

[Download This Paper \(Delivery.cfm/SSRN_ID4347835_code2033610.pdf?abstractid=3556917&mirid=1\)](#)[Open PDF in Browser \(Delivery.cfm/SSRN_ID4347835_code2033610.pdf?abstractid=3556917&mirid=1&type=2\)](#)[Add Paper to My Library](#)Share:

Financing Competitors: Shadow Banks' Funding and Mortgage Market Competition

USC Marshall School of Business Research Paper Sponsored by iORB, No. Forthcoming

99 Pages

Posted: 14 Apr 2020

Last revised: 6 Feb 2023

Erica Xuewei Jiang (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=2033610)

University of Southern California

Date Written: December 13, 2019

Abstract

Using novel shadow bank funding data, I find that shadow banks are funded by the very banks with which they compete in originating mortgages. Empirical evidence suggests that banks have market power in the upstream market for shadow banks' funding, which in turn softens mortgage market competition through their strategic behaviors in both markets. I build and calibrate a quantitative model of vertical integration and competition to show that the costs are largely borne by consumers who would benefit most from shadow bank services. Secondary market innovation could increase downstream competition by reducing shadow banks' reliance on their competitors.

Keywords: Intermediaries, competition, shadow bank, warehouse lines, mortgages**JEL Classification:** G2, G5, L1, L5[Suggested Citation](#) >[Show Contact Information](#) >[Download This Paper \(Delivery.cfm/SSRN_ID4347835_code2033610.pdf?abstractid=3556917&mirid=1\)](#)[Open PDF in Browser \(Delivery.cfm/SSRN_ID4347835_code2033610.pdf?abstractid=3556917&mirid=1&type=2\)](#)

61 References

1. Adrian , Tobias , Adam B Ashcraft
Shadow banking: a review of the literature, in Banking crises , p. 282 - 315 Posted: 2016
2. Afonso , Anna Gara , Antoinette Kovner , Schoar
Stressed, not frozen: The federal funds market in the financial crisis
The Journal of Finance , volume 66 , p. 1109 - 1139 Posted: 2011
3. Jason Allen , Robert Clark , Jean-François Houde
The effect of mergers in search markets: Evidence from the canadian mortgage industry
American Economic Review , volume 104 , p. 3365 - 3396 Posted: 2014
4. Jason Allen , Robert Clark , Jean-François Houde
Search frictions and market power in negotiated-price markets
Journal of Political Economy , volume 127 , p. 1550 - 1598 Posted: 2019

We use cookies that are necessary to make our site work. We may also use additional cookies to analyze, improve, and personalize our content and your digital experience. For more information, see our [Cookie Policy](https://www.elsevier.com/legal/cookiepolicy) (<https://www.elsevier.com/legal/cookiepolicy>)

[Cookie Settings](#)[Accept all cookies](#)

Do you have negative results from your research you'd like to share?

[Submit Negative Results \(https://www.ssrn.com/index.cfm/en/Negative-Results/\)](https://www.ssrn.com/index.cfm/en/Negative-Results/)

Paper statistics

DOWNLOADS	1,588
ABSTRACT VIEWS	4,837
RANK	21,444

21 Citations

61 References

PlumX Metrics



https://plu.mx/ssrn/a/?ssrn_id=3556917
Related eJournals

USC Marshall School of Business Research Paper Series (https://papers.ssrn.com/sol3/JELJOUR_Results.cfm?form_name=journalBrowse&journal_id=907288)

Follow



Banking & Insurance eJournal (https://papers.ssrn.com/sol3/JELJOUR_Results.cfm?form_name=journalBrowse&journal_id=1492282)

Follow



[View more >](#)

Feedback

[Submit a Paper > \(https://hq.ssrn.com/submissions/CreateNewAbstract.cfm\)](https://hq.ssrn.com/submissions/CreateNewAbstract.cfm)

SSRN Quick Links



SSRN Rankings



About SSRN



(<https://www.facebook.com/SSRNcommunity/>)

([https://www.linkedin.com/company/493409?](https://www.linkedin.com/company/493409?trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany_493409%2Cidx%3A0)

[trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany_493409%2Cidx%3A0](https://www.linkedin.com/company/493409?trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany_493409%2Cidx%3A0)

(<https://twitter.com/SSRN>)

We use cookies that are necessary to make our site work. We may also use additional cookies to analyze, improve, and personalize our content and your digital experience. For more information, see our [Cookie Policy](#) (<https://www.elsevier.com/legal/cookiepolicy>)

[Policy \(https://www.elsevier.com/legal/cookiepolicy\)](https://www.elsevier.com/legal/cookiepolicy)

(<http://www.elsevier.com/>)

[Cookie Settings](#)

Accept all cookies

[Privacy Policy \(https://www.elsevier.com/legal/privacy-policy\)](https://www.elsevier.com/legal/privacy-policy)

All content on this site: Copyright © 2023 Elsevier Inc., its licensors, and contributors. All rights are reserved, including those for text and data mining, AI training, and similar technologies. For all open access content, the Creative Commons licensing terms apply.

We use cookies to help provide and enhance our service and tailor content.

To learn more, visit [Cookie Settings](#).



(<http://www.relx.com/>)

(<https://papers.ssrn.com/sol3/updateInformationLog.cfm?process=true>)

We use cookies that are necessary to make our site work. We may also use additional cookies to analyze, improve, and personalize our content and your digital experience. For more information, see our [Cookie Policy](https://www.elsevier.com/legal/cookiepolicy) (<https://www.elsevier.com/legal/cookiepolicy>)

[Cookie Settings](#)

Accept all cookies