

Table A2: Counterfactual Analysis – Capital Requirements with Jumbo Securitization

This table shows the impact of various capital requirements when jumbo loans can be securitized at a 25bp spread over conforming. Column (1) shows the case a 3% capital requirement, Column (2) for a 4.5% capital requirement, Column (3) for a 6% capital requirement (baseline), Column (4) for a 7.5% capital requirement, Column (5) for a 9% capital requirement, and Column (6) for a 12% capital requirement. Rows show the predicted impact of the counterfactual change on various outcomes.

		Capital Requirement					
		(1)	(2)	(3)	(4)	(5)	(6)
		3%	4.5%	6% (Baseline)	7.5%	9%	12%
Lending Volumes							
<i>Overall Lending Volume (\$b)</i>		1,792	1,783	1,777	1,775	1,773	1,777
<i>Conforming Volume (\$b)</i>		1,360	1,354	1,353	1,355	1,354	1,358
<i>Jumbo Volume (\$b)</i>		432	429	424	421	419	419
<i>Bank Volume (\$b)</i>		1,079	1,068	1,059	1,055	1,053	1,056
Loan Financing							
<i>Balance Sheet Lending (\$b)</i>		1,097	1,030	441	184	21	2
<i>Share of Loans Financed on Balance Sheet (%)</i>		61%	58%	25%	10%	1%	0%
<i>Share of Conforming Loans Financed on Balance Sheet (%)</i>		52%	48%	18%	3%	1%	0%
<i>Share of Jumbo Loans Financed on Balance Sheet</i>		87%	86%	44%	33%	3%	0%
<i>Shadow Bank Market Share (%)</i>		40%	40%	40%	41%	41%	41%
<i>Shadow Bank Share of Conforming Loans (%)</i>		48%	49%	49%	49%	49%	49%
<i>Shadow Bank Share of Jumbo Loans (%)</i>		13%	13%	14%	14%	14%	14%
Interest Rates (deviation from baseline)							
<i>Conforming Interest Rate (%)</i>		-0.03	-0.02	-	0.01	0.02	0.02
<i>Jumbo Interest Rate (%)</i>		-0.10	-0.06	-	0.04	0.06	0.06
<i>Jumbo - Conforming Spread (%)</i>		-0.07	-0.04	-	0.03	0.04	0.05
Profits and Consumer Welfare (deviation from baseline)							
<i>Overall Lender Profits (\$b)</i>		2	1	-	0	-1	-1
<i>Bank Profits (\$b)</i>		3	1	-	-1	-1	-1
<i>Shadow Bank Profits (\$b)</i>		0	0	-	0	0	0
<i>Overall Consumer Surplus (\$b)</i>		3	2	-	-1	-1	-1
<i>Individual Consumer Surplus (\$)</i>		35	31	-	-26	-20	-17