

Table 9: Counterfactual Analysis – Capital Requirements

This table shows the impact of various capital requirements. 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. Column (6) for a 12% capital requirement. Rows show the predicted impact of the counterfactual change on various outcomes.

	Capital Requirement					
	(1) 3%	(2) 4.5%	(3) 6% (Baseline)	(4) 7.5%	(5) 9%	(6) 12%
Lending Volumes						
<i>Overall Lending Volume (\$b)</i>	1,779	1,770	1,763	1,747	1,709	1,649
<i>Conforming Volume (\$b)</i>	1,390	1,385	1,385	1,412	1,482	1,627
<i>Jumbo Volume (\$b)</i>	389	386	378	335	227	22
<i>Bank Volume (\$b)</i>	1,108	1,098	1,087	1,057	984	852
Loan Financing						
<i>Balance Sheet Lending (\$b)</i>	1,108	1,019	658	389	241	24
<i>Share of Loans Financed on Balance Sheet (%)</i>	62%	58%	37%	22%	14%	1%
<i>Share of Conforming Loans Financed on Balance Sheet (%)</i>	52%	46%	20%	4%	1%	0%
<i>Shadow Bank Market Share (%)</i>	38%	38%	38%	40%	42%	48%
<i>Shadow Bank Share of Conforming Loans (%)</i>	48%	49%	49%	49%	49%	49%
Interest Rates (deviation from baseline)						
<i>Conforming Interest Rate (%)</i>	-0.01	-0.01	-	0.00	0.00	0.00
<i>Jumbo Interest Rate (%)</i>	-0.15	-0.11	-	0.30	0.44	1.57
<i>Jumbo - Conforming Spread (%)</i>	-0.14	-0.10	-	0.29	0.44	1.57
Profits and Consumer Welfare (deviation from baseline)						
<i>Overall Lender Profits (\$b)</i>	3	2	-	-7	-23	-50
<i>Bank Profits (\$b)</i>	3	2	-	-7	-24	-50
<i>Shadow Bank Profits (\$b)</i>	0	0	-	0	0	0
<i>Overall Consumer Surplus (\$b)</i>	3	2	-	-10	-45	-97
<i>Individual Consumer Surplus (\$)</i>	49	43	-	-492	-1,617	-3,810
<i>Overall Consumer Surplus for Top Income Market (\$b)</i>	2	1	-	-8	-32	-68
<i>Overall Consumer Surplus for Bottom Income Market (\$b)</i>	0	0	-	0	-1	-2
<i>Individual Consumer Surplus for Top Income Quartile (\$)</i>	47	30	-	-159	-402	-885
<i>Individual Consumer Surplus for Bottom Income Quartile (\$)</i>	6	18	-	-449	-1,665	-4,083