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Borrowing beyond Borders: Foreign Assets, Lender Choice, and Loan Pricing in the Syndicated Bank Loan Market

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Abstract

This paper examines the ability of firms to overcome cross-country barriers to borrowing through foreign asset connections. We find that firm-level foreign assets are an important mechanism in reducing the boundary between borrowers and lenders and thereby enhancing capital access in the syndicated loan market. Our results suggest that firms with foreign assets are more likely to select a foreign lead lender and that the corresponding loans have better pricing terms. And, more specifically, we find that the location of the foreign assets strongly predicts the foreign lender's location. These results support the hypothesis that foreign presence helps reduce information barriers that arise across borders.

Key words: Syndicated loans, multinational firms, loan pricing, foreign assets, integration, international banking

JEL Classification: F23, F34, F36, G01, G15, K40

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