ORIGIN BANK, DEREK MCGEE

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-C167

Submitter Information

Organization Name: Origin Bank

Organization Type: Company

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Please see attached.

May 22, 2026

By Agency Website

Re: Docket No. R-1888 and RIN 7100-AH21 Regulatory Capital Rules: Regulatory Capital and Standardized Approach for Risk-Weighted Assets

Dear Mr. McDonough:

Origin Bank ("Origin" or "we") is writing this letter to express our support for the continued work by the agencies to improve the calibration and risk sensitivity of risk weights under the regulatory capital framework. We welcome the recent proposed rulemaking regarding the calculation of risk-weighted assets under the standardized approach.

We want to take this opportunity to also highlight the need to re-examine the risk weighting of warehouse lines of credit provided by banks to mortgage lenders, which we will broadly refer to as "mortgage warehouse facilities." According to data compiled by the Mortgage Bankers Association, mortgage warehouse facilities support nearly two-thirds of all single-family mortgage lending. As such, mortgage warehouse facilities are a critical provider of liquidity and stability to the housing finance market.

The current capital framework assigns a 100% risk weight to mortgage warehouse facilities; a change that occurred in 2014 from previous capital treatment that assigned a 50% risk weight to mortgage warehouse facilities (essentially the same risk weight as the underlying mortgage collateral). The 2014 modification was made pursuant to an accounting policy change that we believe ignores the substance of the underlying credit risk and instead focuses on the structure of the transaction. The result misaligns the capital treatment of warehouse lending with the risk of the credit facility and the underlying collateral.

Prior to the 2014 change, the same risk weight applied to both the mortgage warehouse facility and the mortgage loans that collateralized it because it was clearly understood and accepted that the warehouse bank effectively controls the collateral and its release (i.e., only after the loan is sold and the proceeds are received), and therefore, the risk of any loss on the credit line was extremely low. Further, in the event of an independent mortgage bank ("IMB") customer's failure, the bank can either deliver the loans to the investor to repay the advances or take the collateral on its balance sheet, at the same 50% risk weight.

Both the unique structure of these mortgage warehouse facilities and the loss experience of warehouse lenders demonstrate that warehouse lending programs present less risk than holding one-to-four family residential mortgage loans on the balance sheet. With residential mortgage loans held for investment on the balance sheet, banks assume the risk of consumer delinquency and default. In addition, those loans may remain on the balance sheet for years, exposing the lender to long-term default risk and interest rate risk. By contrast, the average time that a residential mortgage loan is held in a warehouse facility is approximately 15-18 days; a very short-term exposure that mitigates both default and market risk. The bank is repaid by the investor, typically before the consumer's first payment.

One of the keys to the strong performance of the warehouse lending business is the multiple repayment sources that exist if a mortgage bank customer runs into difficulties, including:

- the sale of the loans on the warehouse line to the GSEs or into Ginnie Mae MBS;
- the IMB customer and its financial capability/capacity;
- the underlying borrowers on the mortgages, if the loans are taken into portfolio; and
- the underlying collateral if the loans are taken into portfolio and the homeowner subsequently defaults (including recoveries from PMI, FHA insurance, or VA guarantee, if applicable).

Given the expanded role of IMBs in the U.S. mortgage market, the capital framework should promote the continued availability of mortgage warehouse facilities and other short-term funding that support mortgage origination, servicing, and liquidity for MSRs. The warehouse lending business is an extremely low-risk credit exposure for banks, and yet, provides a critical source of support for the U.S. mortgage market by providing interim financing for two-thirds of all single-family mortgage originations. A recent Mortgage Bankers Association survey, provided to the regulatory agencies in February 2026, of a cross section of warehouse lender provides strong evidence of very minimal losses in this line of business; even during the recession of 2009 and the 2020 COVID-related economic downturn when there was significant disruption in the mortgage industry

The 2014 change caused strains in the market during the 2020 spike in originations because many warehouse lenders were not able to supply sufficient lines of credit to even the strongest IMBs in a timely manner as banks were reluctant to devote capital to the business line, given the low returns on 100% risk-weighted capital relative to other business lines. Similarly, in economic downturns, an excessive risk weight could cause some lenders to pull back from this business line and exacerbate liquidity issues in a procyclical manner.

Recent market developments illustrate how excessive capital charges on warehouse lending exposures drive suboptimal outcomes. In the last few years, some of the larger warehouse lenders have turned to very costly alternative securitization structures to obtain a lower risk-based capital treatment consistent with the underlying collateral. These alternative structures are costly to IMB borrowers (who pay to establish the special-purpose vehicles ("SPV")) and therefore are typically provided by large banks to the biggest IMBs who have the size to afford the cost to establish the SPVs. However, the arrangement does not reduce credit risk for the warehouse bank. The result is higher cost and complexity risk without correspondingly lower credit risk as well as the creation of an unfair advantage for large IMBs and warehouse banks compared to small- or medium-sized banks who struggle to effectively compete with their higher risk-weight under a traditional structure. Absent regulatory change to risk-weights of mortgage warehouse facilities, these costly alternative structures will likely proliferate for banks like us, adding significant complexity to the credit structure simply to achieve desired risk weighting despite no change to the underlying credit risk. In addition, reduced competition in this space ultimately leads to increased costs for the end-consumer at a time when housing affordability is already challenging.

In short, the current capital requirement is a barrier to banks' ability to scale up warehouse lending quickly when needed and could encourage quick exits from this line of business in a downturn. Pursuant to the proposed changes to the regulatory capital rules, the regulatory agencies have an opportunity to better align capital treatment with the underlying credit risk.

We support the proposed loan-to-value ("LTV")-based approach for assigning risk weights to certain residential mortgage exposures and thank the agencies for recognizing the risk differential in residential mortgage exposures and calibrating it accordingly. We further encourage the agencies to re-establish the 50% risk weight for mortgage warehouse facilities for all U.S. banks. This would align the risk of mortgage warehouse facilities with the risk of the underlying mortgage loans and correct the overly punitive risk-weight mortgage warehouse lending has carried since the 2014 change. We appreciate the work of the agencies and please reach out to me directly (dmcgee@origin.bank) if you have any questions or would like to discus further.

Yours very truly,

Derek McGee
Chief Legal Counsel