

**Meeting Between Federal Reserve Bank of Dallas Staff and
Representatives of Colonial Savings
June 29, 2012**

Participants: Ann Worthy, Earl Anderson, Bob Coberly and Ken Robinson (Federal Reserve Bank of Dallas)

James E. DuBose, J. David Motley, Ben Dempsey and F. Allen Maulsby
(Colonial Savings)

Summary: Representatives from Colonial Savings discussed Basel III as it related to mortgage servicing rights (MSRs). In particular, Colonial Savings' representatives expressed concerns regarding the treatment of MSRs. In the opinion of Colonial Savings, banks will either exit or severely limit their activity in MSRs, which will increase costs to consumers. Colonial Savings expressed the view that MSR business will move to unregulated entities either in the United States or offshore. Representatives from Colonial Savings also raised concerns regarding the treatment of MSRs as intangible assets given the cash flows, marketability and 100-percent risk weight of MSRs. They also questioned why regulators want to see MSAs reduced. Colonial Savings representatives recommended that Basel III not be applied to banks with assets less than \$10 billion and expressed their view that Basel III was intended for large, internationally active banks, and not community banks. Colonial Savings also regarded the 250 percent risk weight on MSRs as onerous.

Reserve Bank staff urged Colonial Savings to submit written comments to the Board of Governors and to attend "Ask the Fed" sessions.