MORTGAGE BANKERS ASSOCIATION

September 12, 2014

Mr. Robert deV. Frierson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitutional Avenue, NW
Washington, DC 20551

Re: Proposed Agency Information Collection Activities; Comment Request

Dear Mr. Frierson:

The Mortgage Bankers Association[1] (MBA) appreciates the opportunity to provide comments on the proposed changes to the Board of Governors of the Federal Reserve System (Federal Reserve) reporting requirements for bank holding companies (BHCs) with consolidated assets in excess of $50 billion (the Proposal).[2] Among other things, the Proposal requires changes to the FR Y-14A (Y-14A), FR Y-14Q (Y-14Q), and FR Y-14M (Y-14M) forms (collectively, Y-14 forms). These forms are used by the Federal Reserve for their Capital Assessment and Stress Testing information collection for a wide variety of bank assets, including commercial and multifamily (collectively, commercial) real estate loans. While we will be primarily addressing the Proposal from the commercial real estate finance perspective, we will also draw upon some broader concerns that illustrate the challenges with the Proposal's September 30, 2014 implementation date for certain changes to the forms.[3]

While we have specific concerns regarding some of the additions and modifications for commercial real estate loan reporting on the Y-14Q form, MBA's most pressing concern is that the Proposal's September 30, 2014 implementation date is highly problematic for some BHCs.

[1] 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. 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 2,200 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, thrifts, REITs, Wall Street conduits, life insurance companies and others in the mortgage lending field. For additional information, visit MBA's Web site: www.mortgagebankers.org

[2] 79 Fed. Reg. 41276 (July 15, 2014).

[3] For some changes to the Y-14Q form the implementation date is September 30, 2014 while other changes have an implementation date of December 31, 2014. The letter at the end of each form denotes the reporting frequency: A for annual; Q for quarterly; and, M for monthly.

This implementation date provides a narrow 15-day timeframe between the close of comments on September 15, 2014 and the implementation of some of the proposed changes to the forms. Accordingly, MBA strongly recommends that all changes to the Y-14 forms be synchronized to be implemented on December 31, 2014.[4] Such an implementation timeframe will provide the Federal Reserve the ability to thoughtfully consider comments and potential modifications prior to finalizing the Proposal. Given the complexity of existing bank reporting systems and the significant scope of the potential reporting changes, a longer implementation timeframe would provide the requisite time for BHCs to modify all of their Y-14 forms. Described below are MBA's concerns with the broad-based changes to the Y-14 reporting and specific concerns about some of the changes impacting the Commercial Real Estate Schedule for the Y-14Q report.

The Proposal Requires Broad-Based Changes to Y-14 Reporting

In total, the Proposal requires BHCs to modify 18 Y-14 forms. These changes address all of the Y-14 reporting periods, many asset categories, including commercial and residential real estate, as well as regulatory compliance schedules. The sweeping breadth of these changes impact many areas of a BHC's operations that require close interdepartmental coordination to ensure that the required changes to the BHC's operating and reporting systems are carefully implemented and rigorously tested. Such modifications require meticulous planning, coordination, execution, and testing that typically require months to complete. We are concerned that given the time and resources required to make significant modifications to the reporting systems of BHCs, any changes or adjustments made to the final forms from the Proposal could not be implemented in such a narrow timeframe, no more than 15 days for some schedules. This implementation bottleneck can be remedied by extending the required implementation for all changes to the Y-14 forms to December 31, 2014. The Schedules with required changes are listed in the table below:

Y-14 Reports Subject to Changes By Reporting Frequency		
Annual (A)	**Quarterly (Q)**	**Monthly (M)**
Summary Schedule[5]	Commercial Real Estate Schedule	Domestic First Lien Closed-end 1-4 Family Residential Loan Schedule
Regulatory Capital Instruments	Corporate Loan Scheduled	Domestic Home Equity Loan and

[4] Implicit in this recommendation is for the September 30, 2014 Comprehensive Capital Analysis and Review (CCAR) Y-14Q reporting to continue as scheduled, but without the proposed new and modified fields that MBA recommends being added to the Y-14 forms for December 31, 2014 reporting purposes.

[5] Includes changes to the following Summary Subschedules: Income Statement Subschedule; RWA and Capital Subschedule; Retail Repurchase Subschedule; Securities Subschedule; Trading Subschedule; and Counterparty Risk Subschedule.

Y-14 Reports Subject to Changes By Reporting Frequency		
Annual (A)	**Quarterly (Q)**	**Monthly (M)**
Schedule		Home Equity Line Schedule
Regulatory Capital Transitions Schedule	All Retail Schedules (A.1 to A.10)	
Operational Risk Schedule	International Credit Card Schedule	
Counterparty Credit Risk Schedule	International Auto Schedule	
	U.S. Auto Schedule	
	Trading Schedule	
	Securities Schedule	
	Operational Risk Schedule	
	Regulatory Capital Transition Schedule	

Commercial Real Estate Y-14Q Reporting Changes

For commercial real estate loans, the Proposal adds seven new fields and modifies eight fields of the FR Y-14Q report and is shown below:

New and Revised Data Fields for FR Y-14Q		
New or Revised	**Field Name**	**Implementation Date**
New	SNC Internal Credit ID	12/31/2014
New	Renewal Date for Credit Facilities	12/31/2014
New	Credit Facility Currency	9/30/2014
New	Current Occupancy	9/30/2014
New	Current Value Basis	9/30/2014
New	Lower Cost or Market Flag	9/30/2014
New	Prepayment Penalty Flag	12/31/2014
Revised	Amortization – Designate if Non-Standard Amortization	9/30/2014
Revised	Recourse – Full, Partial, None	9/30/2014
Revised	Loan Purpose - Mini Perm	9/30/2014
Revised	Property Size – One Property Type	9/30/2014
Revised	Fair Value Adjustment - Remove Fair Value Adjustment and	9/30/2014

New and Revised Data Fields for FR Y-14Q		
New or Revised	**Field Name**	**Implementation Date**
	Replace with Fair Value Commitment Exposure	
Revised	Probability of Default – Expanded to Non Advanced Approach Bank Holding Companies	12/31/2014
Revised	Loss Given Default – Expanded to Non Advanced Approach Bank Holding Companies	12/31/2014
Revised	Exposure at Default – Expanded to Non Advanced Approach Bank Holding Companies	12/31/2014

For the new fields, four will be required to be implemented on September 30, 2014. For the revised fields, five fields will be required to be implemented by this timeframe. Addressed below are specific issues/concerns regarding certain new data fields and changes to existing data fields:[6]

Renewal Date for Credit Facilities (New Field)

Read together with the requirements for field 11 (Origination Date), the instructions are ambiguous. Generally, banks view loans that have maturity dates extended as being a "renewal" or "extension". However, reading the instructions for fields 11 and 12 (Renewal Date), an existing credit that has its maturity extended would have a new "Origination Date" added to field 11, but a dummy value in the new field 12. If the goal was to learn if the action reported in field 11 was to a previously existing credit facility, we recommend that the instructions should be "Yes" or "No" as to whether the action in field 11 was a renewal.

Recourse (Revised Field)

This revision requires that recourse be classified as either full, partial, or none, which is closer to the already existing C&I recourse reporting. However, the condition of recourse is not static and is subject to change based upon the terms and conditions of the loan document. Guarantees on CRE loans often reduce or fall away based on project completion, economic performance or the passage of time. It is not clear what is being sought - the guarantee package at origination or

[6] See pages 230 to 259 of Instructions for the *Capital Assessments and Stress Testing Information Collection (Reporting Form FR Y-14Q)* for changes to the commercial real estate Y-14Q form at: http://www.federalreserve.gov/reportforms/formsreview/FRY14Q_20140711_i.pdf.

what supports the credit at the current reporting date. The instructions should provide this clarification.

Loan Purpose (Revised Field)

For the Loan Purpose field a new category was added – Mini Perm. It is described in the proposed modification to the Y-14Q form as "A form of short-term financing for completed construction projects. Typically this type of loan is used when the developer or builder plans to sell the property after stabilized occupancy is established." We recommend that the second sentence be dropped from the description because the owner's intent to either sell or hold the property is not factored into the classification of a loan as a Mini Perm. More typical of a Mini Perm loan is that payoff of the loan is due primarily to refinancing or property sale, not significant amortization, which is a characteristic of permanent financing. Since the Mini Perm field is not present in other banking reporting, such as the Y-9C form, some banks will have to revise their reporting systems to extract this information, which could entail significant modifications to their reporting systems. The field should also signify if the prior construction loan that was converted into a Mini Perm was or was not originated by the BHC.

The Y-14Q instructions require reconciliation with Y-9C reporting. We are concerned that the reconciliation process may not be possible because of different reporting requirements between the two forms. Y-9C instructions allow for a construction loan that had term options after completion in the original commitment to change the purpose reporting from a construction loan to a permanent loan when the permanent conditions are met. If no such term provision existed in the original commitment, it must be reported as a construction loan as long as it is on the bank's books, which can far exceed the construction and stabilization period. For Y-14Q reporting, once the project has reached stabilized cash flow it can be classified as a Mini Perm loan without regard to if it had term options upon the completion of the project. This difference can result in different reporting classification between Y-9C and Y-14Q reporting. MBA would strongly encourage the Federal Reserve to conform the Y-9C form to the Y-14Q form regarding the Construction and Mini Perm reporting categories. This is an especially important consideration given that the Y-9C reporting is used to determine High Volatility Commercial Real Estate, which has a 50 percent higher risk-based capital charge.

Prepayment Penalty Flag (New Field)

Prepayment penalty terms can vary significantly from bank to bank and may include items such as yield maintenance to mitigate a bank's potential losses. Consequently, a binary response regarding if the loan has an existing or expired prepayment penalty should be expanded to include additional descriptors such as yield maintenance or other loan terms that can substitute for a prepayment penalty. Because the Prepayment Penalty Flag is not coded or tracked in the reporting system of some BHCs, this will require significant modifications to reporting systems.

Other New Fields

The primary concern for BHCs adding the Currency, Current Occupancy Fields, Current Value Basis, and Lower Cost or Market Flag fields to the Y-14Q form is the September 30, 2014 implementation date, which is only 15 days from the Proposal's close of comments. For the Current Occupancy Date, MBA recommends that this date be determined by the Certification of Occupancy. This provides a less subjective characterization for when the building was occupied.

Conclusion

Given the proximity of the implementation of certain required real estate Y-14Q reporting changes with the close of the comment period (no more than 15 days), many BHCs will be severely challenged to modify their reporting system in time to implement many of the required changes.[7] This concern is magnified when taking into consideration that the BHCs are also required to modify 17 other Y-14 schedules simultaneously. Accordingly, we reiterate our strong recommendation that the implementation of all Y-14 reporting additions and modifications, including commercial and residential real estate forms, be required no earlier than December 31, 2014.

MBA greatly appreciates the opportunity to comment on the Proposal. Please contact George Green, MBA Associate Vice President (at ggreen@mba.org), should you have any questions.

Sincerely,

David H. Stevens
President and Chief Executive Officer

[7] This includes designing, modifying, implementing, and testing changes to reporting systems of BHCs.