March 25, 2013

The Honorable Ben S. Bernanke
Chairman
Board of Governors of the
Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

The Honorable Thomas J. Curry
Comptroller of the Currency
Office of the Comptroller of the Currency
250 E Street, SW
Washington, DC 20219
(RIN 1557-AD46)

The Honorable Martin J. Gruenberg
Chairman
Federal Deposit Insurance Corporation
550 17th St, NW
Washington, DC 20429

Re: Basel III, (RINs 3064-AD95, 3064-AD96, and 3064-AD 97)

Dear Sirs:

Federal Reserve Chairman Benjamin Bernanke testified to the Senate Banking Committee on February 26, 2013 that the Basel III Capital Standards Rules will be published by the middle of this year and be implemented later in 2013. Several of the undersigned associations have responded with comment letters to the proposed Basel rules expressing serious concerns about the impact on various, critical aspects of the financial services market in the United States. With the final rules imminent, we remain concerned about the adverse impact the rules will have on the housing market, and urge you to suspend those aspects of your rulemaking that are not explicitly required under the Basel III framework.

Basel's mission is to create a safe and level playing field for banks worldwide. However, the proposed U.S. version of the rule goes well beyond what the Basel Commission recommended with respect to capital treatment of real estate finance assets. As explained in our comment letters, the requirements as proposed will increase the cost of mortgage finance and reduce the availability of mortgage loans. The capital charges against many well-underwritten mortgage loans held on the books of banking organizations would increase. Further, the market for private label mortgage-backed securities would be hampered, which would also increase the cost of mortgage loans and restrict mortgage availability.

The new rules on mortgage servicing assets would drive banks to reduce their servicing portfolios or cease servicing mortgage loans. The transition could cause a significant disruption to the financial markets in the U.S as hundreds of billions of dollars of servicing are moved without any assurance that there is sufficient capacity from nonbank servicers.

More generally, the harmful impact of these unique-to-the-U.S. provisions on the housing market, the domestic economy and on the competitiveness of the U.S. financial industry remains largely unmeasured, and is entirely avoidable. The rule also would have a significant impact on credit availability to home builders seeking financing to acquire and develop land

and construct single family and multifamily residential properties and projects. As your agencies prepare to finalize the rules, we strongly urge you to defer implementation of the following U.S.-only provisions until further analysis of their impact can be completed, and less harmful alternatives assessed:

1. Adjustments to the risk weighting of residential mortgage loans and the exclusion of private mortgage insurance from the determination of the risk weights of residential mortgages;
2. Implementation of the proposed risk-weighting regime for private-label securitization interests;
3. Adjustments to the risk weighting of mortgage servicing; *
4. Deductions to capital of servicing assets in excess of 10 percent of the common equity component of capital;*
5. Adjustments to second lien exposures, including home equity lines of credit; and
6. Punitive treatment of servicing advances related to securitization interests.

Finalizing the complete rule with the above provisions would unnecessarily harm the housing recovery and could limit options or block efforts to restore private mortgage capital and reform the government-supported secondary mortgage market. Since the Basel framework does not require these provisions, we urge you to defer implementation and conduct further study of their impact. In addition, these rules cannot be considered in a vacuum. The cumulative impact on the real estate finance market and consumers of the layering of the proposed Basel III on top of the myriad of other rules including QM and QRM should be fully assessed by the regulators.

Thank you for giving full consideration to this important request. If you have any further questions, please contact Jim Gross at the Mortgage Bankers Association at (202) 557-2860 or jgross@mortgagebankers.org.

Sincerely,

All Private U.S. Mortgage Insurance Companies
Asian Real Estate Association of America
Business Roundtable
Consumer Mortgage Coalition
Housing Policy Council of the Financial Services Roundtable
Mortgage Bankers Association
National Association of Home Builders
National Association of Realtors
National Community Reinvestment Coalition
U.S. Chamber of Commerce

* With respect to mortgage servicing rights, these assets are unique to the U.S., and therefore U.S. regulators alone should be addressing capital treatment, regardless of the standards set by Basel Commission.