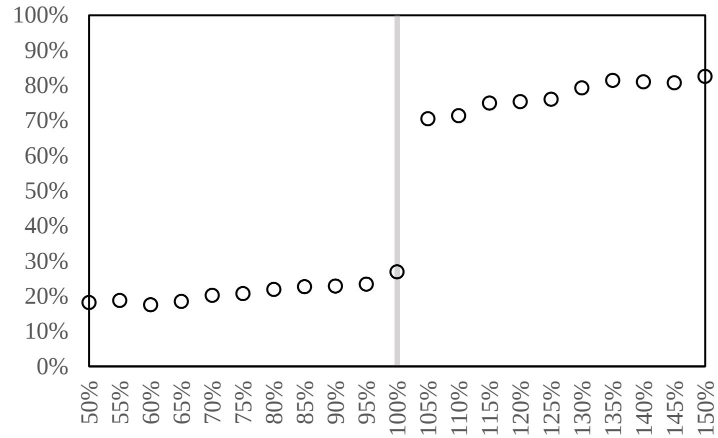
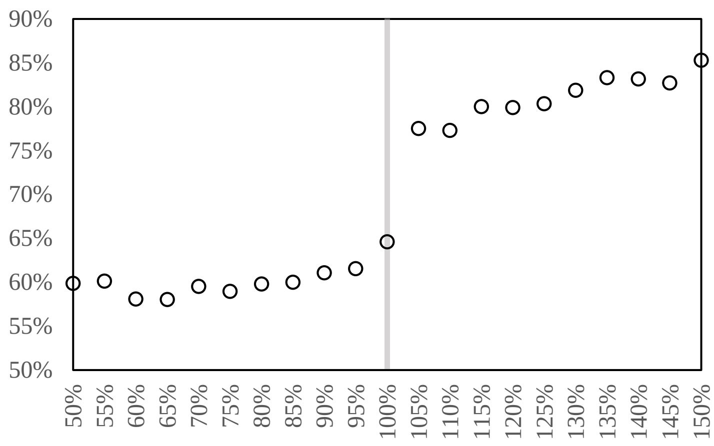
Figure 4: Balance Sheet Financing and Bank Lending around the Conforming Loan Limit Cutoffs

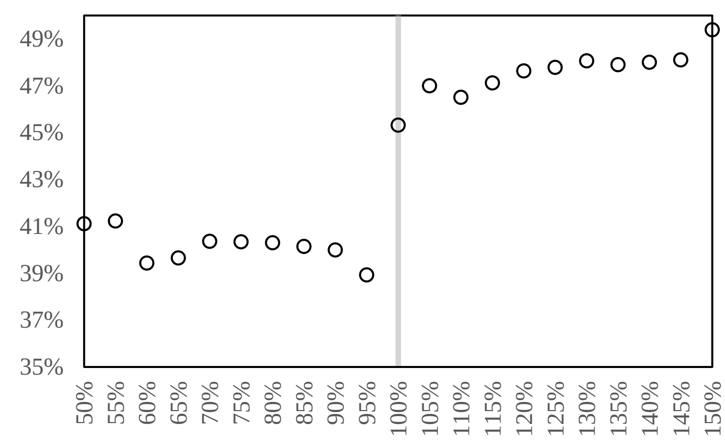
Panel A shows the percentage of mortgage originations retained on balance sheet by the loan amount divided by the conforming loan limit in the county-year of origination. The cutoff is at 100%, shown by a dotted vertical line. Panel B shows the percentage of originations that are done by banks around the conforming loan limit. Panel C shows the percentage of bank originations done by well-capitalized banks, where a bank is well-capitalized if it is in the top quartile of capitalization for the year of origination. Loan sizes are binned as a proportion of the conforming loan limit in 0.05 buckets, i.e., 0.91-0.95, 0.96-1.00, 1.01-1.05, and so on. In Panel A, a mortgage is retained on balance sheet if it is not sold in the calendar year or sold to an affiliate. Each panel uses HMDA data between 2007 and 2015 and call reports to determine bank capitalization. Panels A and B use all originations; Panel C uses traditional bank originations only.



(a) Percentage of loans retained on balance sheet



(b) Market share of banks among all lenders



(c) Market share of well-capitalized banks among banks only