FANNIE MAE, CHRYSSA HALLEY

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-C204

Submitter Information

Organization Name: Fannie Mae

Organization Type: Company

Name: Chryssa Halley

Submitted Date: 06/18/2026

See attached file.

June 18, 2026

By Electronic Submission to https://regulations.gov/

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

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
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429
Attention: Comments/Legal OES

Re: Regulatory Capital Rule: Category I and II Banking Organizations, Banking Organizations with Significant Trading Activity, and Optional Adoption for Other Banking Organizations (OCC Docket ID OCC-2026-0265; Board Docket No. R-1887, RIN 7100-AH20; FDIC RIN 3064-AF29) ("Expanded Risk-Based Approach Proposal")[1]

Regulatory Capital Rules: Regulatory Capital and Standardized Approach for Risk-Weighted Assets (OCC Docket ID OCC-2026-0034; Board Docket No. R-1888, RIN 7100-AH21; FDIC RIN 3064-AG23) ("Standardized Approach Proposal")[2]

Dear Sir or Madam:

Fannie Mae appreciates the opportunity to comment on the above-referenced notices of proposed rulemaking (the "Proposals") concurrently issued by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation (the "Agencies"). Fannie Mae commends the Agencies for undertaking a careful and comprehensive recalibration of the regulatory capital framework for covered banking organizations in a manner that supports a sustainable role for banks in the mortgage market. Fannie Mae also appreciates the Agencies' efforts to strengthen the capital framework by enhancing consistency and risk sensitivity and reducing unwarranted divergence in capital requirements across similar exposures.

[1] 91 Fed. Reg. 14952 (Mar. 27, 2026).

[2] 91 Fed. Reg. 15332 (Mar. 27, 2026).

These comments address a discrete calibration issue raised by Question 12 in the Expanded Risk-Based Approach Proposal, which requests comment on "the pros and cons of continuing the risk weights in the current standardized approach for ... GSEs [*i.e.,* government-sponsored enterprises] in the form of senior debt and guaranteed exposures."[3] Our comments focus on the treatment of senior debt and mortgage-backed securities ("MBS") issued and guaranteed by Fannie Mae and Freddie Mac (each a GSE). As discussed below, continued application of a 20 percent standardized risk weight to these exposures is difficult to reconcile with the Agencies' proposal to apply a lower, 15 percent risk weight floor to comparable non-GSE securitization exposures.

Fannie Mae was chartered by Congress to provide liquidity, stability, and affordability to the U.S. housing finance system. In carrying out this mission, Fannie Mae plays a central role in the agency MBS market by purchasing eligible mortgages, securitizing them, and guaranteeing the timely payment of principal and interest to investors. Agency MBS—and more broadly, senior GSE obligations, including debt securities—attract a broad domestic and global investor base due to their standardized structure, exceptional liquidity and financing utility, and strong credit profile. That depth of investor demand supports efficient pricing in the secondary market and helps lower and stabilize mortgage borrowing costs across economic cycles.

I. GSE Senior Exposures Should Not Receive A Higher Risk Weight Than Comparable Non-GSE Securitization Exposures

Under the Proposals, most exposures to GSEs—including senior debt and guaranteed MBS exposures—would continue to receive a 20 percent risk weight, consistent with the current standardized approach.[4] At the same time, the Proposals would lower the standardized risk-weight floor for securitization exposures that are not resecuritizations from 20 percent to 15 percent.[5] As a result, senior tranches of private-label MBS backed by mortgage collateral that bear similar and more often higher credit risk would receive a lower risk weight than GSE-guaranteed MBS, creating an unwarranted divergence across economically comparable exposures.

A. Calibration Considerations

By setting the standardized risk-weight floor for senior securitization exposures at 15 percent, the Agencies implicitly conclude that this level represents an appropriate minimum capital charge for a high-quality senior exposure, even where that exposure remains subject to the residual risks inherent in securitization structures. Those residual risks—including correlation assumptions, modeling uncertainty, and structural complexities such as payment waterfalls—are expressly cited by the Agencies as the rationale for retaining a minimum capital requirement for all securitization exposures.[6]

Plain vanilla GSE exposures are structurally simpler and more remote from loss. GSE MBS do not involve tranche subordination, model-based attachment and detachment points, or cashflow waterfall triggers. Moreover, both GSE MBS and senior GSE debt benefit from a unified credit profile grounded in the financial

---

[3] Expanded Risk-Based Approach Proposal, 91 Fed. Reg. at 14964.

[4] Expanded Risk-Based Approach Proposal, 91 Fed. Reg. at 14964, 15158 (proposed § ___.111(c)).

[5] Expanded Risk-Based Approach Proposal, 91 Fed. Reg. at 15000, 15185 (proposed § ___.133(a)(4)); Standardized Approach Proposal, 91 Fed. Reg. at 15416 (OCC), 15433 (Board), 15450 (FDIC).

[6] Expanded Risk-Based Approach Proposal, 91 Fed. Reg. at 15000, 15003; Standardized Approach Proposal, 91 Fed. Reg. at 15359, 15362.

strength of the issuing GSE and backstopped by a U.S. Department of the Treasury financial commitment.[7] Even the most senior private-label tranches remain exposed to borrower-level default losses once subordinated tranches are exhausted. By contrast, GSE-guaranteed MBS and senior GSE debt reflect direct exposure to the GSE itself, insulating investors from loan-level credit risk and cashflow volatility. In addition, GSE MBS programs incorporate loan-level credit enhancement requirements, such as mortgage insurance on higher loan-to-value ("LTV") loans,[8] further strengthening overall credit quality.

GSE MBS are backed by mortgage loans that are subject to rigorous and standardized eligibility requirements that distinguish them from the broader range of riskier collateral underlying most private-label securitizations. GSE-eligible loans must meet conforming loan limits, satisfy Qualified Mortgage requirements, and adhere to comprehensive underwriting, documentation, and disclosure standards. These requirements produce mortgage pools with demonstrably stronger credit characteristics, greater transparency, and more consistent performance through periods of market stress than pools backing most private-label securitization.[9]

Taken together, these features underscore that senior GSE exposures—whether in the form of debt or guaranteed MBS—exhibit risk characteristics at least comparable to, and in many important respects more favorable than, senior private-label securitization exposures.

B. Unwarranted Divergence in Calibration Outcomes

The Agencies emphasize that the Proposals are intended to reduce "unwarranted divergence" in risk-weighted assets for similar exposures.[10] Against that objective, the proposed calibration produces a counterintuitive outcome: senior securitization exposures often with riskier collateral and subject to structural and modeling risks may receive a 15 percent risk weight, while structurally simpler and credit-enhanced GSE senior exposures remain subject to a 20 percent risk weight. This divergence is inconsistent with a risk-sensitive framework.

The inconsistency is further highlighted by the Agencies' liquidity framework. Under the U.S. liquidity coverage ratio rule, securities issued or guaranteed by a GSE—including both MBS and debt—qualify as level 2A high-quality liquid assets ("HQLA"),[11] whereas the Agencies expressly declined to treat private-label MBS as HQLA.[12] Even when senior private-label securitization tranches carry the same rating as GSE MBS, the liquidity provided to these private-label securitizations is significantly lower, given the residual credit risk embedded in the senior tranches, the lack of standardization, and limited market depth. Although liquidity treatment does not determine capital calibration, it does reinforce the broader point that GSE senior

[7] In 2008, Treasury entered into preferred stock purchase agreements with Fannie Mae and Freddie Mac, committing to provide contingent financial support, up to specified limits, to ensure each company maintains a positive net worth.

[8] Under the GSE Charter Acts, credit enhancement is required for single-family conventional mortgage loans with an LTV ratio exceeding 80 percent at the time of purchase. 12 U.S.C. §§ 1454(a)(2) (Freddie Mac), 1717(b)(2) (Fannie Mae).

[9] Cf. Financial Crisis Inquiry Commission, *The Financial Crisis Inquiry Report*, at 218 (Jan. 2011) (comparing 2008-2009 performance of GSE and non-GSE mortgage loans and noting, "among loans to borrowers with FICO scores below 660, a privately securitized mortgage was more than four times as likely to be seriously delinquent as a GSE.").

[10] Expanded Risk-Based Approach Proposal, 91 Fed. Reg. at 14964.

[11] 12 C.F.R. §§ 50.20(b)(1) (OCC), 249.20(b)(1) (Board), 329.20(b)(1) (FDIC).

[12] Liquidity Coverage Ratio: Liquidity Risk Measurement Standards, 79 Fed. Reg. 61440, 61464-61465 (Oct. 10, 2014).

exposures are widely recognized as carrying little to no meaningful credit risk and are more liquid and less risky than private-label securitizations yet would receive less favorable capital treatment under the Proposals.

In practice, this divergence may be significant. For securitizations backed by mortgage loans with LTV ratios between 60 and 80 percent, where all loans are Qualified Mortgages but may not meet GSE eligibility requirements, we estimate that more than 95 percent of the total capital structure may bind at the 15 percent risk weight floor. By comparison, mortgage loans with comparable LTVs that do meet GSE eligibility standards—when held in the form of GSE MBS—would be subject to a uniform 20 percent risk weight across the entire exposure. This outcome illustrates the extent to which the proposed framework produces inconsistent treatment across economically equivalent exposures.

The resulting difference in capital treatment would also impact market incentives and pricing. Lowering the risk-weight floor for non-GSE securitization exposures to 15 percent while maintaining a 20 percent risk weight for GSE exposures would create a relative capital advantage for private-label executions. Over time, this differential would be expected to shift bank demand away from GSE MBS toward private-label securitizations, thereby widening GSE MBS spreads relative to other mortgage assets. Wider spreads would reflect the greater yield compensation for holding GSE MBS, given the improved economics for securitization exposures receiving lower capital treatment and would result in upward pressure on mortgage rates. Conversely, aligning the risk weight for GSE exposures with the floor applicable to comparable securitization exposures would help preserve balanced demand across execution channels and would support a modest tightening of GSE MBS spreads relative to U.S. Treasuries. This tightening would lower required yields and place modest downward pressure on mortgage rates.

It would also be appropriate to maintain aligned treatment across GSE obligations. Historically, GSE-guaranteed MBS and senior GSE debt have received equivalent standardized risk-weight treatment, reflecting their common issuer and the capital framework's long-standing focus on issuer-level credit support across senior GSE obligations. Preserving this alignment—while calibrating both types of GSE exposure relative to comparable non-GSE securitization exposures—would promote simplicity, internal consistency, and greater risk sensitivity within the standardized approach.

C. Appropriateness of U.S.-Specific Calibration for GSE Exposures

Aligning the risk weight for GSE exposures with the minimum risk weight floor for senior securitization exposures is consistent with international practice. In implementing the Basel framework, national regulators may determine the appropriate risk weights for public sector entities ("PSEs") and their exposures based on creditworthiness and government support.

Basel's PSE calibrations are designed to apply to a wide range of sub-sovereign exposures across many jurisdictions, reflecting a broad generalized framework that accommodates differing supervisory approaches and institutional characteristics. For example, while the Basel framework assigns a 20% risk weight to highly rated PSEs under the standardized approach, many European banking organizations follow an internal ratings-based approach that produces lower risk weights for GSE and GSE-like exposures. In a similar fashion, the Agencies have recognized the distinctive risk profile and institutional role of the GSEs by creating a separate category for GSE exposures in the U.S. implementation of the Basel framework.

Fannie Mae and Freddie Mac operate pursuant to congressional charters, are subject to comprehensive prudential oversight, and benefit from U.S. government support. Together, they enable the uniquely American 30-year fixed-rate pre-payable mortgage and serve as the primary funding channel for conforming residential mortgage credit in the United States. As of April 30, 2026, GSE-guaranteed MBS totaled approximately $7.6 trillion, representing roughly 72% of the approximately $10.6 trillion agency MBS market[13]—one of the largest and most liquid fixed-income markets in the world. These securities are widely held by U.S. and international investors and play a critical role in supporting the availability and affordability of mortgage credit in the United States. A calibration aligned with the Agencies' treatment of senior securitization exposures would appropriately reflect the structure of the U.S. housing finance system and the central role of the GSEs within that system, while remaining consistent with a risk-sensitive capital framework.

II. Recommendation

In response to Question 12, Fannie Mae respectfully recommends that the Agencies assign a risk weight for GSE senior debt and guaranteed exposures that is no higher than the minimum risk weight applicable to other high-quality senior securitization exposures. This treatment more appropriately reflects the risk profile of GSE exposures, including the higher credit quality of the collateral underlying GSE MBS, the strong creditworthiness of the GSEs with respect to their guaranteed and senior debt securities, and the securities' exceptional liquidity and financing characteristics.

* * * * *

Fannie Mae appreciates the Agencies' consideration of these comments. If you have questions regarding the matters addressed in this letter, please contact the undersigned at chryssa_c_halley@fanniemae.com.

Sincerely,

Chryssa Halley
Executive Vice President and Chief Financial Officer

[13] *See* Fannie Mae, *Monthly Summary*, table 2 (April 2026); Freddie Mac, *Monthly Volume Summary*, table 4 (April 2026); Ginnie Mae, *Monthly RPB Report*, table 1 (April 2026).