Table 3: Financing on Balance Sheet and Capitalization of Traditional Banks around Conforming Loan Limit

This table assesses the discontinuity of financing on balance sheet and capitalization of traditional banks around the conforming loan limit for only traditional bank originations, with shadow bank originations excluded. Panel A considers balance sheet lending versus outside financing. The left-hand side variable is an indicator for whether the loan is retained on balance sheet or sold. Panel B considers well versus poorly capitalized banks. The left-hand side variable is an indicator for whether the originator is well-capitalized. Banks are defined as well capitalized based if they are in the top quartile of capitalization for the given year. In both panels, Jumbo is an indicator for whether the loan size is above the conforming loan limit in the time-county of origination rending it ineligible for securitization through GSEs. In both panels, columns (1)-(4) use years 2007-2015; (5)-(8) use 2015 originations only. Columns (1)-(4) and (5)-(8) consider discontinuity widths from +/-1%, 5%, 10%, and 25% around the conforming loan limit. Controls include log loan amount, log applicant income, dummy variables for applicant race, ethnicity, sex, loan type, loan purpose, occupancy, and property type, and census tract-year fixed effects. Standard errors in parentheses are clustered at the lender-year level.

Panel A: Loan Retained on Balance Sheet or Sold?

	All Sample				2015 Originations			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Bandwidth +/-	1%	5%	10%	25%	1%	5%	10%	25%
Jumbo	0.566	0.515	0.508	0.499	0.666	0.587	0.532	0.477
	(0.037)	(0.026)	(0.025)	(0.024)	(0.068)	(0.045)	(0.033)	(0.024)
Loan-Level Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Tract-Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	313,788	580,777	883,273	2,047,329	24,923	57,114	97,493	237,146
R^2	0.442	0.409	0.396	0.352	0.627	0.561	0.522	0.469

Panel B: Loan Originated by a Well Capitalized Bank?

	All Sample				2015 Originations			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Bandwidth +/-	1%	5%	10%	25%	1%	5%	10%	25%
Jumbo	0.087	0.102	0.106	0.099	0.138	0.151	0.165	0.169
	(0.044)	(0.033)	(0.031)	(0.025)	(0.110)	(0.082)	(0.073)	(0.059)
Loan-Level Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Tract-Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	313,788	580,777	883,273	2,047,329	24,923	57,114	97,493	237,146
R^2	0.521	0.445	0.393	0.322	0.541	0.379	0.302	0.219