

# GATEWAY FIRST BANK, KYLE HUBBARD

## Proposal and Comment Information

**Title:** Regulatory Capital Rules: Regulatory Capital and Standardized Approach for Risk-weighted Assets, R-1888

**Comment ID:** FR-2026-0008-01-C154

## Submitter Information

**Organization Name:** Gateway First Bank

**Organization Type:** Company

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Please see Comment Letter attached.

# GATEWAY FIRST BANK

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May 8, 2026

Chief Counsel's Office  
Attention: Comment Processing  
Office of the Comptroller of the Currency  
400 7th Street SW, Suite 3E-218  
Washington, DC 20219  
*Docket ID OCC-2026-0034; RIN 1557-AF49*

Mr. Benjamin W. McDonough, Secretary  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue NW  
Washington, DC 20551  
*Docket No. R-1888; RIN 7100-AH21*

Ms. Jennifer M. Jones, Deputy Executive Secretary  
Attention: Comments—RIN 3064-AG23  
Federal Deposit Insurance Corporation  
550 17th Street NW  
Washington, DC 20429  
*RIN 3064-AG23*

**Re: Regulatory Capital Rules: Regulatory Capital and Standardized Approach for Risk-Weighted Assets (91 Fed. Reg. 15,332, March 27, 2026)**

Ladies and Gentlemen:

Gateway First Bank (“Gateway”) appreciates the opportunity to comment on the notice of proposed rulemaking (“NPR” or “proposal”) issued jointly by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation (collectively, the “agencies”) to modify the regulatory capital rule and the standardized approach for risk-weighted assets.

Gateway is a community bank headquartered in Jenks, Oklahoma, with approximately \$2.0 billion in total assets. We operate 9 banking centers in Oklahoma and maintain a national mortgage presence with approximately 60 retail locations across more than 20 states and approximately 600 employees. Our business model integrates community banking with a retained-servicing mortgage platform: we originate conforming, government, and portfolio loans and retain servicing on the substantial majority of agency-eligible production. We currently service approximately 77,000 loans representing approximately \$16.4

billion in unpaid principal balance (UPB), all of which we originated; we have never purchased a bulk MSR portfolio. Gateway was the recipient of Fannie Mae’s 2024 STAR Award for Servicing Excellence (General Servicing).

This comment addresses the two elements of the proposal most material to Gateway and to similarly situated community banks: (i) the proposed removal of the threshold-based deduction for mortgage servicing assets (“MSAs”) coupled with the continued 250 percent risk weight, as discussed in Section II.A of the NPR and Question 1; and (ii) the proposed risk-sensitive treatment for residential mortgage exposures in Section III.A.1 of the NPR and Questions 6 through 10. Gateway strongly supports the direction of the proposal and urges the agencies to finalize the rule promptly, with the targeted refinements described below.

## I. Summary of Positions

Gateway’s positions on the proposal are as follows:

- **Support, with refinement, the removal of the MSA deduction threshold (Question 1).** The elimination of the 25 percent CET1 deduction threshold is the single most important capital reform for community bank mortgage servicing in more than a decade and should be finalized as proposed. Gateway urges the agencies to retain this element of the proposal in the final rule without qualification, phase-in, or reinstatement of a substitute cap.
- **Urge reduction of the MSA risk weight from 250 percent (Question 1).** Retention of a 250 percent risk weight for MSAs is disproportionate to the risk profile of the asset. Gateway’s primary recommendation is a 150 percent risk weight, consistent with the recommendation of the Mortgage Bankers Association and a coalition of banking and housing trade associations. As an alternative, Gateway recommends that the agencies adopt a hedge-adjusted risk weight methodology modeled on the Ginnie Mae framework for non-bank issuers, under which the effective risk weight would scale with the demonstrated effectiveness of an institution’s MSR hedging program.
- **Support the LTV-based risk weight grid for residential mortgages (Questions 6, 7, 9, and 10).** The proposed risk weights in Tables III.1 and III.2 appropriately differentiate credit risk by loan-to-value (“LTV”) ratio and repayment source. Gateway supports the proposed calibration without “gold-plating” relative to the Basel framework.
- **Support explicit recognition of private mortgage insurance in LTV calculation (Question 8).** Gateway supports recognizing a portion of private mortgage insurance (“PMI”) coverage in the LTV ratio for purposes of risk weight determination, subject to appropriate eligibility standards for the mortgage insurer.

## II. Institutional Background Relevant to This Comment

Gateway’s perspective on the proposal is grounded in operational experience with the existing capital framework. Relevant institutional facts include the following:

- Approximately \$2.0 billion in total assets; approximately \$252 million in Tier 1 Capital; Tier 1 Leverage Ratio of 13.7% percent; Tier 1 Risk-Based Capital Ratio of 15.1% percent; Total Risk-

Based Capital of 15.8%; approximately \$8.2 million of disallowed capital under the current MSA deduction threshold. (\$20.8mm of disallowed capital as recent as 12/31/25 – GFB sold \$2.4bil UPB of servicing rights between March and April of 2026).

- Servicing portfolio of approximately 77,000 loans / \$16.4 billion UPB, all organically originated; no purchased MSR pools.
- Dual business model combining 9 Oklahoma banking centers with a national retail mortgage platform across 20+ states and approximately 600 employees.
- 2024 Fannie Mae STAR Award recipient for Servicing Excellence (General Servicing); Ginnie Mae, Fannie Mae, and Freddie Mac approved seller-servicer.
- Member of the Federal Home Loan Bank of Topeka.
- Founded in 2000; became a full-service bank in 2019.

The current 25 percent CET1 deduction threshold has been a material, binding constraint on Gateway’s retained-servicing strategy. Because Gateway’s origination capacity produces agency-eligible MSR at a pace that exceeds what the current deduction threshold permits us to hold, Gateway has periodically transacted bulk MSR sales (including a conventional-agency bulk sale and a Ginnie Mae bulk sale currently in execution) for the purpose of preserving regulatory capital headroom rather than as an economic optimization. These sales carry direct consequences for our communities: they transfer customer relationships to non-bank acquirers, redirect escrow deposits out of community banks and into money-center custodians, and reduce the bank’s ability to cross-sell and to perform loss mitigation for borrowers of record.

### **III. Response to Question 1: Proposed Treatment of Mortgage Servicing Assets**

*Question 1 asks for comment on the advantages and disadvantages of the proposed treatment of MSAs, including implications for mortgage origination, whether the 250 percent risk weight appropriately reflects risk throughout the economic cycle, and whether an alternative higher limit on MSAs as a percentage of CET1 capital (e.g., 100 percent) or differentiated treatment based on bank size would be advisable.*

#### ***A. Advantages of Removing the Deduction Threshold***

Gateway strongly supports the agencies’ proposal to eliminate the threshold-based deduction of MSAs from common equity tier 1 capital, including its application to banking organizations that elect the community bank leverage ratio framework. The deduction has operated as a hard cap on servicing portfolio growth independent of the quality of an institution’s servicing operation, its capital position, or the risk profile of its underlying production. The proposed removal correctly recognizes that the deduction’s effect has been disproportionate relative to its prudential purpose, particularly for community banks that lack the scale to efficiently operate a servicing platform while remaining under an arbitrary percentage cap.

As the agencies note in the preamble, MSAs serve as a natural hedge to mortgage origination pipelines and to interest-rate movements in the broader loan portfolio: in a rising-rate environment, MSR values increase as prepayment speeds slow and expected servicing cash flows extend, offsetting mark-to-market

pressure on available-for-sale securities and origination pipelines. The deduction penalized institutions that developed this economically intuitive hedging relationship at scale. Its removal will restore the ability of community banks to build servicing platforms sized to their origination capacity.

The proposed change is also supported by the empirical record. The 2016 Joint Regulatory Report to Congress on the capital treatment of MSAs found that, of 518 bank failures during 2007–2015, MSAs were identified as a contributing factor in only one case. MSAs are not credit exposures; they are cash-flow rights subject to prepayment and valuation risk, which are well-understood and are routinely managed through hedging and transparent secondary-market price discovery.

### ***B. The 250 Percent Risk Weight Is Disproportionate for Community Banks***

While Gateway supports the removal of the deduction threshold, we respectfully disagree with the agencies' proposal to retain the 250 percent risk weight for MSAs. The 250 percent risk weight was calibrated in the Basel III framework for the world's largest, most complex financial institutions and was adopted in the U.S. capital rule without a publicly documented quantitative analysis justifying that specific level for smaller banking organizations. As applied to community banks, 250 percent is approximately 2.5 times the risk weight assigned to commercial and industrial loans—which carry actual credit risk—and 2.5 times the generic “other assets” weight under the current capital rule. The asymmetry is difficult to justify on a risk-sensitivity basis.

The agencies' own risk-sensitivity objective in the proposal argues for recalibration. The NPR proposes to reduce the risk weight for corporate exposures from 100 to 95 percent, and the “other assets” weight from 100 to 90 percent, on the stated rationale that existing weights “may not appropriately reflect risks.” Applying the same evidence-based logic to MSAs produces the opposite conclusion from the proposal: the appropriate MSA risk weight for community banks is materially below 250 percent, not equal to the legacy Basel III calibration.

MSAs carry no credit risk. The primary risks are prepayment risk, interest-rate risk, and basis/valuation risk. These risks are:

- directly observable in a deep and liquid secondary market (weekly indicative bid levels are published by multiple broker-dealers, and bulk and flow trades are routinely executed at transparent pricing);
- independently modeled using mature valuation methodologies (Gateway's MSR portfolio is independently valued by Milliman, with discount rates, prepayment speeds, and float assumptions documented and subject to internal and external validation);
- capable of being hedged through standardized instruments (TBA MBS, swaptions, interest-rate swaps, and U.S. Treasury futures); and
- already subject to fair-value marks that flow through the income statement (or, at the bank's election, lower of cost or market), providing real-time transparency into valuation adjustments well before any capital consequence crystallizes.

### ***C. Recommended Risk Weight Calibration***

Gateway recommends that the agencies recalibrate the MSA risk weight to align with the risk profile of the asset and with the recommendations advanced by the broader banking and housing industry. Gateway offers two complementary recommendations: a primary flat-rate recalibration, and an alternative hedge-adjusted approach that better reflects actual economic risk for institutions that operate active MSR hedging programs.

**Primary recommendation: Reduce the MSA risk weight to 150 percent.** A 150 percent risk weight is consistent with the recommendation previously advanced by the Mortgage Bankers Association and supported by a coalition of banking and housing trade associations, including the American Bankers Association, the Independent Community Bankers of America, and the Housing Policy Council. A 150 percent calibration appropriately differentiates MSAs from standard asset classes in recognition of their prepayment and valuation volatility, while eliminating the approximately 2.5× penalty that the current 250 percent weight applies relative to commercial loans that carry actual credit risk. The 150 percent level is also substantially supported by the post-2013 maturation of the MSR market, including improved valuation methodologies, active hedging programs, and a deep and liquid secondary market that did not exist when the 250 percent weight was originally calibrated.

**Alternative recommendation: Adopt a hedge-adjusted risk weight methodology modeled on the Ginnie Mae framework.** In the alternative, or as a supplementary election available to banking organizations, Gateway recommends that the agencies adopt a hedge-adjusted risk weight methodology for MSAs patterned on the approach implemented by Ginnie Mae in its risk-based capital framework for non-bank issuers. Under the Ginnie Mae methodology, the risk-based capital requirement applicable to MSR is reduced based on the demonstrated effectiveness of an issuer's hedging program, measured by reference to the correlation between hedge instrument performance and MSR valuation changes across defined interest-rate scenarios. The principle underlying that framework is directly applicable to the bank capital rule: the economic risk of an MSR asset is meaningfully lower for an institution that maintains a well-documented, effective hedge than for an institution that holds the asset unhedged, and regulatory capital should reflect that difference.

A hedge-adjusted framework for bank MSA capital could operate along the following lines:

- An unhedged MSR position would carry a base risk weight (e.g., 250 percent or, preferably, 150 percent);
- A banking organization could elect to apply a reduced effective risk weight to the hedged portion of its MSR position, subject to demonstrating hedge effectiveness under a defined methodology (for example, a rolling-period regression of hedge P&L against MSR fair-value change, or a scenario-based stress analysis across parallel rate shocks);
- Eligibility for the reduced weight would be conditioned on documented hedge policies, independent model validation consistent with SR 11-7, use of standardized hedge instruments (TBA MBS, swaptions, interest-rate swaps, U.S. Treasury futures), and periodic attestation through the regulatory examination process;
- The reduced weight would scale with demonstrated hedge effectiveness, so that a highly effective hedge (e.g.,  $R^2$  above a defined threshold across a defined scenario set) would receive a materially reduced weight, with partial credit for partial effectiveness.

A hedge-adjusted framework has three significant advantages over a flat-rate approach. First, it aligns regulatory capital with actual economic risk rather than with a static proxy. Second, it creates a direct regulatory incentive for institutions to invest in sound MSR risk management, consistent with the agencies' longstanding supervisory expectations for interest-rate risk management under the Interagency Advisory on Interest Rate Risk Management (OCC Bulletin 2010-1, SR 10-1, FIL 2-2010). Third, it establishes consistency between the bank and non-bank regulatory frameworks for MSR, reducing an arbitrage driver that has contributed to the migration of servicing out of the banking system.

**Treatment if the agencies retain the 250 percent risk weight.** If the agencies decline to adopt either the 150 percent recalibration or the hedge-adjusted framework and elect to retain the 250 percent risk weight, Gateway urges the agencies, at a minimum, to commit in the preamble to the final rule to a near-term follow-on rulemaking to address MSA risk weight calibration, and to solicit data from banking organizations on MSR hedge effectiveness to inform that follow-on.

#### ***D. Response to the Agencies' Specific Sub-Questions***

*Whether to impose a higher limit on MSAs (e.g., 100 percent of CET1).* Gateway does not support the reinstatement of any percentage-based cap on MSAs as a substitute for the current 25 percent deduction threshold. A cap at any level reintroduces the core defect of the current framework: a mechanical constraint that operates independently of an institution's risk management, capital position, and production mix. The market-discipline and supervisory tools available to the agencies (concentration risk reviews, interest-rate risk examinations, model validation expectations under SR 11-7, and the stress testing framework) are better-suited than a regulatory bright line to address institution-specific concentration concerns.

*Whether to differentiate treatment based on bank size or capital framework.* Gateway's primary recommendation of a 150 percent risk weight is advanced as a uniform calibration applicable to all covered banking organizations, not as a size-tiered treatment. A single calibration avoids distortions at the size threshold and is consistent with the approach adopted by the broader banking and housing industry coalition. That said, if the agencies are unwilling to recalibrate the risk weight for all covered banking organizations, Gateway would support, as a secondary alternative, a differentiated 150 percent (or lower) risk weight for banking organizations below \$10 billion in total consolidated assets, with 250 percent retained for larger institutions. The systemic risk rationale underlying the original 250 percent calibration is weakest for community banks; the community impact of capital constraints on mortgage servicing is greatest; and CBLR-eligible and CBLR-elective banks are already subject to a simpler, more conservative overall capital framework. With respect to the hedge-adjusted alternative discussed in Section III.C above, Gateway recommends that any such framework be available to all covered banking organizations, without a size threshold, because the rationale for hedge recognition (alignment of regulatory capital with actual economic risk) applies irrespective of institution size.

## **IV. Response to Questions 6–10: Residential Mortgage Risk Weights**

Gateway supports the proposed LTV-based risk weight grid in Tables III.1 and III.2 and the underlying framework in Section III.A.1 of the NPR. The proposed approach represents a meaningful improvement in risk sensitivity relative to the current standardized approach, which assigns a uniform 50 percent risk weight to substantially all performing first-lien residential mortgage exposures.

### ***A. Question 6 / Question 7: Appropriateness of an LTV-Based Approach***

Gateway supports the agencies' conclusion that LTV ratio is a useful and operationally tractable credit risk indicator for residential mortgage exposures. The academic and empirical literature—including agency loss data, the literature cited in the NPR, and the private securitization performance record—is consistent in identifying LTV at origination (adjusted over the life of the loan for amortization and, where applicable, for updated valuation) as among the most robust predictors of realized loss given default. The proposal's grid appropriately differentiates between LTV bands and reflects the credit risk reduction provided by amortization.

Operational implementation of the LTV-based approach is feasible for community banks. Gateway already calculates LTV at origination as part of its credit underwriting process; tracks the outstanding balance through its servicing system of record; and is capable of re-computing the current LTV ratio on a periodic basis. We do not anticipate that the LTV-based calibration will impose meaningful implementation burden relative to current processes.

### ***B. Question 8: Recognition of Private Mortgage Insurance***

Gateway supports explicit recognition of private mortgage insurance in the calculation of the LTV ratio used to determine risk weights, subject to appropriate eligibility standards. Specifically, Gateway recommends that the agencies:

- recognize a defined percentage (such as the 50 percent haircut identified in Question 8) of the value of PMI in the effective LTV calculation for mortgages insured by a mortgage insurer meeting objective financial strength criteria;
- establish eligibility criteria for qualifying mortgage insurers (for example, mortgage insurers approved by at least one government-sponsored enterprise, compliant with Private Mortgage Insurer Eligibility Requirements (PMIERs) or a successor standard, and meeting defined minimum financial strength ratings); and
- avoid operational complexity by applying the PMI haircut at origination based on contractual coverage, without requiring ongoing reassessment of insurer creditworthiness at the loan level.

Gateway acknowledges the concerns identified in the NPR regarding wrong-way risk and the performance of PMI during the 2007–2009 housing downturn. We believe those concerns are adequately addressed by the structural improvements to the PMI industry implemented since 2013 (including PMIERs capital requirements, stress-tested claim-paying resources, and run-off risk management) and by a conservative haircut applied to the PMI coverage amount. The alternative of ignoring PMI entirely is inconsistent with the actual economic risk reduction provided by the insurance and disadvantages community banks that originate responsibly underwritten high-LTV loans to first-time homebuyers.

### ***C. Question 9: Calibration of the Risk Weights in Tables III.1 and III.2***

Gateway supports the proposed risk weights in Tables III.1 and III.2 as calibrated in the NPR. We recommend the agencies adopt the Basel III LTV grid without “gold plating” relative to the Basel framework or the treatment applied to banking organizations electing the expanded risk-based approach. Uniform application across the standardized and expanded risk-based approaches will minimize competitive distortion between banks of different size and complexity.

#### ***D. Question 10: Cash-Flow–Dependent Loans and Owner Occupancy***

Gateway supports the separate treatment of residential mortgage exposures dependent on the cash flows of the property (Table III.2), consistent with the Basel framework and with the credit performance differential observed between owner-occupied and non-owner-occupied exposures. Gateway also supports the NPR’s approach of excluding first-lien mortgages on the obligor’s principal residence from the definition of cash-flow-dependent exposure, irrespective of whether the borrower is a natural person or an investor.

With respect to the alternative of further differentiating risk weights based on owner occupancy within the non-cash-flow-dependent category: Gateway does not believe that such further differentiation is necessary or beneficial in the community bank context, where the volume of non-principal-residence, non-cash-flow-dependent lending is typically de minimis. Additional granularity in the risk weight grid beyond what is proposed would add complexity without a commensurate improvement in risk sensitivity for standardized-approach banks.

### **V. Broader Policy Considerations**

Gateway’s support for the proposal is reinforced by a set of broader policy considerations that extend beyond the mechanics of the capital rule.

#### ***A. Community Reinvestment and Borrower Relationship***

Banks are encouraged under the Community Reinvestment Act to extend mortgage credit to low- and moderate-income (LMI) borrowers. The existing capital framework penalizes the servicing activity that follows from that origination, limiting the ability of community banks to maintain the borrower relationship through the full loan lifecycle. A bank that originates and retains servicing of a conforming loan to an LMI borrower establishes a direct community relationship of precisely the type the CRA is designed to promote. Removing the MSA deduction (and, ideally, recalibrating the MSA risk weight) advances this objective.

#### ***B. Escrow Deposits and Community Liquidity***

When a community bank retains servicing on a loan it originates, the bank holds the borrower’s tax and insurance escrow balances as deposits. Those funds are reinvested into the local economy through the bank’s lending activity. When servicing is sold to a non-bank acquirer, escrow balances migrate to custodial accounts at large money-center banks, withdrawing liquidity from the communities that generated it. This dynamic is an underappreciated consequence of the current capital framework and is particularly acute for community banks in markets, such as Oklahoma, where local deposit liquidity is an important driver of small-business and agricultural lending capacity.

#### ***C. Migration of Servicing to Non-Bank Entities***

Bank mortgage origination market share fell from approximately 60 percent in 2008 to approximately 35 percent in 2023; bank servicing share fell from approximately 95 percent to approximately 45 percent over the same period. The migration to non-bank servicers—which operate without deposit insurance, without access to stable bank funding, and without the full suite of prudential supervision applicable to depository institutions—has been identified by the Financial Stability Oversight Council and by state

regulators as a source of systemic concern, particularly in adverse market conditions. Recalibrating bank capital requirements to allow banks to economically retain servicing on the loans they originate directly addresses this concern and restores a portion of the regulated, deposit-funded servicing capacity that existed prior to the 2013 capital rules.

#### ***D. Loss Mitigation Capability***

Banks with existing servicing and deposit relationships are operationally better positioned to provide loss mitigation and forbearance to borrowers experiencing financial distress. The COVID-19 forbearance experience demonstrated that bank-serviced borrowers had measurably greater access to relief than those serviced by non-banks. A capital framework that supports bank retention of servicing accordingly supports consumer protection and housing market resilience.

### **VI. Conclusion**

Gateway First Bank supports the proposal and urges the agencies to finalize it promptly with the targeted refinements described above. The removal of the MSA deduction threshold and the adoption of an LTV-based risk weight grid for residential mortgages, taken together, represent the most significant and constructive capital reform for community bank mortgage activities since the 2013 rule. Recalibration of the MSA risk weight from 250 percent to 150 percent—or, in the alternative, adoption of a hedge-adjusted risk weight methodology modeled on the Ginnie Mae framework—would complete the reform and align bank regulatory capital with the actual economic risk of the asset. Either approach would allow community banks to rejoin the mortgage servicing market at a scale commensurate with their origination capacity.

Gateway stands ready to engage with the agencies throughout the rulemaking process. We welcome the opportunity to provide additional data on how the current MSA framework has constrained our servicing operations, to participate in any quantitative impact study the agencies may undertake, and to share operational perspectives on implementation of the LTV-based approach for residential mortgages. Questions regarding this comment may be directed to Grant Wachendorf, Senior Vice President and Treasurer, at the address above.

Thank you for your consideration of these comments.

Respectfully submitted,

**Kyle Hubbard**

Chief Executive Officer

Gateway First Bank

**cc:** Grant Wachendorf, SVP Treasurer, Gateway First Bank

Jonathan Wallace, ALCO Chair, Gateway First Bank