

FIFTH THIRD BANCORP/FIFTH THIRD BANK, NA , BRENNEN WILLINGHAM

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-C163

Submitter Information

Organization Name: Fifth Third Bancorp/Fifth Third Bank, NA

Organization Type: Company

Name: Brennen Willingham

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Please see attached



FIFTH THIRD BANK

May 15, 2026

Via Electronic Transmission

Chief Counsel's Office
Attention: Comment Processing
Office of the Comptroller of the Currency
400 7th Street, SW, Suite 3E-218
Washington, DC 20219

Benjamin W. McDonough, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

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

Re: Notice of Proposed Rulemaking – Regulatory Capital Rules: Regulatory Capital and Standardized Approach for Risk-Weighted Assets (OCC Docket ID OCC-2026-0034; Federal Reserve Docket No. R-1888 and RIN 7100-AH21; and FDIC RIN 3064-AG23)

Dear Sir or Madam:

Fifth Third Bank, National Association, along with its corporate parent Fifth Third Bancorp (collectively, “Fifth Third”), appreciates the opportunity to provide comments on the Notice of Proposed Rulemaking (“Proposed Rule” or “Proposal”) issued by the Office of the Comptroller of the Currency (“OCC”), the Board of Governors of the Federal Reserve System (“Federal Reserve”), and the Federal Deposit Insurance Corporation (“FDIC”) (collectively, the “Agencies”) regarding modifications to the standardized approach to risk-based capital requirements.

Fifth Third is a diversified financial services company headquartered in Cincinnati, Ohio, with approximately \$300 billion in assets. Fifth Third is primarily engaged in traditional banking activities – commercial and consumer lending, deposit-taking, wealth management, commercial payments, and mortgage origination and servicing – serving communities throughout the Midwest, Southeast, and Southwest United States. Given its asset size, Fifth Third is subject to the standardized approach under the current capital framework.

Fifth Third commends the Agencies for the thoughtful and measured approach reflected in the Proposal. Rescission of the 2023 proposals and issuance of a recalibrated framework demonstrates the Agencies’ commitment to addressing the extensive feedback provided by industry participants, consumer advocates, and policymakers. We appreciate the Agencies’ bottoms-up analytical approach of calibrating risk weights based on actual risk characteristics of each asset class rather than solving for a predetermined capital target. This methodology yields

outcomes that are more defensible, more risk-sensitive, and less likely to produce the unintended market distortions associated with top-down calibration.¹ In our January 2024 comment letter, Fifth Third expressed concern that the prior proposal would adversely impact small businesses and the communities we serve. The Proposal addresses these prior concerns in a meaningful way.

Fifth Third believes the Proposal will advance housing affordability for American families. The Proposal would create a capital environment in which regulated banks can compete more effectively in mortgage origination and servicing. Such changes translate into lower costs of credit for borrowers, expanded access to mortgage products for first-time and lower-income homebuyers, and stronger incentives for banks to maintain the community lending relationships that are essential to sustainable homeownership. At a time when housing affordability remains one of the most pressing economic challenges facing American consumers, the Proposal offers welcome and consequential reform.

We are particularly encouraged that the Proposal reflects the policy priorities articulated by Vice Chair Bowman, who has called for “revitalizing bank mortgage lending” and recognized the “structural advantages” that banks have over nonbank lenders in servicing mortgages.² Similarly, Comptroller Gould calls for “restoring balance, resetting our tolerance for risk, focusing supervision on material financial risks, and freeing banks to lend, invest, innovate, and grow responsibly.”³ As discussed below, Fifth Third believes the Proposal makes substantial progress toward these objectives and the overarching goal of making homeownership more affordable within our communities, and that targeted refinements in the following areas can further advance the Agencies’ vision:

- **Reduction of the 250 percent risk weight for mortgage servicing assets;**
- **Recognition of private mortgage insurance in the LTV-based risk weight framework;**
- **Elimination of the operation risk add-on for mortgage risk weights and corporate exposures; and**
- **Retention of the current definition of “commitment” until separate rulemaking may be considered.**

These recommendations are responsive to several specific questions posed by the Agencies in the Proposal.

1. The 250% Risk Weight for Mortgage Servicing Assets should be Reduced to a Level More Consistent with the Risk Profile of the Asset Cass (Question 1 of the Proposal)

While the elimination of the CET1 deduction threshold is a meaningful positive step, the Proposal retains the current 250 percent risk weight for mortgage servicing assets (“MSA(s)”). The Agencies specifically solicit comments on whether the 250 percent risk weight “appropriately reflect[s] the risk of these assets throughout the economic cycle.”⁴ Fifth Third respectfully submits that it does not and believes that the 250 percent risk weight remains disproportionate to the actual risk profile of the asset class and warrants recalibration.

The 250 percent risk weight applies a credit-style capital treatment to an asset whose risk profile is driven primarily by interest rate, prepayment, and operational dynamics rather than borrower credit exposure. MSAs (also commonly referred to in the industry as mortgage servicing rights, or MSRs) are contractual servicing fees representing the

¹ FDIC Chair Travis Hill noted that, rather than solving for a predetermined risk weight, the Proposal’s approach “evaluates whether capital requirements are properly measured, aligned with actual risk, and free from overlap or unnecessary duplication.” See Travis Hill, Chairman of the Board of Directors, Federal Deposit Insurance Corporation, Statement by Chairman Travis Hill on Risk-Based Capital Proposals (March 19, 2026), available at <https://www.fdic.gov/news/speeches/2026/statement-chairman-travis-hill-risk-based-capital-proposals>.

² See Michelle Bowman, Vice Chair for Supervision, Federal Reserve Board, Revitalizing Bank Mortgage Lending, One Step with Basel, Speech at American Bankers Association 2026 Conference for Community Bankers (February 16, 2026), available at <https://www.federalreserve.gov/newsevents/speech/bowman20260216a.htm>.

³ See Johnathan V. Gould, Comptroller of the Currency, Statement before the Committee on Financial Services of the United States House of Representatives (December 2, 2025), available at <https://docs.house.gov/meetings/BA/BA00/20251202/118708/HRG-119-BA00-Wstate-GouldJ-20251202.pdf>.

⁴ 91 F.R. at p. 15336 (Question 1).

right to receive future income for administering mortgage loans, with no principal credit exposure to the underlying borrower. Banks actively hedge these risks using market instruments to stabilize the valuation of the asset, bearing the cost of those hedging programs as a normal course of business, with changes in value flowing through pre-provision net revenue (“PPNR”). Moreover, regulators examine banks’ MSA risk management and hedging programs on a routine basis, ensuring that models are appropriately calibrated to capture prepayment risk and sensitivity to interest rate changes. As such, these risks are already well-managed and well-supervised. A 250 percent risk weight – higher than the weight assigned HVADC loans (130%), unsecured consumer credit that carries actual default risk (100%), or assets with entirely unspecified risk characteristics (100%) – represents a redundant capital charge on risks that the supervisory framework already addresses through multiple channels. Indeed, a bank that prudently hedges its MSA exposure holds capital against both the MSA at a 250 percent risk weight and the offsetting hedge instruments, even though the economic risk has been substantially neutralized. This “double count” is at odds with the broader capital framework, which recognizes the risk-mitigating effect of hedging across the market risk rule, AOCI treatment of AFS hedges, and the supervisory IRRBB framework – making MSAs a notable and unjustified outlier.

Additionally, the elevated risk weight has accelerated the migration of servicing outside the regulatory perimeter. In 2012, Banks held 88 percent of all servicing assets; that figure is now approximately 47 percent.⁵ This shift not only undermines the objectives articulated by Vice Chair Bowman and others– that the capital framework should leverage the structural advantages banks bring to mortgage servicing – but also risks compromising service quality for borrowers and ultimately increasing the cost of mortgages. Nonbank servicers operate outside the prudential supervisory framework and may lack the same depth of loss mitigation infrastructure, liquidity resources, borrower relationship management capabilities, and risk and consumer compliance frameworks that bank servicers provide. A capital rule that drives servicing away from well-supervised institutions does not reduce risk; instead, it redistributes it to where oversight is weaker, to the detriment of consumers and housing affordability.

Finally, the 250 percent risk weight is disproportionately punitive in the context of mandatory AOCI recognition – a new interaction that did not exist when Category III and IV firms could opt out of AOCI. MSA values move inversely to AFS securities values: when rates rise, AFS portfolios decline (reducing CET1 through AOCI), while MSA values increase as prepayment speeds slow. MSAs thus serve as a natural economic hedge to the AOCI volatility that the Proposal now requires these firms to absorb in the numerator of their capital ratios. Applying a 250 percent risk weight in the denominator to the very asset that offsets AOCI-driven capital erosion in the numerator creates a compounding penalty: the bank is penalized on both sides of the capital ratio simultaneously. Moreover, many banks account for MSAs under the fair value option, meaning that changes in MSA valuations already flow through the income statement and into retained earnings (and thus into regulatory capital) each quarter. The combination of fair value accounting treatment in the numerator and a 250 percent risk weight in the denominator amounts to capitalizing the same risk twice. A recalibrated MSA risk weight would appropriately recognize both this accounting reality and the hedging benefit for firms newly subject to AOCI volatility.

Fifth Third respectfully recommends that the Agencies reduce the MSA risk weight. Given that MSAs carry no principal credit exposure, their interest rate and prepayment risks are already captured through hedging programs, PPNR, stress testing, supervisory examination, and, for fair-value reporters, directly through the income statement into capital, Fifth Third believes a 100 percent risk weight would be appropriate, consistent with the treatment of unsecured consumer credit and other assets with demonstrably higher risk profiles.

⁵ See Letter from Mortgage Bankers Ass’n, Comment Letter on Joint Agencies’ Notice of Proposed Rulemaking: Regulatory Publication and Review Under the Economic Growth and Regulatory Paperwork Reduction Act of 1996 (October 22, 2025), available at [https://www.fdic.gov/federal-register-publications/mortgage-bankers-association-pete-mills-and-jamie-woodwell-rin-3064#:~:text=Mortgage%20Servicing%20Rights%20\(MSR\)%20Risk,cap%20on%20MSRs%20to%2025%25](https://www.fdic.gov/federal-register-publications/mortgage-bankers-association-pete-mills-and-jamie-woodwell-rin-3064#:~:text=Mortgage%20Servicing%20Rights%20(MSR)%20Risk,cap%20on%20MSRs%20to%2025%25). As a corollary, nonbank servicers account for a vast majority of mortgage servicing volume across Fannie Mae, Freddie Mac, and Ginne Mae programs. See Financial Stability Oversight Authority: Report on Nonbank Mortgage Servicing (May 2024), at p. 19, available at <https://home.treasury.gov/system/files/261/FSOC-2024-Nonbank-Mortgage-Servicing-Report.pdf>.

2. Recognize Private Mortgage Insurance in the LTV Calculation for Risk Weighting Residential Mortgages (Question 8 of the Proposal)

The Proposal does not provide explicit credit for private mortgage insurance (“PMI”) in the calculation of LTV ratios for determining residential mortgage risk weights, although it does recognize PMI as a factor in determining whether a loan meets “prudently underwritten” standards.⁶ The Agencies solicit comment on the “pros and cons of providing explicit recognition of private mortgage insurance in the calculation of LTV ratios.”⁷ Fifth Third strongly recommends they do so. We recognize that the Agencies’ caution regarding PMI stems in part from the experience of the 2007–2009 financial crisis, when certain monoline mortgage insurers experienced significant financial distress while the underlying exposures they insured were also deteriorating, raising legitimate concerns about wrong-way risk. However, the PMI industry has undergone fundamental reform. The GSEs’ Private Mortgage Insurer Eligibility Requirements (“PMIERS”) framework, introduced in 2015 and updated multiple times since, imposes rigorous, countercyclical capital requirements on private mortgage insurers. PMIERS mandates stress-based capital sufficiency calibrated to withstand severe housing downturns, including scenarios modeled on the Great Financial Crisis. As a result, the PMI industry today operates with a capital and risk management framework that ensures coverage remains available and reliable precisely when it is most needed.

While the Agencies appropriately recognize PMI as improving underwriting quality, the standardized LTV framework fails to reflect the well-documented reduction in loss severity provided by qualifying PMI (thus resulting in a capital calibration that overstates risk relative to empirical outcomes). The Agencies’ own regulatory framework reinforces this point: the Interagency Guidelines for Real Estate Lending Policies require lending policies to account for the availability of PMI as part of prudent risk management for real estate loans.⁸ In contrast, the Proposal’s LTV grid assigns risk weights without consideration of PMI. The result is that borrowers pay for risk reduction via PMI premiums but receive limited benefit in the form of lower credit costs, as the bank’s capital charge remains unchanged. Getting this calibration correct is paramount – a framework that acknowledges PMI’s risk-mitigating role for safety and soundness purposes but ignores it for capital purposes leaves capital requirements misaligned with the actual risk profile of insured mortgage exposures.

Fifth Third recommends the Agencies explicitly recognize PMI in the LTV calculation, subject to appropriate safeguards that address wrong-way risk, and ensure the capital benefit is commensurate with the actual risk transfer. Specifically, Fifth Third suggests the Agencies consider the following framework: (i) limit eligibility to PMI policies issued by insurers that meet the GSEs’ PMIERS capital requirements, ensuring that only well-capitalized, stress-tested insurers qualify for recognition; (ii) recognize a portion of the PMI coverage (for example, 50 percent) in the LTV calculation, rather than full recognition, to provide a conservative buffer against residual wrong-way risk; and (iii) cap the effective LTV benefit such that PMI recognition cannot reduce the risk weight below the next lower LTV bucket in the grid, preventing excessive capital relief on the highest LTV exposures. This calibrated approach supports first-time homebuyers, lower- and moderate-income borrowers, and borrowers in historically underserved communities – individuals who are most likely to make smaller down payments and require mortgage insurance. Furthermore, this approach strengthens banks’ ability to originate affordable mortgage products, including through Special Purpose Credit Programs and CRA-qualifying loans. This is precisely the type of practical, risk-appropriate adjustment that Vice Chair Bowman has advocated: one that makes banks more competitive with nonbank originators in high-LTV lending without compromising safety and soundness.

⁶ 91 F.R. at 15339.

⁷ 91 F.R. at 15340 (Question 8).

⁸ See Interagency Guidelines for Real Estate Lending Policies (12 C.F.R. § 160.101; 12 C.F.R. pt. 208, app. C; 12 C.F.R. pt. 365, app. A), which allow for the incorporation of mortgage insurance into LTV ratios.

3. *Eliminate the Operational Risk Add-On for Residential Mortgage and Corporate Exposure Risk Weight to Align with the Basel Committee Framework and Create a Level Playing Field across the Industry (Questions 9 and 11 of the Proposal)*

While the Proposal represents a substantial improvement over the 2023 proposed risk weights, the proposed risk weights for both residential mortgages and corporate exposures under the Standardized Approach embed a static operational risk add-on that warrants reconsideration. For residential mortgages, the proposed risk weights remain approximately 5 percentage points above both the Basel Committee's recommendations and the credit risk weights that would apply to Category I and II firms. For corporate exposures, the Agencies' own analysis indicates a credit-only risk weight of approximately 85 percent, with the proposed 95 percent reflecting a 10 percent operational risk proxy. The Agencies explain this differential by noting that the standardized approach does not include a separate operational risk charge. Fifth Third respectfully submits that these operational risk add-ons should be eliminated or substantially reduced for both asset classes.

First, operational risk is inherently holistic in nature and does not lend itself to precise, line-by-line attribution across individual asset classes. The capital framework already captures operational risk for Category III and IV firms through complementary, dynamic mechanisms – most notably the stress capital buffer requirement, which is informed by the annual supervisory stress test and assesses operational risk in a scenario-based manner calibrated to each firm's actual business profile. Requiring a uniform, static add-on to the standardized risk weights on top of this existing coverage risks overestimating aggregate operational risk by layering a blunt instrument on top of a framework that already addresses the risk dynamically. The Agencies rightly declined to impose a standalone operational risk charge on Standardized Approach firms; embedding that same charge within individual risk weights reintroduces the overlap in a less transparent form. This logic applies equally to the 5 percent add-on for residential mortgages and the 10 percent add-on for corporate exposures.

Second, the flat 5 percent add-on is applied uniformly without regard to loan size, LTV, or borrower characteristics. This add-on disproportionately burdens lower-LTV, lower-risk mortgage exposures, precisely the loans that the Agencies should be incentivizing banks to originate and hold.⁹

Third, add-ons create competitive disparities between Standardized Approach firms and Expanded Risk Based Approach firms that undermine the Agencies' lending objectives. For residential mortgages, the 5 percent differential would require Category III and IV firms (many of which are the regional banks most active in community mortgage lending) to hold more capital per mortgage than Category I or II firms. For corporate exposures, the 10 percent add-on similarly disadvantages regional and super-regional banks in relationship-based commercial and small business lending relative to the largest institutions. If the shared policy goal is to increase lending competition across the banking system, a level playing field on risk weights is the most direct path to that outcome.

Fifth Third encourages the Agencies to adopt the Basel Committee risk weights for residential mortgages under the Standardized Approach and a 90 percent risk weight for corporate exposures, as such risk weighting would be more appropriate and consistent with the decision to exempt Standardized Approach firms from a standalone operational risk requirement. The existing complementary mechanisms within the capital framework already capture operational risk in a dynamic, scenario-based manner and reduce the need for uniform, static add-ons within standardized risk weights. Full alignment with the Basel Committee's recommendations on mortgage risk weights along with a more appropriately calibrated corporate risk weight would further the stated goals of revitalizing bank lending across institutions of all sizes.

⁹ For example, the add-on represents a 25 percent increase over the Basel credit risk weight for a low-risk loan at 20 percent (LTV less than or equal to 50 percent), but only a 7 percent increase for high-risk loan at 70 percent (LTV greater than 100 percent).

4. Retain the Current Definition of “Commitment” (Question 14 of the Proposal)

Fifth Third appreciates the Agencies’ efforts to clarify the definition of “commitment.” We agree that commitments representing genuine and contractual funding obligations should attract regulatory capital. However, as proposed, the revised definition of “commitment” risks extending capital treatment to arrangements that do not create legally binding obligations to extend credit and, therefore, do not present the level of credit or liquidity risk that the regulatory capital framework is intended to address.

Under the Proposal, a “commitment” may exist where the bank and an obligor have agreed to certain terms applicable to one or more future extensions of credit, even where the bank retains full discretion to refuse funding and is not legally obligated to extend credit. Fifth Third believes the Proposal’s revised definition blurs a critical distinction between legally binding funding obligations and discretionary or advisory arrangements, which may result in capital requirements being assigned to arrangements that do not reflect the underlying risk.

As a foundational principle, regulatory capital should be required to be held against legally binding, contractually enforceable exposures, but not against commercial dialogue, indicative terms, or relationship-based engagements that do not obligate a bank to fund. Facilities that are unconditionally cancellable or are subject to full credit approval and/or right of refusal at the time of draw do not create a legally-binding claim on the bank’s balance sheet and historically exhibit materially different draw behavior, particularly under stress. Therefore, treating such arrangements as “commitments” risks overstating both credit exposure and liquidity risk.

In practice, many corporate banking and treasury management products rely on discretionary or advised structures precisely because they allow banks to manage risk dynamically as borrower conditions evolve. These arrangements are routinely governed by real-time credit approval, internal risk limits, and supervisory oversight. The proposed definition, by effectively equating discretion with obligation, diminishes the risk-mitigating value of these controls and may lead to capital outcomes that depend more on documentation style than on economic substance.

Fifth Third is also concerned that an overly broad definition of “commitment” could introduce unintended behavioral incentives. If preliminary or discretionary arrangements are treated as capital-consuming commitments, banks may be incentivized to limit transparency with clients, reduce advisory engagement, or restructure products in less efficient ways to avoid capital charges. Such outcomes would not enhance safety and soundness and could disadvantage regulated banks relative to nonbank competitors that are not subject to comparable capital requirements.

Additionally, Fifth Third notes that the proposed change in the definition of “commitment” would also result in the capital framework differing from Generally Accepted Accounting Principles (“GAAP”), under which commitments are only recognized where there exists a legally enforceable requirement to extend credit. Alignment between GAAP and the regulatory capital framework has historically promoted clarity and operational efficiency.

In light of these concerns, Fifth Third respectfully encourages the Agencies to retain the existing definitions of “commitment” and “unconditionally cancellable” and resume efforts to clarify the definition under a separate rulemaking process.

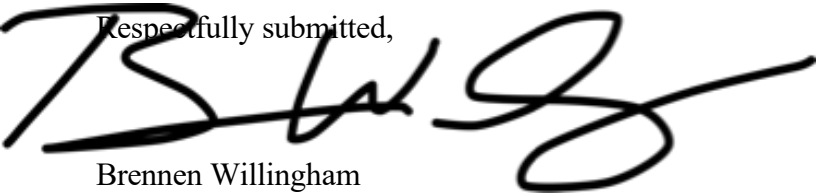
Conclusion

Fifth Third appreciates the significant improvements reflected in the Proposal and the Agencies’ demonstrated commitment to engaging constructively with industry feedback. The Proposal strikes a substantially improved balance between risk sensitivity, simplicity, and calibration relative to the 2023 proposals, and makes meaningful progress towards increasing the competitive dynamics within the lending and servicing industries. We believe that the targeted modifications recommended in this letter represent practical and measured refinements that effectuate

the Agencies' objectives. These changes strengthen the final rule and advance the shared goal of a safe, sound, and resilient banking system in which regulated banks are equipped and incentivized to support homeownership, generate favorable economic conditions in the communities they serve, and promote economic growth for all Americans.

Fifth Third welcomes an open dialogue with the Agencies regarding these recommendations and stands ready to provide additional data or analysis to support the rulemaking process. Please feel free to contact us should you have any questions.

Respectfully submitted,

A large, stylized handwritten signature in black ink, appearing to read 'BWJ', is written over the text 'Respectfully submitted,'.

Brennen Willingham
Treasurer