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Attention: Comment Processing
Office of the Comptroller of the Currency
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Washington, DC 20219

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

The Honorable Jennifer Jones
Deputy Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

June 18, 2026

Re: Regulatory Capital: 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); (Federal Reserve: Docket No. R-1887); (FDIC: RIN 3064-AF29)

Regulatory Capital Rules: Regulatory Capital and Standardized Approach for Risk-Weighted Assets (OCC: Docket ID OCC-2026-0034); (Federal Reserve: Docket No. R-1888); (FDIC: RIN 3064-AG23)

To whom it may concern:

The National Housing Conference (NHC) appreciates the opportunity to comment on the Notice of Proposed Rulemakings (NPRs) published by the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Board of Governors, and the Office of the Comptroller of the Currency dated March 27 that would adjust the regulatory capital standards for large and other banking organizations under Basel III. Capital rules play an important role in promoting safety and soundness. They also shape the availability, cost, and structure of housing finance. For that reason, the final rule should ensure that capital requirements are appropriately aligned with observed risk and do not unintentionally constrain affordable housing production, mortgage credit access, or the participation of regulated institutions in housing finance markets.

NHC is a politically diverse, nonpartisan 501(c)(3) coalition representing housing stakeholders across the industry including financial institutions, for-profit and nonprofit developers, consumer advocates and civil rights organizations. Since 1931, NHC has played a central role in shaping federal housing policy, contributing to the

development of landmark legislation including the National Housing Act of 1937, the Housing and Community Development Act of 1968, the Housing and Economic Recovery Act of 2008, the Homeowners Assistance Fund of 2021 and the 21st Century ROAD to Housing Act.

We believe this proposal reflects a balanced and appropriate effort to address capital concerns previously expressed by NHC members by ensuring that capital standards do not unduly interfere with the vital efforts of housing and community development organizations working to meet the needs of underserved communities.

The recommendations in this letter are offered with consideration of the work that our members do in underserved and disinvested communities alongside the vital role that large financial institutions play in the housing finance market, particularly as Basel III is an important component for banks that are also required to meet Community Reinvestment Act (CRA) obligations. NHC believes that the Basel III rule can help incentivize investment in areas that are not required to be serviced by CRA, ultimately broadening the impact of investment into CRA deserts while simultaneously reinforcing the availability and efficacy of lending products offered within CRA-driven communities.

Residential Mortgage Risk Weights

The cost of mortgage credit has increased in the last 15 years, as has the cost of mortgage originations. In the 2010s, mortgage interest rates averaged between 3-5%, whereas current rates hover between 6-7%.¹ According to the Mortgage Bankers Association Mortgage Bankers Performance Report, independent mortgage banks and mortgage subsidiaries of chartered banks reported total loan production expenses were \$11,094 per loan in 2025², more than double the \$4,717 per loan reported in 2008.³ This was inevitable, as banks needed to ensure their safety and soundness in the wake of the 2008 financial crisis. But we now should not be over responsive to past events in ways that will harm the very communities that we are meant to help. Banks have largely retreated from mortgage origination business lines, and a healthy housing market includes diverse originators that would benefit from greater bank participation in mortgage lending.

NHC therefore supports the proposed revisions of risk weights for residential mortgage loans, which would generally reduce the amount of capital banks must hold against

¹ Freddie Mac, "Mortgage Rates," *Primary Mortgage Market Survey*, accessed June 18, 2026, <https://www.freddiemac.com/pmm>

² Mortgage Bankers Association, "Independent Mortgage Bankers Post Improved Net Production Profits in 2025," April 16, 2026, <https://www.mba.org/news-and-research/newsroom/news/2026/04/16/independent-mortgage-bankers-post-improved-net-production-profits-in-2025>.

³ David Motley, *Regulatory Burdens to Obtaining Mortgage Credit*, statement on behalf of the Mortgage Bankers Association before the U.S. Senate Committee on Banking, Housing, and Urban Affairs, April 16, 2015, <https://www.mba.org/docs/default-source/uploadedfiles/letters-to-legislators/regburdens4-16-15-testimony.pdf>.

mortgages within their portfolios. The approach will better reflect actual risk of such loans, particularly for lower Loan-to-Value (LTV) loans. However, the proposal also would rely on LTV for risk weighting, leading to higher risk weights for high LTV loans. NHC urges the Agencies to recognize that higher LTV loans do not necessarily translate into riskier investments. Research supports distinguishing high LTV lending from unsafe lending. Fannie Mae has found minimal difference in default risk between loans with LTV ratios above 90% to 95% and those above 95% to 97% when compensating factors are considered.⁴ The Center for Responsible Lending has similarly argued that rigid down payment requirements would exclude many performing borrowers while producing only marginal default reduction.⁵ Risk weight increases for higher LTV loans will disproportionately impact lower-wealth, first-time, and first-generation homebuyers, pricing them out of homeownership in an already challenging market. For this reason, the calibration should be revisited for high LTV loans.

Private Mortgage Insurance (PMI)

Private mortgage insurance is an important tool for expanding responsible homeownership access. It allows qualified borrowers to obtain mortgage credit with lower down payments while providing first-loss protection to lenders and investors. The agencies recognize private mortgage insurance as a component of prudent underwriting, but the proposed LTV-based risk weight framework does not fully reflect its risk-mitigating role for capital purposes.

Research shows that private mortgage insurance significantly reduces loss severity on high-LTV loans. Actuarial analysis of GSE mortgage losses across 90 million loans from 2000 through 2025 found that private mortgage insurance reduced net realized loss severity on insured high-LTV loans to levels at or below those observed on loans in the 60%-80% LTV band.⁶

The Federal Housing Finance Agency, to ensure that PMIs are well positioned to serve as a permanent, dedicated source of first loss credit risk protection to the market, and to manage counterparty risk to the Enterprises, has significantly enhanced and periodically updated the Private Mortgage Insurer Eligibility Requirements (PMIERS), boosting PMI industry capital and creating a more rigorous standard than those of state regulators. They also oversaw the updating of master policies to reduce rescission risk, and encouraged the evolution of business models from ones in which credit risk is largely accumulated on balance sheets, to one in which risk is distributed to a broader set of investors, providing for a more resilient, through-the-cycle approach to capital and risk

⁴ Fannie Mae, “FAQs: 97% LTV Options,” updated June 5, 2024,

<https://singlefamily.fanniemae.com/learning-center/originating-and-underwriting/faqs-97-ltv-options>.

⁵ Center for Responsible Lending, *Underwriting Standards for Qualified Residential Mortgages* (Durham, NC: Center for Responsible Lending, 2011),

<https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/Underwriting-Standards-for-Qualified-Residential-Mortgages.pdf>

⁶ Milliman, “Calculating the historical benefit of private mortgage insurance: An empirical assessment of realized GSE mortgage losses across LTV cohorts from 2000 through 2025” (May 2026).

management. All six active PMIs currently have PMIERS capital buffers of at least 40% in excess of the requirements and FHFA has explicitly pointed to this framework as evidence of PMI durability.⁷

The agencies should recognize private mortgage insurance when calculating LTV for risk-weighting purposes, subject to an appropriate counterparty haircut, to avoid regressively disadvantaging first-time and first-generation homebuyers.

LIHTC

NHC strongly supports reducing the risk weight applicable to Low-Income Housing Tax Credit (LIHTC) investments to 20%. LIHTC is the nation's primary tool for financing the production and preservation of affordable rental housing. The current and proposed 100% risk weight does not reflect the unique structure, statutory restrictions, public oversight, and performance history of LIHTC investments. LIHTC properties are subject to extensive federal and state requirements, including rent and income restrictions, state housing finance agency oversight, compliance monitoring, and long-term affordability commitments. These features distinguish LIHTC investments from traditional real estate equity investments. Further, recent expansions of LIHTC through the One Big Beautiful Bill Act and the pending 21st Century ROAD to Housing Act are undercut by capital constraints that, if corrected, would fully unleash further LIHTC development to advance affordable housing goals.

The performance record also supports a lower risk weight. LIHTC investments have demonstrated extremely low rates of recapture and foreclosure across economic cycles, including during periods of significant stress in broader real estate markets. Research shows that LIHTC foreclosure rates have generally remained below 0.1% since 2002, and cumulative foreclosure rates by net equity peaked below 0.5% before declining to 0.19% by 2024.⁸ These outcomes support a risk weight substantially below 100%.

A 20% risk weight would better reflect the risk profile of LIHTC investments and would support the continued flow of private capital into affordable housing. At a minimum, the final rule should ensure that LIHTC investments receive a risk weight no higher than 50%, consistent with their strong performance and public policy role.

Mortgage Servicing Rights (MSRs)

NHC appreciates that the proposal removes the longstanding 10% Common Equity Tier 1 deduction threshold for mortgage servicing assets, otherwise called mortgage servicing rights, however it still retains a 250% risk weight. This remains the binding capital constraint for large banks, and recalibrating the MSR risk weight to 100% would preserve capital discipline while better aligning regulatory capital with empirical

⁷ PMI Companies' 1Q2026 earnings releases, financial supplements, and 10-Q filings.

⁸ CohnReznick, Affordable Housing Credit Study: A Comprehensive LIHTC Property Performance Report, November 2025

evidence and supervisory experience.⁹ That treatment is not aligned with the current risk profile of MSRs or the way MSR risk is managed by supervised institutions.

The 250% risk weight was developed in the aftermath of the financial crisis, when regulators faced significant uncertainty. Since then, MSR systems and practices have matured significantly. Recalibrating the MSR risk weight to 100% would preserve capital discipline while better aligning capital with observed risk. It would also support a more stable mortgage servicing system by encouraging servicing activity to remain within institutions subject to prudential supervision, stress testing, governance, and capital requirements.

Warehouse Lines of Credit

The agencies should recalibrate the capital treatment of warehouse lines of credit to better reflect the short-term, collateralized nature of these exposures and their role in maintaining mortgage market liquidity. Warehouse lending is a critical source of financing for mortgage originators, including independent mortgage banks that originate a majority of single-family mortgages. When capital requirements for these facilities are not aligned with the underlying risk, warehouse lenders may be less able to provide sufficient liquidity during periods of elevated demand, which can increase costs and reduce the reliability of mortgage credit availability.¹⁰

NHC recommends that residential mortgage loans held on warehouse lines receive capital treatment aligned with the risk weight of the underlying mortgage collateral, rather than a flat 100% risk weight. At minimum, the risk weight should not exceed 50%. Warehouse exposures are generally short duration, secured by mortgage loans, and structured to allow lenders to take possession of the collateral if necessary. A more risk-sensitive approach would preserve appropriate capital discipline while supporting the liquidity needed for a stable and competitive mortgage market.

GSE Multifamily Mortgage Exposure Clarity

NHC recommends that the agencies adopt more consistent and appropriate capital treatment for government-sponsored Enterprises (GSE) multifamily mortgage exposures and financial obligations arising from contractual arrangements with Fannie Mae and Freddie Mac or guaranteed by the Federal Housing Administration. The GSE multifamily platform plays an important role in providing liquidity to rental housing

⁹ Jim Parrott, Laurie Goodman, and Mark Zandi, *How the Basel Re-Proposal Will Impact the Mortgage Market* (Moody's Analytics and the Urban Institute, June 2026),

https://www.howhousingmatters.org/sites/default/files/2026-06/How_the_Basel_Re-Proposal_Will_Impact_the_Mortgage_Market.pdf

¹⁰ Bob Broeksmit, *Beneficial Basel III Re-Proposal Recommendations for Real Estate Finance*, statement on behalf of the Mortgage Bankers Association before the U.S. House Committee on Financial Services, April 28, 2026, <https://www.mba.org/docs/default-source/advertising/mba-bob-broeksmit-hfsc-bank-capital-written-final.pdf>.

markets, including affordable and workforce housing. Consistent treatment of GSE-related obligations would encourage greater bank participation in multifamily mortgage programs and support broader efforts to expand housing supply.

This recommendation is consistent with NHC's broader view that capital standards should support stable, liquid, and well-supervised housing finance markets. The final rule should avoid discouraging regulated banks from participating in multifamily lending and risk-sharing structures that support supply and benefit from established oversight, underwriting, and market discipline.

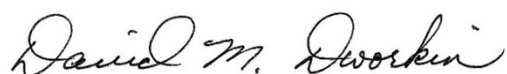
Conclusion

NHC supports strong capital standards that protect the banking system and promote long-term financial stability. At the same time, capital rules should be calibrated to observed risk and should not unintentionally reduce housing supply, restrict responsible homeownership access, or push housing finance activity away from well-supervised institutions.

The final rule should better recognize the strong performance and public purpose of LIHTC investments, the risk-mitigating value of private mortgage insurance, the modern risk profile of mortgage servicing rights, and the importance of stable bank participation in multifamily and single-family housing finance. These targeted changes would advance safety and soundness while supporting practical, bipartisan solutions to the nation's housing affordability challenges.

Thank you for your consideration. NHC welcomes the opportunity to discuss these recommendations further.

Sincerely,



David M. Dworkin
President and CEO