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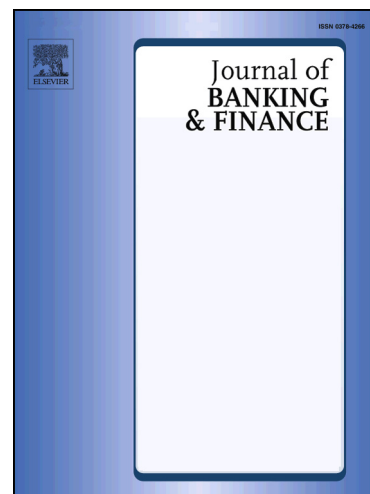
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# Loss Severities on Residential Real Estate Debt during the Great Recession

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## Abstract

This study develops estimates of expected loss severities on mortgage exposures using data from Florida during the Great Recession. This paper marks the first attempt at addressing sample selectivity in the context of loss models. We also construct measures of home equity that are more accurate than those employed in previous studies. We find that failing to address sample selection and the use of noisy equity measures in loss models can bias loss estimates significantly. We also find significantly higher loss severities and a greater sensitivity of loss severity to equity than what previous studies report.

**JEL codes:** G21, G12, D12, D14

**Keywords:** LGD, Loss Severity, Credit Risk, Capital Model, Mortgages, Home Equity, Sample Selection

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