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MORTGAGE BANKERS ASSOCIATION

July 24, 2018

The Honorable Jelena McWilliams  
Chairman  
Federal Deposit Insurance Corporation  
550 17th Street, N.W.  
Washington, D.C. 20429

The Honorable Joseph Otting  
Comptroller of the Currency  
Office of the Comptroller of the Currency  
400 7th Street, S.W.  
Washington, D.C. 20219

The Honorable Randal K. Quarles Vice Chairman for Supervision  
Board of Governors of the Federal Reserve System  
Eccles Board Building  
20th and C Street, N.W.  
Washington, D.C. 20219

**Re: Simplifications to the Capital Rule Pursuant to the Economic Growth and Regulatory Paperwork Reduction Act of 1996**

Dear Chairman McWilliams, Comptroller Otting, and Vice Chairman Quarles:

The Mortgage Bankers Association (MBA)<sup>1</sup> is writing this letter to request a status update on the Notice of Proposed Rulemaking<sup>2</sup> issued by the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation and the Board of Governors of the Federal Reserve (collectively “the Agencies”) proposing to reduce regulatory compliance burdens, particularly on community banking organizations, by simplifying certain aspects of the Agencies’ capital rules (the “Proposal”).

The Proposal, which was issued on September 27, 2017, and open for comments from interested parties until December 26, 2017, focused on two specific areas: 1) regulatory deductions and 2) High Volatility Commercial Real Estate (HVCRE). Under the first topic, the Agencies proposed to increase the cap on the amount of mortgage servicing assets (MSAs) that can be included in Tier 1 capital from 10% to 25%; and

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<sup>1</sup> The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 280,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation’s residential and commercial real estate markets; to expand homeownership; and to extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of over 2,200 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, thrifts, REITs, Wall Street conduits, life insurance companies and others in the mortgage-lending field. For additional information, visit MBA’s website: [www.mba.org](http://www.mba.org).

<sup>2</sup> Simplifications to the Capital Rule Pursuant to the Economic Growth and Regulatory Paperwork Reduction Act of 1996 - A Proposed Rule by the Comptroller of the Currency, the Federal Reserve System, and the Federal Deposit Insurance Corporation on 10/27/2017.

also eliminate the 15% cap on the aggregate amount of MSAs, DTAs and certain other assets that can be included in Tier 1 capital.

The second component of the Proposal (HVCRE) has largely been superseded by contrary provisions in the recently enacted S.2155, Economic Growth, Regulatory Relief, and Consumer Protection Act, signed into law by President Trump on May 24, 2018. Therefore, it would seem appropriate to formally withdraw it, and focus instead on finalizing the regulatory deduction as soon as possible. We note that, separate and apart from the Proposal, the Agencies will need to initiate a new rulemaking to conform current HVCRE regulations to S. 2155.

While MBA supports the Agencies' efforts to simplify the rules in order to reduce unnecessary complexity and eliminate provisions that create unnecessary burdens and hinder financial stability and economic growth, it is important for the industry to have final rules issued as soon as possible. Therefore, we respectfully urge the Agencies to finalize the provisions in the Proposal relating to the regulatory deduction rules promptly. The lack of final rules continue to create capital planning challenges for many banks due to lack of certainty on several issues addressed in the Proposal.

Finalizing the Proposal (reflecting the recommendations by MBA and many member institutions as well as other stakeholders to increase the proposed 25% cap to 50% and reduce the 250% risk weighting to no more than 130%) immediately will provide significant benefits for Finance and Treasury teams at depository institutions. If the Agencies will not finalize the Proposal in the next week, MBA would appreciate some feedback from the Agencies on the timeframe for finalizing it. Such feedback would provide some level of certainty for the industry.

Thank you for your consideration. Please feel free to contact Fran Mordi, MBA's AVP for Financial Management, Tax & Accounting Policy, at 202-557-2860 if you have any questions or require any additional information.

Sincerely,

A handwritten signature in black ink that reads "Stephen A. O'Connor". The signature is written in a cursive, slightly slanted style.

Stephen A. O'Connor  
Senior Vice President, Public Policy and Industry Relations  
Mortgage Bankers Association