



FIGURE 4
Constructing the counterfactual LTV distribution.

Notes: This figure shows the two steps in the construction of the counterfactual LTV distribution among refinancers. Each panel shows the actual LTV distribution with dots (as in Figure 1). Panel A shows the distribution of passive LTVs with crosses, calculated based on the LTV of the previous mortgage, amortization, and the house value at the time of refinancing. Panel B shows the distribution of counterfactual LTVs with crosses, which adjusts passive LTVs for the average equity extraction of non-bunchers in the actual distribution.