Internet Appendix for "Partisanship in Loan Pricing"

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Abstract

This appendix provides additional analyses that complement the paper's main results. Section A addresses the concern that institutional investors' demand may limit the discretion of lead arrangers. Section B extends the analysis of the effect of borrower partisanship on loan pricing by incorporating both CEOs' and CFOs' partisanship. Section C provides evidence suggesting limited matching between bankers and borrowers based on political affiliations in the syndicated loans market. Section D examines the link between lead bankers' partisanship and lead arranger shares. Section E investigates whether borrower partisanship influences loan spreads differently when they face more or fewer options to borrow in the credit market. Section F reports the effects of borrower partisanship on other loan outcomes. Section G addresses the concern that banker experience could drive our results. Section H further shows the robustness of our results to treating Undeclared bankers as "Neutral", or using multiple alternative sample choices.

A The Role of Institutional Investor Demand

In recent years, the syndicated loans market has experienced an influx of institutional investors. A growing number of loans are distributed to non-bank investors, such as hedge funds and finance companies. In these cases, lead arrangers provide an initial pricing range and the price can be adjusted to accommodate institutional demand. The adjustment is referred to as "flex" (Bruche et al., 2020). Among different types of syndicated loans, Term Loan B and higher (C, D, ...) are designed to be sold to institutional investors while revolving lines of credit and Term A loans are rarely sold to institutions.

As discussed in Section 2, the presence of institutional loans is limited in our sample. To further address the concern that institutional investors' demand may limit the discretion of lead arrangers, we repeat our baseline test for two subsamples of loans, in which lead arrangers' stakes are rarely sold. For loans not sold to institutions, lead arrangers play a key role in setting prices as they maintain a relationship with the borrower and possess information advantage over other participants (Sufi, 2007). First, we focus on only Term Loan A and revolvers, and second, we focus only on loans to investment grade borrowers (i.e., non-leveraged loans) and revolvers. Panels A and B of Table A1 show that our results continue to hold in both subsamples, with the coefficients on *Misaligned Banker* generating similar economic magnitudes as our baseline results.

Table A1
Addressing Effects of Market Demand in Syndication Process
This table reports results from analyses addressing the effects of market demand in the syndication process. Panel A reports results when we restrict our sample to loans that are less likely to be sold to institutional investors, i.e., revolving lines of credit and Term A loans. Panel B reports results when we restrict our sample to revolving lines of credit and loans to investment grade borrowers. All regressions include the same controls as in the baseline analyses, shown in Panel B of Table 3. Standard errors are reported in parentheses and are heteroskedasticity robust and double clustered by banker and firm. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively.

Panel A: Revolvers and Term A Loans

Dep. Var.: *Log(Spread)*	(1)	(2)	(3)	(4)
Misaligned Banker	0.058**	0.059***	0.059***	0.057***
	(0.024)	(0.021)	(0.021)	(0.020)
Banker FE	Yes	Yes	Yes	Yes
Bank FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Rating Grid FE	Yes	Yes	Yes	Yes
Firm Controls	Yes	Yes	Yes	Yes
Ind.×Rating ×Pres. Term FE		Yes	Yes	Yes
Loan Type FE			Yes	Yes
Secured Loan FE			Yes	Yes
Loan Size and Maturity				Yes
Observations	3,485	3,383	3,383	3,383
Adjusted R^2	0.732	0.801	0.803	0.806

Panel B: Revolvers and Investment Grade Loans

Dep. Var.: *Log(Spread)*	(1)	(2)	(3)	(4)
Misaligned Banker	0.066***	0.049**	0.051***	0.048**
	(0.024)	(0.019)	(0.019)	(0.019)
Banker FE	Yes	Yes	Yes	Yes
Bank FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Rating Grid FE	Yes	Yes	Yes	Yes
Firm Controls	Yes	Yes	Yes	Yes
Ind.×Rating ×Pres. Term FE		Yes	Yes	Yes
Loan Type FE			Yes	Yes
Secured Loan FE			Yes	Yes
Loan Size and Maturity				Yes
Observations	3,033	2,907	2,907	2,907
Adjusted R^2	0.729	0.812	0.813	0.815

B Alternative Definitions of Borrower Partisanship

The political beliefs of borrower firms may be determined by multiple agents. Aside from CEOs, CFOs may also play a key role in negotiating loan contract terms. We thus collect data on the voter registration by borrower CFOs from LexisNexis, following the same approach described in Section 3. With this information, we consider two additional definitions of borrower partisanship (i.e., *Misaligned Firm*). First, we set a firm's misalignment to be average value of CEO's and CFO's misalignment. In other words, *Misaligned Firm* takes the value of 0 if neither its CEO or CFO is politically misaligned, 0.5 if only the CEO or only the CFO is misaligned, and the value of 1 if both are misaligned. Second, we set firm misalignment to be 1 if either the CEO or the CFO is politically misaligned, and 0 otherwise.

We repeat the analysis in Panel A of Table 4, regressing the log of loan spreads on *Misaligned Firm* as well as *Misaligned Banker*. Results are presented in Table B1. Panel A reports results where we define firm misalignment as the average alignment of the CEO and the CFO of a firm. Panel B reports results where we define firm misalignment as the maximum of the CEO's and the CFO's misalignment. We include controls and fixed effects in stages. In Columns (1) and (2), we do not impose party fixed effects for borrowers, while in Columns (3) and (4), we include fixed effects for CEOs' party as well as CFOs' party of affiliation.

We find that, the new definitions of *Misaligned Firm*, which incorporates CFOs' political orientation, yield similar results as those only considering CEOs' political affiliations. While results in Panel B, Columns (1) and (2) suggest that misaligned firms are associated with higher loan spreads, these effects disappear when we control for party fixed effects. This means that, as the party ruling the White House changes, loan spreads do not change significantly differently for aligned and misaligned borrowers.

Table B1
Alternative Definition of Borrower Misalignment

This table reports the results when we define borrower firms' partisanship based on both CEOs and CFOs' partisanship. The dependent variable is *Log(Spread)*, the log of the all-in-drawn interest rate spread over LIBOR. In Panel A, *Misaligned Firm* takes the value of 0 if neither its CEO or CFO is politically misaligned, 0.5 if only the CEO or only the CFO is misaligned, and the value of 1 if both are misaligned. In Panel B, *Misaligned Firm* takes the value of 1 if either of its CEO or CFO is politically misaligned, and zero otherwise. See Appendix A for variable definitions. Standard errors are reported in parentheses and are heteroskedasticity robust and double clustered by banker and firm. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively.

Panel A: The Average of CEO and CFO Misalignment

Dep. Var.: *Log(Spread)*	(1)	(2)	(3)	(4)
Misaligned Firm	0.052	0.050	-0.002	-0.031
	(0.036)	(0.036)	(0.040)	(0.038)
Misaligned Banker	0.027***	0.050***	0.048***	0.062***
	(0.010)	(0.014)	(0.014)	(0.017)
Bank FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Rating Grid FE	Yes	Yes	Yes	Yes
Firm Controls	Yes	Yes	Yes	Yes
Ind.×Rating×Pres. Term FE	Yes	Yes	Yes	Yes
Loan Controls	Yes	Yes	Yes	Yes
Banker Party FE		Yes	Yes	
CEO Party FE			Yes	Yes
CFO Party FE			Yes	Yes
Banker FE				Yes
Observations	5,022	5,022	5,022	4,712
Adjusted R^2	0.746	0.746	0.750	0.806

Panel B: Either CEO or CFO Being Misaligned

Dep. Var.: *Log(Spread)*	(1)	(2)	(3)	(4)
Misaligned Firm	0.044*	0.043*	0.015	0.005
	(0.025)	(0.025)	(0.028)	(0.025)
Misaligned Banker	0.027***	0.050***	0.048***	0.062***
	(0.010)	(0.014)	(0.014)	(0.017)
Bank FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Rating Grid FE	Yes	Yes	Yes	Yes
Firm Controls	Yes	Yes	Yes	Yes
Ind.×Rating×Pres. Term FE	Yes	Yes	Yes	Yes
Loan Controls	Yes	Yes	Yes	Yes
Banker Party FE		Yes	Yes	
CEO Party FE			Yes	Yes
CFO Party FE			Yes	Yes
Banker FE				Yes
Observations	5,022	5,022	5,022	4,712
Adjusted R^2	0.746	0.747	0.751	0.806

C Borrower-Banker Matching

In this section, we present results from tests of borrower-banker matching using the baseline sample. We formally examine the matching between borrowers and bankers in two ways. In the first test, we construct borrower-banker pairs for all borrowers that obtain a loan and all lenders that extend a loan in a given year. This sampling restriction makes our analysis more tractable. It also helps us focus on years when borrowers have demand for credit and examine their choices of lenders. Relaxing these restrictions does not affect our results. Our variable of interest is an indicator *Have Loan*, which turns to one when the borrower receives a loan from the banker in a given year, and zero otherwise. We then examine whether bankers are more likely to extend loans to firms with the same political affiliation than to other firms. In the second analysis, we conduct a loan-level test, regressing the borrower's affiliation on the banker's affiliation. Results from this test inform us regarding whether a Democrat banker is more likely to be paired with Democrat borrowers, and whether a Republican banker is more likely to have Republican borrowers.

Results are presented in Table C1. Panel A reports results from the banker-borrower-pair sample. If bankers disproportionately extend credit to firms of similar political orientation, we should observe a positive coefficient for *Same Party*. However, our evidence does not support this conjecture. Coefficients of *Same Party* are statistically insignificant, suggesting no lender-firm matching based on political affiliation. Panel B reports results from the loan-level sample. Again, we do not find statistically significant evidence of borrower-banker matching.

Table C1
Banker-Borrower Matching Based on Partisanship

This table examines whether bankers disproportionately provide loans to borrowers with similar political leanings. In Panel A, we examine whether banker-borrower pairs with the same party affiliation are more likely to have a loan. The unit of observation is a banker-borrower-year. The dependent variable is *Have Loan*, an indicator that turns to one if a banker extends a loan to a borrower in a given year. *Same Party* takes the value of one if the banker's party registration is the same as the borrower's party, and zero otherwise. Borrowers' party is determined based on their CEOs' voter registration records. In Panel B, we directly regress borrower CEOs' party affiliation on bankers' party affiliation. The unit of observation is a banker-loan pair. See Appendix A for variable definitions. *Democrat Banker* (*Republican Banker*) is an indicator that turns to one when a banker's party affiliation is Democrat (Republican). *Democrat Borrower* (*Republican Borrower*) is an indicator that turns to one if a borrower's CEO is affiliated with the Democrat (Republican) Party. In both panels, we only include observations associated with Democrat and Republican bankers and exclude bankers with unknown or other affiliations. Standard errors are reported in parentheses and are heteroskedasticity robust and double clustered by banker and firm. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively.

Panel A: Same Party Banker and Borrowers and Credit Provision

Dep. Var.: *Have Loan*	(1)	(2)	(3)
Same Party	0.003	0.003	0.002
	(0.002)	(0.002)	(0.002)
Banker FE	Yes		
Firm FE	Yes	Yes	
Year FE	Yes		
Banker×Year FE		Yes	Yes
Firm×Year FE			Yes
Observations	137,274	137,274	137,274
Adjusted R^2	0.007	0.006	0.007

Panel B: Borrower Party and Banker Party Affiliations

Dep. Var.:	(1) *Democrat Borrower*	(2) *Republican Borrower*
Democrat Banker	0.005	
	(0.013)	
Republican Banker		0.011
		(0.021)
Bank FE	Yes	Yes
Year FE	Yes	Yes
Rating Grid FE	Yes	Yes
Industry FE	Yes	Yes
Observations	2,541	2,541
Adjusted R^2	0.195	0.241

D Banker Partisanship and Lead Arranger Share

We next evaluate the possibility that syndicate participants could detect (or disagree with) the partisan biases of lead arranger bankers. In this scenario, participants may subscribe to a larger share of loans they consider highly priced due to the lead bankers' pessimism. Similarly, participants may be willing to hold a smaller share of the under-priced loans made by optimistic bankers. Thus, misaligned lead bankers should retain a smaller share of the loans because, all else equal, they charge higher spreads than aligned bankers.

We test this conjecture and report the results in Table D1. Information on lead arranger shares is available in Dealscan for around 30% of the loans. We follow Chodorow-Reich (2014) and impute lead arranger shares based on syndicate structure (e.g., the number of lead arrangers and participants). Our test focuses on revolvers and Term A loans, where lead arranger shares more accurately reflect the market demand.[1] Results suggest that misaligned bankers retain a smaller share of the loans, meaning that a greater share has been distributed to participants. In Column (4), the coefficient suggests that misaligned lead arrangers retain around a 1 percentage point smaller share compared to aligned lead arrangers. This is about 6% of the sample average lead share (16.5 percentage points).

Table D1
Lead Arranger Shares
This table reports results for lead arranger share, the fraction of loans retained by lead arrangers. Lead arranger share comes from Dealscan. For observations with missing lead arrangers, we impute the shares based on syndicate structures, following the method used in Chodorow-Reich (2014). This panel restricts our sample to loans that are less likely to be sold to institutional investors (i.e., revolving lines of credit and Term A loans). All regressions include the same controls as in the baseline analyses, shown in Panel B of Table 3. Standard errors are reported in parentheses and are double clustered by banker and firm. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively.

Dep. Var.: *Lead Arranger Share*	(1)	(2)	(3)	(4)
Misaligned Banker	-0.311	-1.018*	-0.998*	-1.068*
	(0.605)	(0.589)	(0.591)	(0.601)
Banker FE	Yes	Yes	Yes	Yes
Bank FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Rating Grid FE	Yes	Yes	Yes	Yes
Firm Controls	Yes	Yes	Yes	Yes
Ind.×Rating ×Pres. Term FE		Yes	Yes	Yes
Loan Type FE			Yes	Yes
Secured Loan FE			Yes	Yes
Loan Size and Maturity				Yes
Observations	3,437	3,335	3,335	3,335
Adjusted R^2	0.557	0.676	0.676	0.688

[1] For institutional loans, lead arrangers often sell their stakes in the secondary markets (Blickle et al., 2020). Thus, initial lead arranger shares may not correctly capture market demand.

E Borrower Partisanship and Credit Market Competitiveness

In this section, we examine whether borrower partisanship influences loan spreads differently when they face more or fewer options to borrow in the credit market. Table E1 reports the results from this analysis. In Panel A, we regress loan spreads on the interaction of borrower CEOs' political alignment on variables indicating borrowers' credit market options. The interaction terms between CEO misalignment and firms' borrowing options such as *Many Lenders*, *Bond Outstanding*, and *Past Bond Issuance* generate negative coefficients. These results suggest that, while misaligned managers face higher borrowing costs, such effects are mitigated by credit market options. However, these results have weak statistical significance. Results related to speculative ratings and asset tangibility generate opposite interpretations.

In Panel B, we run a "horse race" by comparing the interactive effects of borrower vs. lender partisanship with firms' outside credit options. We continue to see significant effects from lenders' partisanship, but limited importance from firm CEOs' partisanship.

Table E1
Borrower and Lender Partisanship and the Role of Market Competition
This table examines the heterogeneous effect of lenders' and borrowers' partisanship across borrowers that face different levels of market competition. In Panel A, we examine the interactive effects of borrower partisanship and credit market competitiveness. In Panel B, we compare this interactive effects between borrower and lender partisanship. *Log(Spread)* is the log of the all-in-drawn interest rate loan spread (in basis points over the LIBOR). *Misaligned Firm* (*Misaligned Banker*) takes the value of one if the borrower CEO's (banker's) party registration is different from the party in the White House, and zero otherwise. *Speculative* is a dummy variable that equals one if the borrower has a speculative-grade credit rating. The sample in Column (1) only includes rated firms. *Low Tangibility* is an indicator for whether the borrower's asset tangibility ranks below the sample median level. *Many Lenders* is an indicator for whether a firm has received loans from more than three lead arranger banks in the past. *Bond Outstanding* indicates whether a firm has a corporate bond outstanding.*Past Bond Issuance* is an indicator equal to one if a firm has issued corporate bonds in the past. All regressions include the same set of controls as shown in Column (4), Panel B of Table 3, but adding CEO party fixed effects. See Appendix A for variable definitions. Standard errors are reported in parentheses and are heteroskedasticity robust and double clustered by banker and firm. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively.

Panel A. Interactive Effects of Borrower Partisanship and Market Competitiveness

Dep. Var.: *Log(Spread)*	(1)	(2)	(3)	(4)	(5)
Misaligned Firm	0.015	0.047	0.050	0.063	0.063
	(0.031)	(0.038)	(0.058)	(0.045)	(0.045)
Misaligned Firm × *Speculative*	0.023				
	(0.040)				
Low Tangibility		0.041			
		(0.032)			
Misaligned Firm × *Low Tangibility*		-0.033			
		(0.044)			
Many Lenders			-0.005		
			(0.039)		
Misaligned Firm × *Many Lenders*			-0.025		

			(0.056)		
Bond Outstanding				-0.000	
				(0.019)	
Misaligned Firm × Bond Outstanding				-0.053	
				(0.048)	
Past Bond Issuance					0.015
					(0.019)
Misaligned Firm × Past Bond Issuance					-0.051
					(0.048)
Controls	Yes	Yes	Yes	Yes	Yes
Banker FE	Yes	Yes	Yes	Yes	Yes
Bank FE	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes
Rating Grid FE	Yes	Yes	Yes	Yes	Yes
Ind.×Rating×Pres. Term FE	Yes	Yes	Yes	Yes	Yes
CEO Party FE	Yes	Yes	Yes	Yes	Yes
Observations	3,912	4,712	4,712	4,712	4,712
Adjusted R^2	0.811	0.805	0.805	0.805	0.805

Panel B. Interactive Effects of Both Borrowers' and Lenders' Partisanship

Dep. Var.: *Log(Spread)*	(1)	(2)	(3)	(4)	(5)
Misaligned Banker	0.023	0.038*	0.145***	0.098***	0.102***
	(0.020)	(0.022)	(0.052)	(0.022)	(0.023)
Misaligned Firm	0.011	0.046	0.042	0.044	0.043
	(0.031)	(0.038)	(0.057)	(0.044)	(0.046)
Misaligned Banker × Speculative	0.085***				
	(0.025)				
Misaligned Firm × Speculative	0.012				
	(0.040)				
Low Tangibility		0.024			
		(0.033)			
Misaligned Banker × Low Tangibility		0.045**			
		(0.023)			
Misaligned Firm × Low Tangibility		-0.039			
		(0.044)			
Many Lenders			0.032		
			(0.039)		
Misaligned Banker × Many Lenders			-0.087*		
			(0.052)		
Misaligned Firm × Many Lenders			-0.022		
			(0.054)		
Bond Outstanding				0.018	
				(0.021)	
Misaligned Banker × Bond Outstanding				-0.058***	
				(0.021)	
Misaligned Firm × Bond Outstanding				-0.033	
				(0.048)	
Past Bond Issuance					0.034*

					(0.020)
Misaligned Banker × Past Bond Issuance					-0.062***
					(0.022)
Misaligned Firm × Past Bond Issuance					-0.033
					(0.048)
Controls	Yes	Yes	Yes	Yes	Yes
Banker FE	Yes	Yes	Yes	Yes	Yes
Bank FE	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes
Rating Grid FE	Yes	Yes	Yes	Yes	Yes
Ind.×Rating×Pres. Term FE	Yes	Yes	Yes	Yes	Yes
CEO Party FE	Yes	Yes	Yes	Yes	Yes
Observations	3,912	4,712	4,712	4,712	4,712
Adjusted R^2	0.814	0.807	0.806	0.807	0.807

F Borrower Partisanship and Other Loan Outcomes

Table F1
Borrower Partisanship and Other Loan Outcomes
This table reports the effects of borrower CEOs' partisanship on other loan outcomes. Panel A reports results on fees and original issue discount. Fees are measured in the log of basis points, including commitment fees, upfront fees, and facility fees. *OID* is in percentage points, and is measured as the original issue discount divided by four (the typical loan maturity). Panel B reports the effects on loan amount, maturity, and covenants. Loan covenants include the number and strictness of loan covenants. Covenant strictness is measured as in Demerjian and Owens (2016). *Strictness* (PCOV) indicates the strictness of performance covenants and *Strictness* (CCOV) indicates the strictness of capital covenants. Firm Controls include *Firm Age*, *Profitability*, *Leverage*, *Tangibility*, *M/B*, and *Equity Volatility*. See Appendix A for variable definitions. Standard errors are reported in parentheses and are heteroskedasticity robust and double clustered by banker and firm. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively.

Panel A: Fees and Original Issue Discount

Dep. Var.:	(1) *Commitment Fee*	(2) *Upfront Fee*	(3) *Facility Fee*	(4) *OID*
Misaligned Firm	0.148**	-0.307	-0.025	0.002
	(0.069)	(0.624)	(0.074)	(0.064)
Banker FE	Yes	Yes	Yes	Yes
Bank FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Rating Grid FE	Yes	Yes	Yes	Yes
Firms Controls	Yes	Yes	Yes	Yes
Ind.×Rating×Pres. Term FE	Yes	Yes	Yes	Yes
Observations	2,153	826	603	559
Adjusted R^2	0.802	0.495	0.914	0.843

Panel B: Loan Size, Maturity, and Covenants

Dep. Var.:	(1) *Amount* (log)	(2) *Maturity* (log)	(3) *Covenants* (Counts)	(4) *Strictness* (PCOV)	(5) *Strictness* (CCOV)
Misaligned Firm	-0.049	-0.032	-0.061	-0.048	-0.006
	(0.095)	(0.052)	(0.144)	(0.051)	(0.019)
Banker FE	Yes	Yes	Yes	Yes	Yes
Bank FE	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes
Rating Grid FE	Yes	Yes	Yes	Yes	Yes
Firms Controls	Yes	Yes	Yes	Yes	Yes
Ind.×Rating×Pres. Term FE	Yes	Yes	Yes	Yes	Yes
Observations	5,022	5,022	4,769	2,618	2,618
Adjusted R^2	0.609	0.276	0.450	0.586	0.399

G Addressing the Effects of Banker Experience

We consider banker experience as a proxy for their ability to navigate an uncertain political environment and assess borrower conditions, and design several approaches to address this concern. First, we collect information regarding bankers' age and partition them into groups of 5-year age range. We augment our baseline regression by including age range-by-year interactive fixed effects. Second, we impose bankers' work experience-by-year fixed effects, whereby work experience is measured as the number of years since a banker's first loan origination to date. Next, we measure banker experience using past loan origination volume. We group bankers based on the number of loans they issued in the past, in multiples of 5. We also count the number of loans a banker has issued to a specific borrower in the past. This captures firm-specific expertise. We create grids for a banker's past origination volume and interact this grid with the year of observation. These stringent fixed effect structures allow us to compare the loan terms issued by aligned and misaligned bankers with similar age, seniority in the profession, and experience with the borrower. Results in Table G1 show that our baseline findings remain largely unchanged to all the specifications. This means that our results are unlikely to be fully driven by misaligned bankers being less informed and less capable of determining borrower conditions. Meanwhile, we do not differentiate from a "confidence" interpretation, which suggests that aligned individuals are more optimistic about their ability to judge borrower conditions than misaligned individuals.

Table G1
Controlling for Banker Experience Effect

This table reports results when we further control for bankers' experience. In Column (1), we add banker age range-by-year fixed effects. Age range is defined based on 5-year categories. In Column (2), we control for work experience-by-year fixed effects. Work experience is measured as the number of years from a banker's first loan to the year of observation. Bankers with over 15 years of experience are put in the same category. In Column (3), we add banker origination volume-year fixed effects. Bankers' origination volume is the number of loans a banker has issued in the past, in multiples of 5. Bankers with over 20 loans are put in the same category. In Column (4), we add firm-specific origination volume-by-year fixed effects, whereby firm-specific origination volume is the number of loans a banker has issued to a specific borrower in the past. Bankers that originate more than 3 loans to the same borrower are put in the same category. All regressions include the same controls as in the baseline analyses, shown in Column (4) of Panel B, Table 3. See Appendix A for variable definitions. Standard errors are reported in parentheses and are heteroskedasticity robust and double clustered by banker and firm. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively.

Dep. Var.: *Log(Spread)*	(1)	(2)	(3)	(4)
Misaligned Banker	0.051***	0.064***	0.065***	0.059***
	(0.019)	(0.020)	(0.017)	(0.017)
Controls	Yes	Yes	Yes	Yes
Banker FE	Yes	Yes	Yes	Yes
Bank FE	Yes	Yes	Yes	Yes
Rating Grid FE	Yes	Yes	Yes	Yes
Ind.×Rating ×Pres. Term FE	Yes	Yes	Yes	Yes
Age Range×Year FE	Yes			
Work Experience×Year FE		Yes		
Origination Volume×Year FE			Yes	
Firm-Specific Origination Volume ×Year FE				Yes
Observations	4,574	4,699	4,708	4,707
Adjusted R^2	0.808	0.811	0.810	0.805

H Additional Robustness

A Treating Undeclared Bankers as "Neutral"

In our baseline analyses, *Misaligned Banker* is assigned to be zero for undeclared bankers at all time. This specification groups undeclared bankers together with bankers whose political affiliations line up with the ruling party. Undeclared bankers are the ones who reside in states that do not require registration to the primary elections (such as Texas), or bankers that do not declare their registration at the polls. We now consider an alternative classification for undeclared bankers, where we consider them as relatively impartial and less influenced by partisan biases. Thus, we create a new indicator *Aligned Banker* that equals one for bankers registered with the President's party. Both *Aligned Banker* and *Misaligned Banker* turn to zero for undeclared bankers at all time.

In this alternative specification, we are able to identify the pricing effect of optimists (i.e., aligned bankers) and pessimists (i.e., misaligned bankers) relative to the undeclared group. Our estimation keeps all the controls and fixed effects as the baseline (Table 3) while removing banker fixed effects. This is because banker fixed effects will lead to collinearity between *Aligned Banker* and *Misaligned Banker*. Within the same banker, *Aligned Banker* and *Misaligned Banker* either move in exactly opposite directions or both equal zero.

Table H1 shows that the pricing of aligned and misaligned bankers deviates from the benchmark group (the undeclared) to a similar extent.

B Alternative Sample Choices

We test the robustness of our baseline findings to multiple alternative sampling choices. To start, we consider the concern that our outcome variable, loan spread, is repeated across multiple lead bankers of the same syndicate team. We address this concern by constructing two loan-level samples. First, for loans with more than one lead banker, we retain the banker that most frequently appears in the sample. Second, we focus on loans originated by a politically homogeneous group of lead bankers. This includes loans originated by a single lead banker, or loans whose lead bankers are all affiliated with the same party (either Democratic or Republican party). In both samples, each loan facility appears only once.

In Table H2, we repeat our baseline findings on two loan-level samples. Panel A presents results from the sample where we retain one banker per loan, and Panel B presents results from the set of loans originated by homogeneous teams. Note that in Panel B, we no longer keep track of the banker, so we only control for fixed effects indicating the political party of the syndicate team, instead of banker fixed effects. Our results obtain in both samples and yield slightly stronger magnitudes: loans with misaligned lenders carry credit spreads that are around 9% to 12% higher than loans with aligned lenders.

In the next analysis, we only keep Democrat and Republican bankers in the sample, and remove all undeclared bankers or bankers affiliated with other parties. As previously discussed, the inclusion of undeclared lenders and lenders affiliated with other parties helps us estimate

the fixed effects and controls, but it does not affect the identification of banker partisanship. Results in Panel A of Table H3 confirm this argument because our inferences stay unchanged when we only include Democrat and Republican bankers in the sample.

Finally, we remove loans jointly issued by more than three lead bankers. Panel B of Table H3 shows that our results carry through this sample restriction.

Table H1
Alternative Classification of Undeclared
This table reports results when we separate undeclared bankers from aligned bankers. *Aligned Banker* is an indicator that turns to one when a banker's party affiliation is the same as the U.S. President. *Misaligned Banker* equals one when a banker's party affiliation is the opposite to that of the U.S. President (i.e., a Democrat banker under a Republican President, or a Republican banker under a Democrat President), and zero otherwise. Both indicators equal zero for undeclared individuals. All regressions include the same set of fixed effects and controls as in the baseline analyses, shown in Panel B, Table 3 but removing banker fixed effects. Standard errors are reported in parentheses and are heteroskedasticity robust and double clustered by banker and firm. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively.

Dep. Var.: *Log(Spread)*	(1)	(2)	(3)	(4)
Aligned Banker	-0.018	-0.024*	-0.024**	-0.023**
	(0.017)	(0.012)	(0.012)	(0.012)
Misaligned Banker	0.030*	0.030***	0.028***	0.029***
	(0.017)	(0.012)	(0.011)	(0.011)
Bank FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Rating Grid FE	Yes	Yes	Yes	Yes
Firm Controls	Yes	Yes	Yes	Yes
Ind.×Rating×Pres. Term FE		Yes	Yes	Yes
Loan Type FE			Yes	Yes
Secured Loan FE			Yes	Yes
Loan Size and Maturity				Yes
Observations	5,120	5,022	5,022	5,022
Adjusted R^2	0.593	0.719	0.746	0.746

Table H2
Analysis in Loan-level Samples

This table repeats our baseline analysis using two loan-level samples, where we only retain one observation for each loan facility. In Panel A, we select one lead banker from each loan contract. For loans with more than one lead banker, we choose the banker that most frequently appears in our sample. In Panel B, we focus on loans originated by politically homogeneous teams, where the loan is either originated by a single lead arranger banker, all lead arranger bankers are affiliated with the Democratic party, or all lead arranger bankers belong to the Republican party. In this sample, the political alignment of a loan contract is assigned according to the (same) political affiliation of all bankers in the team. Regressions in both panels follow the specifications in the baseline analyses, shown in Panel A, Table 3. In Panel B, we control for the fixed effects for the political party of the lead arranger team, and drop the banker and bank fixed effects. See Appendix A for variable definitions. Standard errors are reported in parentheses and are heteroskedasticity robust and double clustered by banker and firm. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively.

Panel A: One Banker per Loan

Dep. Var.: *Log(Spread)*	(1)	(2)	(3)	(4)
Misaligned Banker	0.074**	0.123***	0.122***	0.119***
	(0.032)	(0.031)	(0.029)	(0.029)
Banker FE	Yes	Yes	Yes	Yes
Bank FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Rating Grid FE	Yes	Yes	Yes	Yes
Firm Controls	Yes	Yes	Yes	Yes
Ind.×Rating×Pres. Term FE		Yes	Yes	Yes
Loan Type FE			Yes	Yes
Secured Loan FE			Yes	Yes
Loan Size and Maturity				Yes
Observations	2,378	2,275	2,275	2,275
Adjusted R^2	0.729	0.785	0.804	0.804

Panel B: Loans Originated by Homogeneous Teams

Dep. Var.: *Log(Spread)*	(1)	(2)	(3)	(4)
Misaligned Banker	0.050**	0.088***	0.088***	0.088***
	(0.024)	(0.030)	(0.028)	(0.028)
Party FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Rating Grid FE	Yes	Yes	Yes	Yes
Firm Controls	Yes	Yes	Yes	Yes
Ind.×Rating×Pres. Term FE		Yes	Yes	Yes
Loan Type FE			Yes	Yes
Secured Loan FE			Yes	Yes
Loan Size and Maturity				Yes
Observations	1,413	1,322	1,322	1,322
Adjusted R^2	0.622	0.747	0.770	0.770

Table H3
Robustness: Alternative Samples
This table reports results under alternative sampling choices. Panel A only keeps Republican and Democrat bankers in the sample. Panel B removes loans for which we can identify more than three lead bankers. Regressions in both panels follow the specifications in the baseline analyses, shown in Panel A, Table 3. Standard errors are reported in parentheses and are heteroskedasticity robust and double clustered by banker and firm. *, **, and *** indicate statistical significance at the 10%, 5%, and 1%, respectively.

Panel A: Republican and Democrat Bankers Sample

Dep. Var.: *Log(Spread)*	(1)	(2)	(3)	(4)
Misaligned Banker	0.060***	0.081***	0.077***	0.076***
	(0.021)	(0.020)	(0.020)	(0.020)
Banker FE	Yes	Yes	Yes	Yes
Bank FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Rating Grid FE	Yes	Yes	Yes	Yes
Firm Controls	Yes	Yes	Yes	Yes
Ind.×Rating×Pres. Term FE		Yes	Yes	Yes
Loan Type FE			Yes	Yes
Secured Loan FE			Yes	Yes
Loan Size and Maturity				Yes
Observations	2,383	2,314	2,314	2,314
Adjusted R^2	0.754	0.812	0.824	0.825

Panel B: Excluding Loans ≥ 3 Bankers

Dep. Var.: *Log(Spread)*	(1)	(2)	(3)	(4)
Misaligned Banker	0.082***	0.103***	0.100***	0.098***
	(0.028)	(0.028)	(0.025)	(0.026)
Banker FE	Yes	Yes	Yes	Yes
Bank FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Rating Grid FE	Yes	Yes	Yes	Yes
Firm Controls	Yes	Yes	Yes	Yes
Ind.×Rating×Pres. Term FE		Yes	Yes	Yes
Loan Type FE			Yes	Yes
Secured Loan FE			Yes	Yes
Loan Size and Maturity				Yes
Observations	3,152	3,069	3,069	3,069
Adjusted R^2	0.736	0.804	0.824	0.824

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