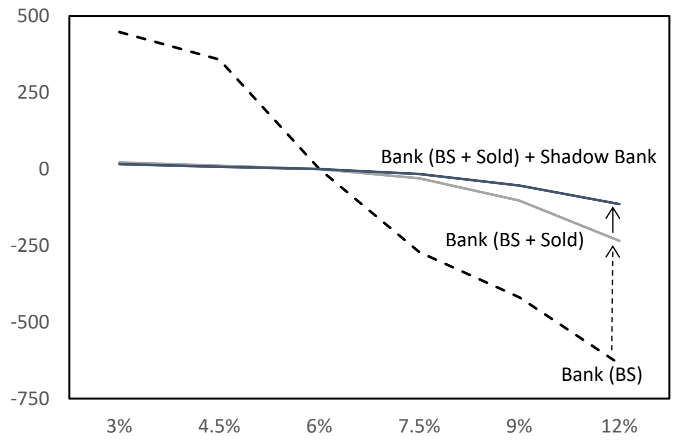
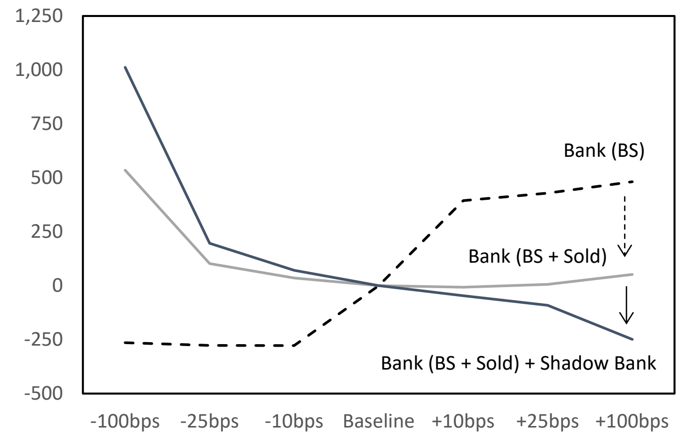
**Figure 13: Counterfactual Analysis – Importance of Balance Sheet Retention and Shadow Bank Migration Margins**

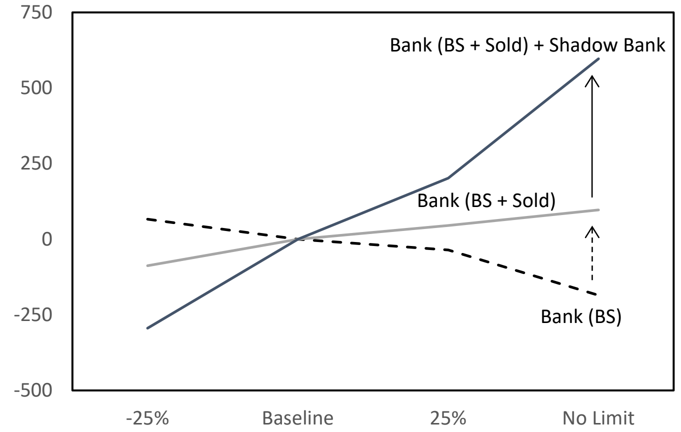
Panel A shows a change in the aggregate mortgage origination volume (in $ billions) across various bank capital ratio requirements (in %) relative to the baseline scenario (6% requirement). The dotted line shows the changes in the aggregate amount of bank balance sheet lending [Bank (BS)]. The grey line shows the overall change in the aggregate mortgage origination volume among bank lenders that includes both balance sheet lending and securitized loans [Bank (BS+Sold)]. The solid black line shows the overall change in the aggregate amount of lending accounting for both bank and shadow bank response [Bank (BS+Sold)+Shadow Bank]. The dashed arrow represents the balance sheet retention margin, and the solid arrow represents the shadow bank migration margin. Panel B shows the corresponding changes in loan origination volume across various changes to the GSE financing costs relative to the baseline (in basis points), while Panel C shows the changes in loan origination volume across various changes in the conforming loan limit relative to the baseline (in %). The baseline aggregate origination volume equals $1,763 billion.




(a) Lending volume changes across bank capital requirements




(b) Lending volume changes across changes in the GSE financing costs




(c) Lending volume changes across changes in the conforming loan limit