MORTGAGE BANKERS ASSOCIATION

July 26, 2023

The Honorable Jerome H. Powell
Chair, Board of Governors
Federal Reserve System
20th and Constitution Ave. N.W.,
Washington, D.C. 20551

The Honorable Michael S. Barr
Vice Chair, Supervision,
Board of Governors
Federal Reserve System
20th and Constitution Ave. N.W.,
Washington, D.C. 20551

The Honorable Michelle W. Bowman
Governor, Board of Governors
Federal Reserve System
20th and Constitution Ave. N.W.,
Washington, D.C. 20551

The Honorable Christopher J. Waller
Governor, Board of Governors
Federal Reserve System
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Washington, D.C. 20551

The Honorable Philip N. Jefferson
Governor, Board of Governors
Federal Reserve System
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Washington, D.C. 20551

The Honorable Lisa D. Cook
Governor, Board of Governors
Federal Reserve System
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Washington, D.C. 20551

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

The Honorable Travis Hill
Vice Chairman
Federal Deposit Insurance Corporation
550 17th Street, N.W.,
Washington, D.C. 20429

The Honorable Jonathan McKernan
Director
Federal Deposit Insurance Corporation
550 17th Street, N.W.,
Washington, D.C. 20429

The Honorable Rohit Chopra
Director
Consumer Financial Protection Bureau
1700 G St, N.W.,
Washington, D.C. 20552

The Honorable Michael Hsu
Acting Comptroller
Office of the Comptroller of the Currency
400 7th St, S.W.,
Washington, D.C. 20219

RE: MBA Opposes the Proposed Rulemaking Implementing Basel III Endgame and Making Changes to Capital Requirements for Banks

Dear Banking Agency Leadership:

The Mortgage Bankers Association (MBA)[1] strongly urges you to vote against the proposed interagency Notice of Proposed Rulemaking implementing the Basel III "endgame" rule, which is set for consideration on July 27. The rule is expected to impose a 15 to 20 percent increase in capital requirements for larger institutions.

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[1] The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 400,000 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 more than 2,200 companies includes all elements of real estate finance: independent mortgage banks, mortgage brokers, commercial banks, thrifts, REITs, Wall Street conduits, life insurance companies, credit unions, and others in the mortgage lending field. For additional information, visit MBA's website: www.mba.org.

Such a substantial hike will have both macroeconomic and sector impacts that could stunt economic growth and fundamentally shift what business lines mid-sized and regional banks will focus on. Capital rules of this magnitude should be accompanied by a quantitative impact study to assess both the macroeconomic and sector impacts, as has been done with previous Basel-related reforms.

We are particularly concerned about press reports of a sharp increase in risk weights for single-family mortgages – 20 percentage points above the levels in the Basel Committee framework. Higher capital in general, and sharply higher risk-weightings on single-family mortgages, could exacerbate already-challenging conditions facing the housing market. Importantly, we are also concerned about the combined effect of the banking regulatory framework for housing and rental housing supply. Specifically, the proposed Community Reinvestment Act overhaul combined with the proposed capital standards will restrict the creation of new affordable housing units, in contrast to the Administration's stated priorities.

Given ongoing housing affordability and supply challenges, the banking agencies must conduct the analysis needed to avoid precipitating a withdrawal of support for real estate finance markets from the largest providers of capital in the country. While it has been suggested that a phased implementation will minimize the impact, we know from prior experience that investors and markets will react immediately to such significant capital changes, and banks will be forced to respond to that pressure in real time. The economic impact cannot be mitigated by phased implementation alone.

MBA strongly opposes this NPR and urges the banking regulators to delay its release until the necessary quantitative impact study (QIS) has been completed, a review of the combined effects of regulatory changes on the creation of affordable and affordable rental housing has been conducted, and appropriate adjustments incorporated into a proposed rule.

Sincerely,

Robert D. Broeksmit, CMB
President and Chief Executive Officer
Mortgage Bankers Association