

**Figure 9: Marginal Loan Origination Costs for Traditional and Shadow Banks**

Figure 9 shows model-implied marginal costs as a function of excess bank capitalization, the difference between the bank's capital ratio and the statutory requirement. The solid line shows the marginal cost for banks originating jumbo loans. The dashed black line shows marginal cost for banks originating conforming loans. The solid grey line shows the marginal cost for shadow banks originating conforming loans.

