

Table 4: Balance Sheet Retention and Bank Capitalization

This table assesses the relationship of bank capitalization and financing of loans on the balance sheet and how it varies with product mix. The regression is at the lender-year level among traditional banks. For columns (1) and (2), the left-hand side variable is percent of all originated loans not sold within the calendar year. For columns (3) and (4), the left-hand side variable is the percent of originated loans that are jumbo (non-conforming). For (5) and (6) the left-hand side variable is percent of conforming originations not sold within the calendar year. Capital ratio is the bank's statutory capital ratio (in percentage). Log(Originations) is the (log) total number of originations for the lender in the given year. Log(Unique CTs) is the (log) number of unique census tracts in which the bank originates mortgages, a measure of geographical spread. Log(Average Loan Income) and Log(Average Loan Size) are the (log) average borrower income and loan size for the loans the banks originates in the year. Log(Bank Assets) is the (log) total bank assets. Deposits / Total Liabilities is the percentage of the bank's liabilities that are deposits. All columns have year fixed effects. Columns (2), (4), (6), and (8) additionally have lender fixed effects. Data are from HMDA and the Federal Reserve call reports and run from 2008 to 2015. Standard errors are in parentheses.

	% Retained (All loans)		% Jumbo		% Retained (Conforming)	
	(1)	(2)	(3)	(4)	(5)	(6)
Capital Ratio	3.114 (0.325)	4.506 (0.523)	0.211 (0.053)	-0.136 (0.071)	3.123 (0.333)	4.827 (0.550)
Log(Originations)	-0.154 (0.015)	-0.231 (0.027)	-0.015 (0.002)	-0.022 (0.004)	-0.149 (0.015)	-0.219 (0.029)
Log(Unique CTs)	0.038 (0.015)	0.158 (0.040)	-0.004 (0.002)	0.016 (0.005)	0.043 (0.015)	0.144 (0.042)
Log(Bank Assets)	0.041 (0.005)	0.004 (0.008)	0.005 (0.001)	0.002 (0.001)	0.038 (0.005)	0.003 (0.008)
Deposits / Total Liabilities	-0.409 (0.061)	-0.279 (0.121)	-0.052 (0.010)	0.165 (0.016)	-0.396 (0.063)	-0.360 (0.127)
Log(Average Loan Income)	0.450 (0.052)	0.628 (0.072)	0.164 (0.008)	0.130 (0.010)	0.362 (0.054)	0.594 (0.077)
Log(Average Loan Size)	-0.337 (0.028)	-0.254 (0.041)	0.032 (0.005)	0.067 (0.006)	-0.358 (0.028)	-0.285 (0.043)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Lender FE	No	Yes	No	Yes	No	Yes
Observations	1,241	1,241	1,241	1,241	1,241	1,241
R ²	0.428	0.751	0.646	0.896	0.436	0.740