



June 17, 2026

**CHLA Comment Letter
Regulatory Capital Rule
Office of the Comptroller of the Currency
12 CFR Part 3. [Docket ID OCC-2026-0034]
RIN 1557-AF49
Joint Rulemaking with Federal Reserve System and FDIC**

The Community Home Lenders of America (CHLA) writes to submit comments on changes to bank capital standards and risk weights for mortgage-related assets, as part of this proposed rulemaking.

The proposed rule would reduce bank risk weights for whole residential mortgage loans and mortgage servicing rights (MSRs). However, it does not take action to reduce the excessive risk weights for warehouse loans to mortgage lenders.

CHLA members are exclusively non-bank mortgage lender/servicers (independent mortgage banks or IMBs). Despite the fact that the lower risk weights for whole loans and MSRs are designed to strengthen banks' ability to compete with IMBs in these areas, CHLA does not oppose the lower risk weights for bank whole loans and actually supports the lower risk weights for bank MSRs.

Currently banks have a risk weighting of 100% on warehouse loans to mortgage lenders. While the rule reduces bank capital standards and risk weighting in a number of areas, it does not reduce risk weights for warehouse loans. CHLA requests that this risk weighting for warehouse loans be reduced to 50%.

Finally, CHLA re-iterates its longstanding call for federal regulators to do advance planning to create a standby liquidity facility for non-bank (IMB) issuers of Ginnie Mae securities.

As CHLA documented in our latest annual **IMB Report**, non-banks (IMBs) now originate 84% of all mortgage loans, up dramatically from around 30% in 2013. The bank retreat from federal agency mortgage loans is even more dramatic. The bank share of FHA loans has fallen from 43% in 2010 to 10% today, the bank share of Ginnie Mae issuance has fallen from 88% in 2010 to 12% today, and the bank share of Fannie/Freddie loans has fallen from 70% in 2013 to 25% today.

Therefore, we understand why banking regulators might be alarmed by the banks' broad retreat from mortgage lending and servicing, and why they would propose changes to capital rules with the goal of incentivizing banks to increase their participation in the mortgage market. Again, we do not oppose this.

At the same time, CHLA is skeptical that these risk weight reductions will have any significant impact in bringing banks back into the business of originating mortgage loans to be held in portfolio or to originate FHA and other federal agency loans. We believe there are many other business and financial factors that play a more significant role in the banks' broad retreat from the mortgage business over the last 15 years.

Therefore, we would not be surprised if these risk weight reductions do not have much of an impact. We would note that for years FHA treble damages were cited as the main reason that banks abandoned origination of FHA loans. However, that retreat has only continued since treble damages disappeared.

RISK WEIGHTING OF WHOLE LOAN RESIDENTIAL MORTGAGES

The proposed rule would reduce the risk weighing of whole loan residential mortgages not dependent on the real estate's cash flow - to levels ranging from 25% for loans up to 50% loan to value (LTV) up to 55% for loans between 90% and 100% LTV.

CHLA does not have access to data which would allow us to judge whether these ratios are appropriate. However, CHLA presumes that the regulators have the data and expertise to set risk weight ratios at appropriate levels. Therefore, CHLA does not oppose these changes on policy grounds.

MORTGAGE SERVICING RIGHTS (MSRs)

Currently, banks must deduct from common equity tier 1 capital the amounts of MSRs [referred to as MSAs in the rule) that exceed 25 percent of the banking organization's common equity tier 1 capital. The rule would eliminate this requirement. Instead, MSAs would just be subject to a 250 percent risk weight, consistent with current treatment for MSAs that do not exceed the deduction threshold.

CHLA supports this change. As with the whole loan changes described above, we presume bank regulators have the data and expertise to set appropriate levels.

CHLA supports this change, while acknowledging that it could create more competition for IMB mortgage loan aggregators, a role increasingly dominated by non-banks (IMBs) over the last decade.

We support this provision because we believe it could have a real and positive impact in incentivizing banks to act as aggregators to purchase more government agency loans from (smaller) correspondent lenders, in turn securitizing the loans and retaining servicing rights.

Current market trends make it increasingly difficult for smaller lenders, particularly those that sell loans to aggregators, to compete. Therefore, a more robust market for selling these loans would be welcome.

WAREHOUSE LOANS

Currently banks have a risk weighting of 100% on warehouse loans to mortgage lenders. While the rule reduces bank capital standards and risk weighting in a number of areas, it does not change the risk weight for warehouse loans. CHLA requests that this risk weight be reduced to 50%.

Such a reduction is justified by the lower risks of these loans – specifically: (1) the short duration of warehouse credit exposures and (2) the banks' ability to take possession of the underlying collateral if needed. It is not justifiable to have a much higher risk weighting for warehouse loans than the risk weights for the mortgages collateralizing the warehouse line.

STANDBY LIQUIDITY FACILITY FOR IMB SERVICING ADVANCES/LOAN BUYOUTS

Though not addressed in the proposed rule, there are actions that could be taken to further IMB origination and servicing of FHA, VA, and RHS loans, to increase consumer access to mortgage credit.

Specifically, CHLA would ask that Ginnie Mae and the Federal Reserve work together to create a standby liquidity facility for solvent issuer/servicers experiencing high levels of mortgage servicing advances and loan buyouts. The program could be modeled after the 2020 PTAP program, with the Federal Reserve creating a Term Asset-Backed Securities Loan Facility (TALF), safely collateralized for this purpose.

Ginnie Mae has consistently emphasized that its primary concern about issuers is not direct risk exposure, since Ginnie MBS are generally backed by federally insured mortgage loans, such as FHA loans. Instead, Ginnie Mae's primary concern, which drives issuer net worth and liquidity requirements and supervision, is the timely payment of advances on Ginnie Mae MBS when borrowers fail to make payments and the potential need for Ginnie Mae to intervene to assure such timely payment.

It is critical to keep in mind that IMB Ginnie Mae issuers are essentially acting as a banker to borrowers that miss mortgage payments, by making required advances on Ginnie Mae securities.

Banks have access to a number of different government-backed funding sources (including FDIC insurance, FHLB advances, and the Federal Reserve discount window) to carry out this function. However, IMBs have no such source of funds to carry out their responsibility to act as a banker for borrowers that miss payments. Moreover, smaller IMBs tend to have fewer financing options than large IMBs or publicly traded IMBs.

CHLA is not asking Ginnie Mae to create a standby liquidity source to keep insolvent IMBs afloat.

However, Ginnie Mae's mission would be enhanced by expanding the 2020 PTAP program and signaling that in times of stress IMBs that are otherwise solvent but are experiencing difficulties meeting heightened advance and loan buyout responsibilities will be eligible for fund advances for that purpose.

We understand there are questions about Ginnie Mae's legal authority to fund such advances. However, the Federal Reserve has the authority – arguably even a responsibility – to responsibly create a liquidity facility – i.e., a TALF – for this purpose. The Federal Reserve could work with Ginnie Mae on legal issues necessary to create appropriate collateralizing (the servicing advances and loan buyouts), so that the TALF is carried out on a financially prudent basis.

Ginnie Mae could establish standards for eligibility for such advances. Ginnie Mae could limit eligibility to otherwise solvent IMBs that are stressed by increased advance and buyout responsibilities. Ginnie Mae could further limit this to periods of rapidly increasing FHA, RHS, or VA loan payment defaults – or when, as occurred in 2020, Congress mandates a borrower forbearance option.

Finally, Ginnie Mae and the Federal Reserve should signal that it intends to activate this standby liquidity facility when and to the degree that is appropriate.

This approach is a win/win/win: (1) IMBs would enjoy enhanced protection regarding liquidity concerns related to advances and loan buyout responsibilities, (2) Ginnie Mae would reduce their financial risk, by avoiding having to take over otherwise solvent issuers stressed by such demands, and (3) consumers would enjoy more robust loan origination competition during these times of stress.

Thank you for your consideration of these comments.

Sincerely,

COMMUNITY HOME LENDERS OF AMERICA