



Financial Security for Life

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October 6, 2020

Philip A. Barlow, FSA, MAAA;  
Chair, Life Risk-Based Capital (E) Working Group  
National Association of Insurance Commissioners  
1100 Walnut Street, Suite 1500  
Kansas City, MO 64106-2197

Re: Exposure Draft Notice: Life Risk-Based Capital (E) Working Group (ending 10/7/20)

Dear Mr. Barlow:

The Mortgage Bankers Associations (MBA)<sup>1</sup> and the American Council of Life Insurers (ACLI),<sup>2</sup> on behalf of our respective member insurers, submit these comments in support of the exposure drafts “Guidance on Mortgage Reporting for 2020” and “Instructional Changes for 2021” that the Life Risk-Based Capital Working Group of the National Association of Insurance Commissioners (NAIC) released on September 30, 2020.

We support the guidance on Construction Loans; Origination Date, Valuation Date, Property Value, and 90 Days Past Due; and Contemporaneous Property Values, which accurately reflects the guidance the Working Group adopted in its June 30 and July 10, 2020 meetings.

We also support the proposed Net Operating Income (NOI) guidance and instructions on 2020 NOI inputs for 2021, 2022, and 2023 risk-based capital reporting. We appreciate the engagement of Working Group members discussing this proposal over a series of Working Group meetings. In fact, regulator feedback from those discussions led industry to modify its initial NOI proposal (i.e., industry lowered the 2020 NOI floor from 100% of 2019 NOI to 85% of 2019 NOI). Importantly, the proposal will not provide risk-based capital relief to any loan that becomes delinquent as a result of the impacts of COVID-19 or otherwise. We believe the resulting proposed adjustments to 2020 NOI inputs, where applicable, will result in risk-based capital requirements that more reasonably reflect credit risk for loans that continue to perform after the underlying properties experience a drop in NOI in 2020.

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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. Its membership of over 2,300 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, credit unions, thrifts, REITs, Wall Street conduits, 70 life insurance companies engaged in real estate finance, and others in the mortgage lending field. For additional information, visit MBA’s website: [www.mba.org](http://www.mba.org)

<sup>2</sup> The American Council of Life Insurers (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI’s member companies are dedicated to protecting consumers’ financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI’s 280 member companies represent 94 percent of industry assets in the United States. Learn more at [www.acli.com](http://www.acli.com)

We also support the additional NOI guidance that instructs insurers that apply the adjustment to 2020 NOI inputs to retain actual 2020 NOI information in their workpapers so that the information can be readily available to regulators. While this was not in industry's proposal, we believe it is reasonable additional guidance that would address regulator concerns about the future availability to regulators of 2020 NOI information.

While the NOI guidance is exposed both in the form of guidance and changes to risk-based capital reporting instructions, we would support the alternative of adopting the NOI guidance solely in the form of guidance. We note that the Working Group adopted guidance for a comparable adjustment to the reporting of Contemporary Property Value, which simplified the approval process.

We want to thank the members of the Working Group, and you, for the considerable time and attention devoted to these and other efforts to address risk-based capital reporting in the context of the COVID-19 pandemic. Please feel free to contact Bruce Oliver at [boliver@mba.org](mailto:boliver@mba.org) or 202-557-2840 or Mike Monahan at [mikemonahan@acli.com](mailto:mikemonahan@acli.com) or 202-624-2324 for any additional information.

Sincerely,



Mike Flood



Paul Graham

cc: Dave Fleming, NAIC Senior Insurance Reporting Analyst