MBa.

MORTGAGE BANKERS ASSOCIATION

November 22, 2016

Robert deV. Frierson
Secretary
Board of Governors for the Federal Reserve System
20th Street and Constitution Avenue N.W.
Washington, D.C. 20551

Re: Amendments to the Capital Plan and Stress Test Rules [Regulations Y and YY; Docket No. R-1548; RIN 7100 AE-59]

Mr. Frierson:

The Mortgage Bankers Association[1] (MBA) greatly appreciates the opportunity to comment on the Board of Governors of the Federal Reserve System's (Board) Amendments to the Capital Plan and Stress Test proposed rule (proposed rule).[2] The proposed rule outlines a few key changes to the current capital plan and stress test including the elimination of the qualitative assessment in the Comprehensive Capital Analysis and Review (CCAR) for bank holding companies or U.S. intermediate holding company with total consolidated assets of $50 billion or greater but less than $250 billion, on balance sheet foreign exposure of less than $10 billion, and average total nonbank assets of less than $75 billion (covered banks). Additionally those covered banks would no longer be subject to the provisions of the Board's capital plan rule where the Board may object to a capital plan on the basis of qualitative deficiencies. Also, the proposed rule makes several changes to the current stress testing rules for covered banks.

MBA supports the Board's proposed rule to eliminate the qualitative testing component of the CCAR testing regime. Shown below is the Board's view regarding CCAR qualitative testing:

---

[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] Fed. Reg. 81, p.67239, September 30, 2016.

> In the feedback meetings that the Board held on CCAR, participants from large and noncomplex firms expressed the view that the CCAR qualitative assessment was unduly burdensome because, in their view, it required the development of large amounts of documentation and sophisticated stress test models to the same degree as the largest firms in order to avoid a public objection to their capital plan. Consistent with this feedback, further tailoring of regulatory requirements for large and noncomplex firms would avoid creating a risk, based on the high public profile of the CCAR qualitative review, that large and noncomplex firms will over-invest in stress testing and capital planning processes that are unnecessary to adequately capture the risks of these firms.[3]

MBA strongly agrees that CCAR qualitative testing for covered banks creates an additional cost burden that is unnecessary to capture the risk of banks. MBA supports the Board's efforts to be responsive to feedback provided by the covered banks. MBA notes that in the bank examination process, a comprehensive qualitative review is performed and is included in the covered bank's CAMEL score.

Furthermore, MBA supports the Board's effort to tailor regulation based on the size and complexity of different lending institutions. MBA is a proponent of such a flexible regulatory approach that addresses the cost relative to the benefit of an existing regulation. Such a regulatory approach, allows banks to better meet their customer's needs.

While supporting the proposed rule, MBA has ongoing concerns about the cumulative impacts of the new Dodd-Frank and Basel III and IV regulatory regimes for all commercial real estate capital sources. MBA strongly recommends that the Board, in coordination with the other prudential regulatory agencies, perform a comprehensive review of existing and pending regulations to eliminate conflicts among regulations and eliminate unwarranted barriers to commercial real estate capital formation. The Board's review and proposed modifications of the CCAR testing regime that was responsive to feedback from covered banks is an important step in addressing unintended consequences. MBA encourages the agencies to take a similar approach when reviewing all recently implemented and pending Dodd-Frank and Basel III and IV regulatory regimes.

MBA greatly appreciates the opportunity to comment on the proposed rule. If you have any questions regarding this letter, please contact Ashley Gunn at agunn@mba.org (202) 557-2746.

Sincerely,

David H. Stevens
President and Chief Executive Officer

---

[3] Fed. Reg. 81, p.67244.