March 21, 2007

Office of the Comptroller of the Currency
250 E Street, SW, Mail Stop 1-5
Washington, DC 20219
Attention: Docket Number 06-09, 06-15

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552
Attention No: 2006-33, 2006-49

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429
Attention: Comments RIN 3064-AC73, 3064-AC96

Jennifer J. Johnson
Secretary
Board of Governors of
the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551
Attention: Docket Number R-1261, R-1238

SUBJECT: MBA Comments for Risk-Based Capital Standards: Advanced Capital Adequacy Framework (Basel II) and Risk-Based Capital Standards: Domestic Capital Modifications (Basel IA)

Ladies and Gentlemen:

The Mortgage Bankers Association[1] (MBA) welcomes the opportunity to comment on proposed changes to the regulatory capital requirements for financial institutions (hereby banks) set forth in the recent Basel II and Basel IA Notices of Proposed Rulemaking.

According to the Federal Reserve, home mortgage debt outstanding now totals over $10 trillion. Commercial and multifamily mortgages account for an additional $2.8 trillion. According to the FDIC, insured institutions in the U.S. hold about $2.2 trillion in 1-4 family mortgages. They hold another $900 billion in commercial real estate assets. For these reasons alone, MBA and its member companies are quite interested in the proposed changes to capital adequacy regulations, as they have the potential to significantly impact an important part of the investor base for mortgages and related assets. MBA would like to put forward the following set of principles by which we will judge new capital regulation:

[1] The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 500,000 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 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 3,000 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, thrifts, Wall Street conduits, life insurance companies and others in the mortgage lending field. For additional information, visit MBA's Web site: www.mortgagebankers.org.

- **Required minimum capital should be closely aligned with risk.** Banks today utilize ever more sophisticated means to measure and manage their risk exposures. Regulatory capital requirements should recognize and reflect these improvements in risk management capabilities with greater flexibility and greater compatibility with economic capital allocations. In particular, MBA backs all regulatory efforts aimed at aligning the capital requirements for banks' interests in real estate, most particularly interests in mortgages, with their economic risks. Similarly, the MBA believes the existing leverage ratio should be reassessed in conjunction with a successful implementation of the Advanced Basel II regime.

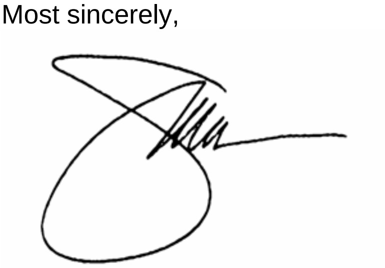
- **Regulators should not create competitive disparities among banks, including foreign and domestic banks, as a result of regulation.** Regulators should be aware of and to the extent possible mitigate the differential impact of new requirements on larger banks that may benefit at the expense of smaller banks. Similarly, regulators should strive to eliminate differences in the proposed implementation of Basel II by domestic and foreign domiciled banks.

- **Regulators should provide flexibility in the implementation and timelines associated with the new rules that recognize that one size does not fit all.** In preparation for the anticipated implementation of Basel II, the largest banks have invested considerable resources in systems and personnel. At the other extreme, some smaller banks would prefer to remain within the relatively simple Basel I regulatory framework. The regulators should provide as many alternatives between these two extremes as is practical, to reflect the considerable and healthy diversity of business models that exist within the U.S. financial services landscape today.

Many MBA member banks will provide separate comments on detailed issues regarding the recent Basel II and Basel IA proposals. MBA's primary interest in the proposals at this stage is to ensure that the regulators adopt a capital regime that does not place domestic banks, both small and large, at a competitive disadvantage relative to their foreign counterparts. In the increasingly global environment in which businesses operate today, artificial limits imposed on *only* U.S. domiciled banks' implementation of Basel II, such as an overly conservative leverage ratio floor on capital, would have an immediate adverse impact on their ability to compete and maintain market share vis a vis their foreign competitors, to the disadvantage of the U.S. banking system and economy as a whole. At a minimum, MBA believes the regulators should amend the most recent capital proposals to give all institutions the ability to adopt either the International Standardized or Advanced Approaches under the Basel II Capital Accord to ensure some measure of comparability is maintained between the capital rules for banks here and abroad.

MBA greatly appreciates the opportunity to share our comments with the regulators on proposed changes to the banks' regulatory capital rules and looks forward to commenting on future proposals.

Most sincerely,



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Chairman
Mortgage Bankers Association