

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) 3%	(2) 4.5%	(3) 6% (Baseline)	(4) 7.5%	(5) 9%	(6) 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