



MORTGAGE BANKERS ASSOCIATION

July 25, 2019

The Honorable Jelena McWilliams
Chair
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: Permit Early Adoption of Final Capital Rule Pursuant to the Economic Growth and Regulatory Paperwork Reduction Act of 1996

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

The Mortgage Bankers Association (MBA)¹ respectfully submits this letter requesting that the Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, and Federal Reserve Board (collectively, “the Agencies”) permit early adoption of the rules pertaining to the treatment of mortgage servicing assets (MSAs) contained in the “Simplifications to the Capital Rule Pursuant to the Economic Growth and Regulatory Paperwork Reduction Act of 1996” (Simplification Rule), which was finalized by the agencies in May.

The MBA greatly appreciates the efforts the agencies have made to simplify the generally applicable risk-based capital standards for community banks, which resulted in the Simplification Rule. Nevertheless, we still believe that a 250% risk weighing for MSAs is excessive and punitive, and continue to urge the Agencies to revisit the issue, as it remains a major impediment to banks’ regaining their historical market

¹ 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 2,300 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

share of MSAs. A more diverse and deeper MSA market benefits all market participants and strengthens the resiliency of the entire housing finance market.

As we look ahead to implementation, the Simplification Rule's increase in the threshold of MSAs that could be included in Tier 1 Capital from 10% to 25% is an important step towards the goal of achieving a simpler and improved regulatory capital framework. Thus, MBA believes it is important for the Agencies to be flexible on the effective date of this rule in order to allow those banks that benefit immediately from the rule the option to adopt the rules sooner rather than later. In effect, the Agencies should provide flexibility for early adoption of the rule prior to its effective date of April 2020 – which would allow a bank that wants to adopt the rule prior to the effective date to do so.

MBA acknowledges that the implementation freeze that was put into place prior to the finalization of the Simplification Rule (the Pause)² continues to be in effect until the April 2020 effective date. Nonetheless, the benefit and certainty that is provided by the final Simplification Rule continues to be delayed for many banks because of the lack of flexibility in timing in adopting the rule. This creates frustration and unnecessary difficulties for some banks, and is counter-productive in relation to the goal of simplification.

Hence, we urge the Agencies to allow the flexibility of early adoption of the rules. In effect, once an institution adopts the rule, such an institution would no longer be able to operate under the Pause. This would allow a bank the option to either apply the benefits of the Simplification Rule earlier or continue to operate under the Pause until the April 1, 2020 effective date of the Simplification Rule.

Please feel free to contact Fran Mordi at fmordi@mba.org or (202) 557-2860 if you have any questions or would like to discuss the matter further.

Sincerely,



Pete Mills
Senior Vice President
Residential Policy and Member Engagement
Mortgage Bankers Association

² In 2017, the agencies adopted a rule (transition rule) to allow non-advanced approaches banking organizations to continue to apply the transition treatment in effect in 2017 (including the 100 percent risk weight for MSAs, temporary difference DTAs, and significant investments in the capital of unconsolidated financial institutions) while the agencies considered the simplifications proposal. See 82 FR 55309 (Nov. 21, 2017).