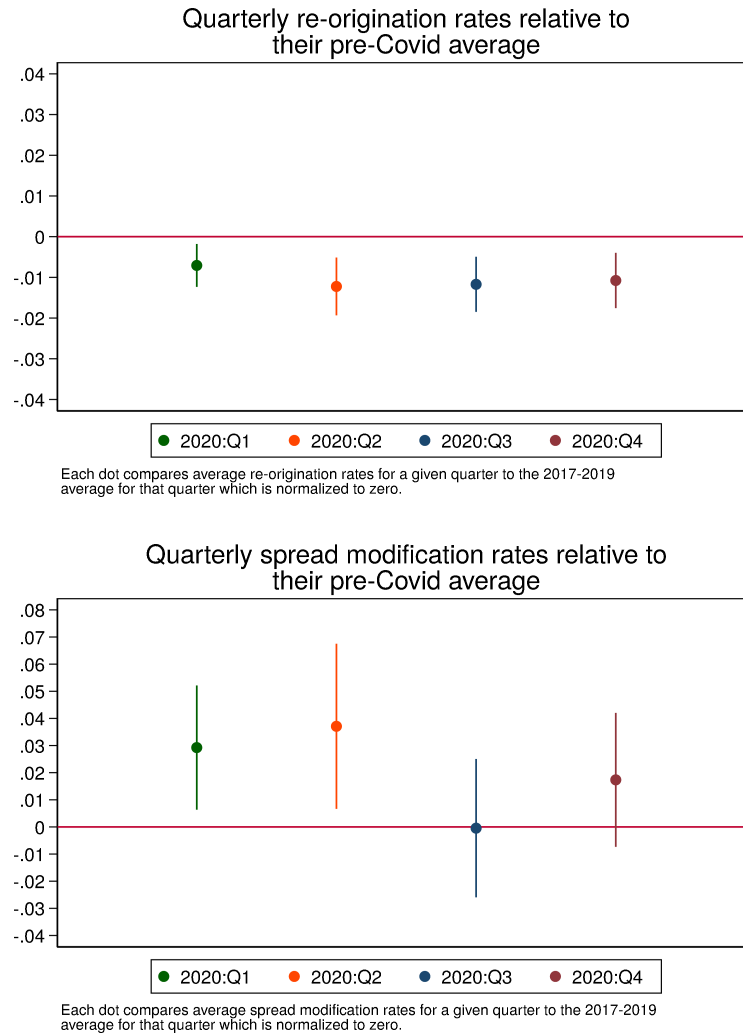


Figure A-7: Quarter fixed effects in Equation A2. This specification compares re-origination and renewal rates (top panel) and modification rates (bottom panel) in 2020:Q1 through 2020:Q4, to the corresponding modification rates in the same calendar quarters in 2017, 2018, and 2019, additionally controlling for borrower, lender, and maturity at origination fixed effects; see Appendix A.3 for more details.