

Abstract

The current National Income and Product Account measure of imputed bank services sold to borrowers is limited to loans retained on the balance sheet. In this paper, we investigate the extent to which the current approach understates nominal bank output by assuming that banks provide no ongoing services to borrowers when loans are securitized. We document that imputed output provided by banks to borrowers may be understated by more than 10 percent, creating the possibility that the distribution of output between the financial and nonfinancial sectors is misstated to some degree. We note that this treatment has little or no impact on aggregate GDP unless purchasers of securities backed by loans are treated in a fashion similar to depositors.