

EconStor (/) / Goethe-Universität Frankfurt am Main (/handle/10419/118)

/ Institute for Monetary and Financial Stability (IMFS), Goethe-Universität Frankfurt a. M. (/handle/10419/97708)

/ IMFS Working Paper Series, Institute for Monetary and Financial Stability, Goethe-Universität Frankfurt a. M. (/handle/10419/97709)

Please use this identifier to cite or link to this item: <https://hdl.handle.net/10419/97723>

**Title:**

# Loan origination under soft- and hard-information lending

**Authors:**

Inderst, Roman

**Year of Publication:**

2009

**Series/Report no.:**

IMFS Working Paper Series No. 27

**Publisher:**

Goethe University Frankfurt, Institute for Monetary and Financial Stability (IMFS), Frankfurt a. M.

**Abstract:**

This paper presents a novel model of the lending process that takes into account that loan officers must spend time and effort to originate new loans. Besides generating predictions on loan officers' compensation and its interaction with the loan review process, the model sheds light on why competition could lead to excessively low lending standards. We also show how more intense competition may fasten the adoption of credit scoring. More generally, hard-information lending techniques such as credit scoring allow to give loan officers high-powered incentives without compromising the integrity and quality of the loan approval process. The model is finally applied to study the implications of loan sales on the adopted lending process and lending standard.

**Persistent Identifier of the first edition:**

urn:nbn:de:hebis:30-72998

**Document Type:**

Working Paper

**Appears in Collections:**

**Is cited by:**

One document.

**Cites the following sources:**

30 sources.

Files in This Item:

File	Size
IMFS_WP_27.pdf ( <a href="https://www.econstor.eu/bitstream/10419/97723/1/IMFS_WP_27.pdf">https://www.econstor.eu/bitstream/10419/97723/1/IMFS_WP_27.pdf</a> )	505.71 kB

[Download Statistics \(/esstatistics/10419/97723?year=2024&month=10\)](#)

[BibTeX-Export \(/bibtexexport/10419/97723/Inderst2009Loan.bib\)](#)



Items in EconStor are protected by copyright, with all rights reserved, unless otherwise indicated.