September 12, 2017

Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
400 7th Street SW., Suite 3E-218,
Mail Stop 9W-11,
Washington, DC 20219.

RE: Notice of Ex Parte Meeting Regarding the "Regulatory Capital Rules: Retention of Certain Existing Transition Provisions for Banking Organizations That Are Not Subject to the Advanced Approaches Capital Rules;" Docket ID: OCC-2017-0012

On September 11, 2017, the attendees listed in the chart below attended a meeting to discuss the Independent Community Bankers of America (ICBA) and Mortgage Bankers Association (MBA)'s (collectively "the Associations") strong support for the extension of the transition provisions of the Basel III capital requirements related to mortgage servicing assets (MSAs) for banks that are not subject to Basel's advanced approach proposed 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 Banking Regulators") in their recent Notice of Proposed Rulemaking (NPR).[1]

MBA, ICBA and respective members	Banking Regulators
Dave Stevens President and Chief Executive Officer MBA	Ryan Billingsley Corporate Expert, Capital Markets Branch Federal Deposit Insurance Corporation
Pete Mills SVP, Residential Policy & Member Engagement MBA	Ben Bosco Chief, Capital Policy Section Federal Deposit Insurance Corporation
Steve O'Connor SVP, Public Policy & Industry Relations MBA	Constance Horsely Deputy Associate Director Federal Reserve Board

[1]Board of Governors of the Federal Reserve, Federal Deposit Insurance Corporation and Office of the Comptroller of the Currency; Regulatory Capital Rules: Retention of Certain Existing Transition Provision for Banking Organizations That Are Not Subject to the Advanced Approaches Capital Rules, 82 FR 40495 (August 25, 2017).

Mike Fratantoni Chief Economist, Senior Vice President, Research & Technology MBA	Elizabeth MacDonald Manager, Regulatory Policy Section Federal Reserve Board
Justin Wiseman Associate Vice President & Managing Regulatory Counsel MBA	Juan C. Climent Division of Banking Supervision and Regulation Federal Reserve Board
Francesca Mordi Associate Vice President, Accounting, Tax & Financial Management MBA	Noah Cuttler Division of Supervision and Regulation Federal Reserve Board
David Motley President Colonial Savings, F.A.	Amrit Sekhon Deputy Comptroller for Capital and Regulatory Policy OCC
Rich Bennion Executive Vice President HomeStreet Bank	Margot Schwadron Senior Risk Expert, Capital Policy Division OCC
Carl J. Sjulin Chairman, President and CEO West Gate Bank	Mark Ginsberg Senior Risk Expert, Capital Policy Divison OCC
Sam Vallandingham President & CEO First State Bank Barboursville WVA.	Benjamin Pegg Risk Expert, Capital Policy Division OCC
Sandro Dinello President & CEO Flagstar Bank	Karen Pence Advisor Federal Reserve Board
Ron Haynie SVP, Mortgage Finance Policy ICBA	
James Kendrick Vice President Accounting and Capital Policy ICBA	

In the meeting, the Associations expressed their strong support for the proposed extension of the transition provisions for banking organizations that are not subject to the advanced approaches capital rules. Specifically, the Associations appreciate the proposal's intent to "pause" the full implementation of the punitive treatment of MSAs contained in the final Basel III capital rules.

The Basel III treatment of MSAs was intended to regulate large, systemically important financial institutions and the Banking Regulators have wisely decided to review and, per the NPR, possibly "simplify" the treatment of MSAs for institutions below the $250 billion asset threshold for the advanced approaches in Basel III. This will provide crucial relief for mid-size and community banks that value MSAs for the consumer relationships that they foster.

Banking industry professionals attending the meeting emphasized the importance of MSAs due to the key role they play in enabling their institutions and others to provide mortgage credit to their community. These institutions retain or acquire MSAs because the resulting mortgage servicing relationship allows them to continue to strengthen their ties to borrowers in their community or assist other community banks in building these relationships. Attendees cited the personalized service that they are able to provide their borrowers and the repeated instances where borrowers have indicated that they highly value such services. Severely restricting or shrinking how much MSAs they can include in capital will necessarily limit their ability to continue to provide the high-quality mortgage servicing that is central to their business models and valued by their consumers. Doing so will also limit liquidity in the MSA market, resulting in higher costs for consumers by eliminating the rate "subsidy" servicing rights provide and lessening mortgage origination competition.

Absent a pause in implementation, and a subsequent "fix" in the rules, these community and mid-sized banks could be forced to exit a successful line of business, and this would cause significant harm for not just the banks, but their employees and customers as well. Furthermore, a forced compliance deadline would most likely be factored into pricing by MSA buyers, and this could result in banks that are subject to the deadline not receiving full value for their MSAs, despite the favorable interest rate climate and excellent origination characteristics. As the Associations have stated in the past, and restated during the meeting, some of the harms that will result from full implementation of the rules, absent relief, are more significant because they can never be reversed, such as the loss of valued consumer relationships. For these reasons, the Associations strongly support the proposed "delay" of the transition provisions regarding MSAs while the Banking Regulators continue to work through possible long term relief.

The indication by the Banking Regulators in the NPR that efforts to "simplify" the regulatory treatment of MSAs was forthcoming was met with strong support by the Association and its member attendees. The Associations welcome such a proposal and the opportunity to provide comments and elaborate on our position that MSAs are a safe and sustainable asset that is integral to the American mortgage finance systems, with substantial benefits for both banks and consumers.

Please feel free to contact Steve O’Connor, Senior Vice President at the Mortgage Bankers Association at (202) 557-2867 or SOConnor@mba.org with any questions.

Sincerely,

Independent Community Bankers of America
Mortgage Bankers Association