Gies College of Business
UNIVERSITY OF ILLINOIS URBANA-CHAMPAIGN

Divij Kohli

Gies College of Business, University of Illinois Urbana-Champaign
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February 15, 2025
Dear Members of the Review Committee,

I am writing to apply for the upcoming NBER Entrepreneurship Research Boot Camp, 2025. I was thrilled when I saw notification for this bootcamp as the program's offerings align closely with my ongoing research, where I investigate the consumer credit-entrepreneurship link.

Broadly, my research interest has a keen focus on banking, financial innovations and household finance. In particular, my research examines the impact of technological innovations and financial policies in shaping consumer credit markets, consumer behavior, and fostering entrepreneurship.

I joined Ph.D. in Finance at the Gies College of Business, University of Illinois Urbana–Champaign in August, 2022 and expect to be graduating in May, 2027.

Attached to my application is my CV and research statement. Additionally, letter of recommendation from my advisor; Professor Julia Fonseca should be arriving soon.

It would be my pleasure to attend the boot camp. I can be reached at `divijk2@illinois.edu` and by telephone at +1 447 902 0332.

Thank you very much for your time and consideration.

Sincerely,

Divij Kohli

DIVIJ KOHLI

Champaign, Illinois, USA
+1 (447) 902 0332 ⋄ divijk2@illinois.edu

EDUCATION

Ph.D. Finance — Expected: May 2027
Gies College of Business, University of Illinois Urbana-Champaign — *USA*

M.Sc. Applied Quantitative Finance — 2015 - 2017
Madras School of Economics — *India*

B.Sc. (Hons.) Mathematics — 2011 - 2014
University of Delhi — *India*

REFERENCES

Professor Julia Fonseca
Associate Professor of Finance, Gies College of Business
juliaf@illinois.edu

Professor Julian Rief
Associate Professor, Gies College of Business
jreif@illinois.edu

RESEARCH INTEREST

Banking, Financial Innovation, Household Finance

WORKING PAPERS

House of Stolen Cards: Payment Security and Lending Decisions

with Justin Mohr

We examine how technological innovation in payment security impacts credit supply and demand following credit card fraud. Research on payment security and credit card fraud has been constrained by data limitations. Using a quirk of credit reporting, we identify credit cards exposed to fraud in credit bureau data. Using a matched sample difference-in-differences approach, we find that lenders restricted credit supply to individuals exposed to fraud, while consumer demand for credit leveled off post-fraud. We then study the impact of a sudden US government initiative promoting the adoption of more secure chip-enabled cards. Following this intervention, lenders stopped restricting credit supply to consumers exposed to fraud. However, despite enhanced payment security, consumers continue to reduce their credit demand after fraud exposure. Our findings suggest that improved payment security mitigates fraud risks for lenders, but persistent consumer distrust about payment security underscores the need for further policy innovations, such as one-time passcodes for credit card transactions.

Presentations: University of Illinois Urbana-Champaign Brown Bag (2024), FMA (2024) (by co-author), Boulder Summer Conference Poster Session (2025) (scheduled)

The Effects of Deleting Medical Debt from Consumer Credit Reports

with Victor Duarte, Julia Fonseca, and Julian Reif

We study the effect of deleting medical collections from credit reports on consumer credit access and financial health. In April 2023, the three major credit bureaus announced that they had ceased reporting information about medical collections below $500. Using a machine learning model, we show that these small medical collections have minimal predictive value for defaults, suggesting their deletion should have little to no effect on credit origination. We confirm this prediction using two separate research designs. First, using a regression discontinuity design that compares individuals just above and below the $500 threshold, we find no direct benefits from the information deletion, ruling out even small improvements in access to credit, repayment behavior, or subprime

borrowing. Second, to assess potential indirect effects, we use our prediction model to classify consumers based on whether their predicted probability of default increases or decreases when medical collections are removed from the model. A difference-in-differences analysis comparing these groups before and after the April 2023 policy change reveals no evidence of negative spillover effects. Our findings indicate that the 2023 decision to delete small medical collections had no adverse indirect effects, but also did not benefit consumers whose information was removed. Finally, we show that large ($\geq$ \$500) medical collections are also not meaningfully predictive of default, suggesting that the CFPB's proposal to delete remaining medical collections from credit reports would likely have no significant impacts.

Presentations: University of Illinois Urbana-Champaign Brown Bag (2024)

WORK IN PROGRESS

The Other Half: Monetary Policy Transmission for Households without Mortgages
with Justin Mohr and Yucheng Zhou

Presentation: Financial Management Association Early Ideas (2024)

Early Access to Credit: Good or Bad?

TEACHING AND RESEARCH EXPERIENCE

Teaching Assistant Spring 2025
Corporate Finance (Undergraduate Course) by James Mendelson, UIUC

Teaching Assistant Fall 2024
Corporate Finance (Undergraduate Course) by James Mendelson, UIUC
Included on the "List of Instructors Rated Excellent by Their Students"

Research Assistant 2023 - 2024
For Prof. Can Huang

Research Assistant 2022 - 2023
For Prof. Jaewon Choi

SERVICES

Program Committee 2024
Southern Finance Association 2024 Annual Meeting

Organizer, Finance Ph.D. Student Seminar Series Aug 2024- Present
University of Illinois Urbana-Champaign

Organizer, Finance Reading Group Aug 2023- Present
University of Illinois Urbana-Champaign

President, Indian Graduate Students Association May 2023- Present
University of Illinois Urbana-Champaign

HONORS & FELLOWSHIPS

Included on the "List of Instructors Rated Excellent by Their Students" Fall 2024

Zwisler Fellowship 2024
Fellowship for academic achievements

Outstanding Asian and Asian American Graduate Student Leader 2024
Asian American Cultural Center, University of Illinois Urbana-Champaign

Lakonishok Doctoral Fellowship 2022 - Present
University of Illinois Urbana-Champaign

Monteith Technology Award 2022
University of Illinois Urbana-Champaign

Madras School of Economics' Fellowship 2016
Fellowship for academic excellence

Madras School of Economics' Fellowship 2015
Fellowship for academic excellence

INDUSTRY EXPERIENCE & PROFESSIONAL COURSES

Assitant Vice President Nov 2019 - July 2022
Barclays Bank *India*

Associate Consultant June 2019 - Nov 2019
Mckinsey & Company *India*

Financial Risk Consultant July 2017 - May 2019
Ernst & Young *India*

Certified Financial Risk Manager 2017 - 2019
Global Association of Risk Professionals

Actuarial Science Examinations 2012 - 2017
IFOA & IAI: CT-1, CT-3, CT-4, CT-5, CT-6, CT-7, CT-9

TECHNICAL STRENGTHS

Programming Languages STATA, SQL, Python
Tools Latex, Tableau

PERSONAL INFORMATION

Nationality Indian
Languages Hindi (Native), English (Bilingual Proficiency), Punjabi (Spoken)

Divij Kohli

Gies College of Business
UNIVERSITY OF ILLINOIS URBANA-CHAMPAIGN

Research Statement

My research interest has a keen focus on banking, financial innovations and household finance. In particular, my research examines the impact of technological innovations and financial policies in shaping consumer credit markets, consumer behavior, and fostering entrepreneurship.

In my second year paper; "House of Stolen Cards: Payment Security and Lending Decisions" (with *Justin Mohr*), we examine how technological innovation in payment security impacts credit supply and demand following credit card fraud. These fraud pose a unique problem to banks; while they are liable for the cost of fraud, they generate revenue from interchange fee on consumer card spending. Further, post fraud exposure consumers may develop distrust in payment security. We find that lenders restricted credit to fraud-exposed consumers, while consumer credit demand leveled off post-fraud. We then study the impact of a U.S. government push for adoption of more secure chip-enabled cards. Following this technology shock, lenders cease restricting credit supply, though consumer credit demand still stagnates. Our findings highlight how adoption of chip technology mitigates lenders risk but fails to restore consumer trust, emphasizing the broader economic effects of technological innovations—an area central to my research interests.

In "The Effects of Deleting Medical Debt from Consumer Credit Reports" (with *Victor Duarte, Julia Fonseca, and Julian Rief*), we study the effect of deleting medical collections from credit reports on consumer credit access and financial health. Policymakers have raised growing concerns that making medical debt visible to lenders could impair access to credit following unexpected medical shocks. In April 2023, the three major credit bureaus announced that they had ceased reporting information about medical collections below $500. Using a machine learning model, we show that these small medical collections have minimal predictive value for defaults, suggesting their deletion should have little to no effect on credit origination. We investigate the direct benefits to consumers whose information is deleted, as well as the potential negative spillovers to other consumers, in both cases we find no impact. These findings suggest that policies promoting information deletion may fail to achieve their intended goals, particularly for consumers burdened by medical debt.

In my ongoing research, I examine how early access to credit influence entrepreneurship. Exploiting 2009 CARD Act, which restricted credit cards issuance to consumers under 21, I investigate the welfare implications of early credit access and its role in fostering business formation. I overcome the data challenge by accessing a novel panel of consumer credit records which can be linked to small business records from one of the major credit bureaus in the US. Broadly, I aim to contribute to a deeper understanding of consumer credit-entrepreneurship link and effective policy formation. I believe my work, that focuses on entrepreneurship, aligns with the bootcamp's offerings. Learning from the top researchers in the field will help me advance my research agenda by enabling me to deepen my understanding of the field and acquire tools that will enhance my skills as a researcher.

ILLINOIS
Gies College of Business

Julia Fonseca
Assistant Professor
Department of Finance
Gies College of Business
1206 S. Sixth Street
Champaign, IL 61820

February 14, 2025

Recommendation for Divij Kohli

Dear program committee:

I am delighted to recommend Divij Kohli to the NBER Entrepreneurship Research Boot Camp. Divij is a 4th year Ph.D student and I've advised him since his first year. He is the **best student I've ever worked with** at UIUC Gies and is clearly among our best recent graduates, which include Ping Liu (Purdue), Nuri Ersahin (Michigan State), Spyros Lagaras (Pittsburgh, now UIUC Gies), Ruidi Huang (SMU), and Filipe Correia (UGA Terry). He would be a wonderful addition to your program and has my highest recommendation.

Divij is a researcher in household finance and is currently looking to exploit the connection between access to personal (as opposed to business) credit and entrepreneurship. He is remarkably skilled and has developed considerable expertise in the Gies Consumer and Small Business Credit Panel (GCCP)---a credit record panel with information on mainstream consumer credit, alternative consumer credit, and small business loans. He has two working papers in household finance, one of them co-authored with me, and is working on a project on access to personal credit and entrepreneurship.

In a paper called **"The Effects of Deleting Medical Debt from Consumer Credit Reports,"** co-authored with Victor Duarte, Julian Reif, and me, we study the effects of deleting information about medical debt collections from credit reports on consumer credit access and financial health. In April 2023, the three major credit bureaus announced that they had ceased reporting information about medical collections below $500. Using a machine learning model, we show that these small medical collections have minimal predictive value for defaults, suggesting their deletion should have little to no effect on credit origination. We confirm this prediction using two separate research designs. First, using a regression discontinuity design that compares individuals just above and below the $500 threshold, we find no direct benefits from the information deletion, ruling out even small improvements in access to credit, repayment behavior, or subprime borrowing. Second, to assess potential indirect effects, we use our prediction model to classify consumers based on whether their predicted probability of default increases or decreases when medical collections are removed from the model. A difference-in-differences analysis comparing these groups before and after the April 2023 policy change reveals no evidence of negative spillover effects. Our multi-method approach suggests that deleting this information does not disrupt consumer credit markets, but also has no direct benefits for consumers whose information is deleted. Divij has been a full co-author and instrumental to this project, contributing to all aspects the paper.

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Julia Fonseca
Assistant Professor
Department of Finance
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In his second-year paper entitled **"House of Stolen Cards: Payment Security and Lending Decisions,"** Divij and fellow Ph.D. student Justin Mohr study how fraud exposure affects both lender and consumer behavior. Through some impressive data work, Divij and his co-author identify instances where a new credit card is issued after an existing card is reported to be lost or stolen, which are either fraud or genuinely lost/stolen cards. Using a matched differences-in-differences analysis, they study the behavior of consumers with reported lost/stolen cards and finds that they run up credit balances and inquiries before the event and see lower credit after, relative to similar borrowers. This is consistent with lenders responding to these potential instances of fraud by reducing credit supply. They then study the introduction of chip-enabled cards—meant to curb fraud—and show that lenders cease restricting credit supply to fraud-exposed consumers once this technology is in place. This is an ambitious project which, I'm sorry to say, I discouraged them from at first thinking it would be impossible to identify potential credit card fraud in consumer credit records in the short timeframe Divij had to produce his second-year paper. While it was the first paper he ever wrote and he has learned much since then, this paper showcases his creativity, perseverance, and natural talent for thorough data work.

For his job market paper, Divij is exploring the link between personal credit histories and entrepreneurship. Using linked consumer and small business credit records from the GCCP, Divij is studying how the 2009 CARD act—which restricted credit card issuance for borrowers younger than 2021—affected entrepreneurship and other outcomes later in life. Shedding light on the role of personal credit building on entrepreneurship would, in my view, be a meaningful contribution to this literature and Divij has developed many of the skills he needs to carry out this agenda. However, he would benefit immensely from more exposure to leading entrepreneurship research and researchers than he currently has access at UIUC Gies.

In summary, Divij is an exceptional student and would be a wonderful addition to the program. He's also a joy to work with and I'm sure he would have a positive impact on the learning environment and contribute meaningfully to the discussions. He has my highest and unreserved recommendation. Please do not hesitate to contact me if I can be of further assistance.

Sincerely,

Julia Fonseca
Assistant Professor of Finance