

## Appendix

**Table A1: Counterfactual Analysis – Capital Requirements with Equity Raising and Asset Sales**

This table shows the impact of various capital requirements when banks can issue equity (or sell assets) at a 25bp cost over the 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)	(2)	(3)	(4)	(5)	(6)
		3%	4.5%	6% (Baseline)	7.5%	9%	12%
<b>Lending Volumes</b>							
	<i>Overall Lending Volume (\$b)</i>	1,777	1,770	1,764	1,761	1,763	1,760
	<i>Conforming Volume (\$b)</i>	1,388	1,385	1,383	1,383	1,386	1,384
	<i>Jumbo Volume (\$b)</i>	389	385	381	378	376	376
	<i>Bank Volume (\$b)</i>	1,106	1,097	1,089	1,084	1,085	1,082
<b>Loan Financing</b>							
	<i>Balance Sheet Lending (\$b)</i>	1,106	1,042	646	423	397	388
	<i>Share of Loans Financed on Balance Sheet (%)</i>	62%	59%	37%	24%	23%	22%
	<i>Share of Conforming Loans Financed on Balance Sheet (%)</i>	52%	47%	19%	3%	1%	1%
	<i>Shadow Bank Market Share (%)</i>	38%	38%	38%	38%	38%	38%
	<i>Shadow Bank Share of Conforming Loans (%)</i>	48%	49%	49%	49%	49%	49%
	<i>Share of Loans Financed with new Equity Issuance (%)</i>	0%	1%	8%	11%	21%	21%
<b>Interest Rates (deviation from baseline)</b>							
	<i>Conforming Interest Rate (%)</i>	-0.01	-0.01	-	0.00	0.00	0.00
	<i>Jumbo Interest Rate (%)</i>	-0.12	-0.07	-	0.05	0.07	0.07
	<i>Jumbo - Conforming Spread (%)</i>	-0.10	-0.07	-	0.05	0.07	0.07
<b>Profits and Consumer Welfare (deviation from baseline)</b>							
	<i>Overall Lender Profits (\$b)</i>	2	1	-	-1	-1	-1
	<i>Bank Profits (\$b)</i>	2	1	-	-1	-1	-1
	<i>Shadow Bank Profits (\$b)</i>	0	0	-	0	0	0
	<i>Overall Consumer Surplus (\$b)</i>	3	1	-	-1	-1	-1
	<i>Overall Consumer Surplus for Top Income Market (\$b)</i>	1	1	-	0	-1	-1