NATIONAL ASSOCIATION OF REALTORS®

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June 18, 2026

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Washington, DC 20024

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Federal Deposit Insurance Corporation
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Comptroller of the Currency
Office of the Comptroller of the Currency
400 7th St., SW
Washington, DC 20219

Honorable Vice Chair Bowman, Chairman Hill, and Comptroller Gould:

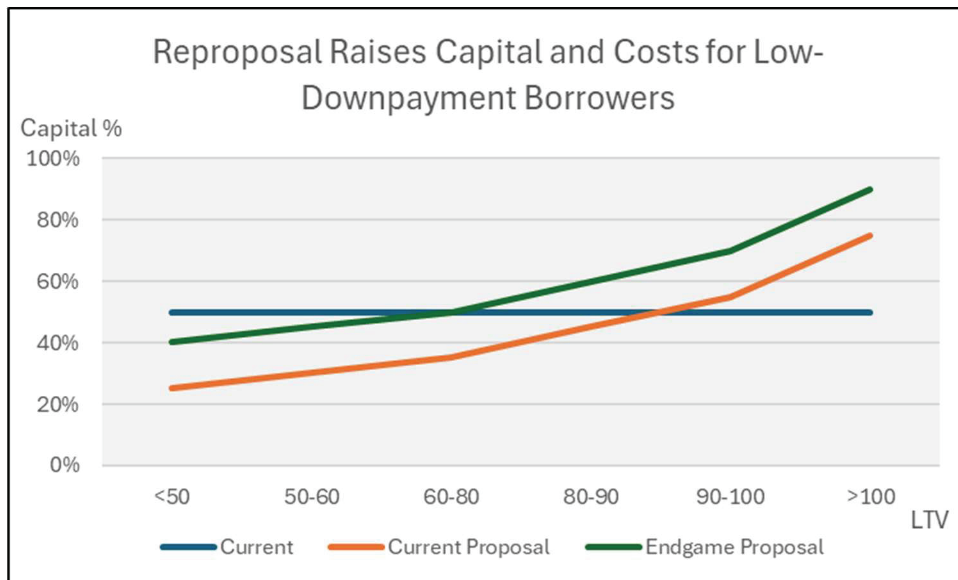
On behalf of the members of the National Association of REALTORS® (NAR), I submit this letter in response to the notice of proposed rulemaking (proposed rule) from the Federal Reserve System (FED), the Federal Deposit Insurance Corporation (FDIC) and the Comptroller of the Currency (OCC), *Regulatory Capital Rules: Regulatory Capital and Standardized Approach for Risk-Weighted Assets (OCC-RIN 1557-AF49, FED-RIN 7100-AH21, and FDIC-RIN 3064-AG23)*. The National Association of REALTORS® is America's largest trade association, including NAR's five commercial real estate institutes and its societies and councils. REALTORS® are involved in all aspects of the residential and commercial real estate industries and belong to one or more of some 1,200 local associations or boards, and 54 state and territory associations of REALTORS.® REALTORS® consist of agents, brokers, builders, lenders, appraisers, and a host of trades all involved in the real estate business.

NAR appreciates the efforts of FED, FDIC, and OCC to repropose the final changes to the Basel III framework. The re-proposal makes meaningful changes to the prior proposal that will improve banks' ability to participate in mortgage finance, thereby improving resilience in the housing ecosystem and broader economy. We applaud the alignment of capital charges on mortgages to risk as reflected by loan-to-value ratios. Likewise, we are encouraged by the improved treatment of mortgage servicing rights, warehouse lines of credit, and securitizations. However, REALTORS® believe there is further room to better align capital charges on mortgage-related investments with risk. Similarly, banks should be able to benefit from proven risk-absorbing alternatives. These changes would allow banks to play a more robust role in their communities and support homebuyers earlier in their homeowning experience. Furthermore, broader participation by banks will advance resilience in the housing finance system.

Mortgages – Aligning Capital and Risk

The changes to risk-weighting for mortgages are meaningful. Historically, bank portfolio loans have filled the void for consumers who don't fit into traditional credit box. This is particularly true for borrowers who do not meet the GSE, FHA, or VA credit guides. This proposal better aligns the capital charge with risk as imputed from the loan to value ratio (LTV). While the charges are a significant increase for some borrowers from the current, across-the-board 50% charge, as depicted below, the proposed risk weights are an improvement from the "endgame" proposal under the last administration.

Questions 6 requests comment on the proposed definition of a residential mortgage exposure. The definition includes a static limit on a first or second lien with, "an original and outstanding amount of $1 million or less". REALTORS® believe that this figure should be adjusted annually with an estimate of home price appreciation like the adjustment to the conforming loan limits made by the Federal Housing Finance Agency. If not, the banking community will slowly shrink from the housing market.

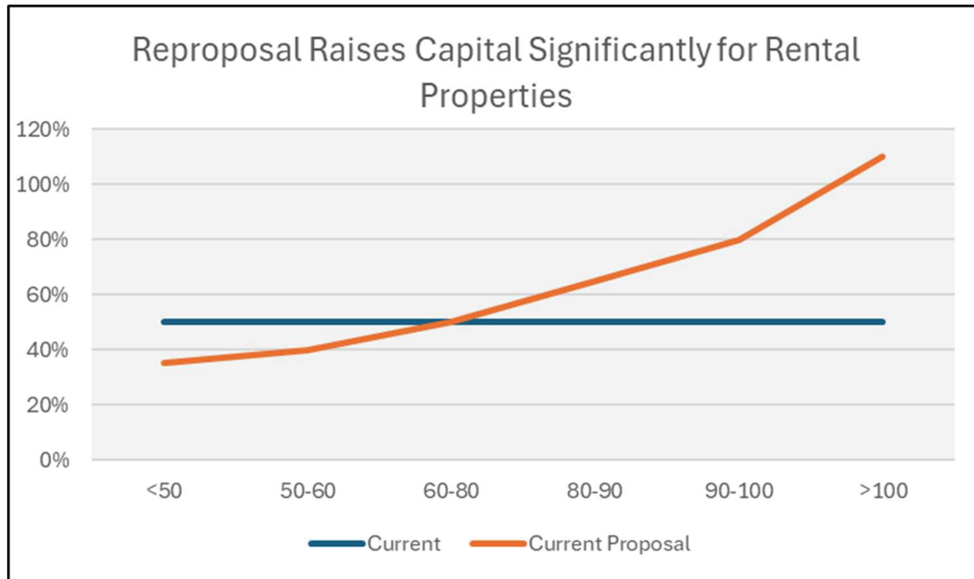


Question 7 requests comment on the appropriateness of the expanded use of loan-to-value in the proposal. While loan-to-value is correlated with credit quality, it is a better estimate of the reduction of loss-severity than default.

A larger issue is the proposal's potential effect on the provision of mortgage credit across the entire housing ecosystem. The reduced risk weights for lower LTV loans may result in reduced costs for banks. Banks may use this extra revenue to pad revenues, or they may pass it onto borrowers giving banks a competitive pricing advantage relative to private label securitizations, the GSEs and agencies. To the extent that the GSEs or agencies rely on lower-risk mortgages to support their charter duties or sustainability, this change could result in a reduction in credit for first-time and underserved borrowers, who are not traditionally served by a bank. Worse, the increased risk weight on higher LTV borrowers prevents these borrowers from shifting to bank execution, exacerbating the issue.

For borrowers with less than a 10% downpayment, the risk weight will *increase* to 55% despite a reduction in the risk weight for borrowers making a downpayment of 11% or more. High-LTV mortgages are most important to LMI borrowers. The Urban Institute notes that 28 percent of high-LTV borrowers were LMI borrowers, accounting for 67,000 bank loans each year. Additionally, 23 percent of high-LTV borrowers are considered middle-income, receiving 55,000 loans. Many of these loans are encouraged due to the Community Reinvestment Act (CRA), further helping communities that banks serve, and the research shows that more than 21,000 loans per year were made to Black borrowers and a further 31,000 to Hispanic borrowers.[1]

[1] *Id.*



However, the proposal would dramatically raise risk weights on rental properties. Under the proposal, residential properties dependent on cash flow will face much higher risk weights if the borrower makes a downpayment of 20% or less. Most single-family and condo rentals are owned by mom-and-pop investors. Raising the risk weight on higher LTV mortgages to landlords will raise costs for renters and potentially reduce the supply of rental units available, exacerbating the current affordability crunch in contrast to the President's executive order on housing affordability.

Furthermore, question 8 requests comment on the use of private mortgage insurance (PMI). The proposal fails to provide credit for the existence of PMI. In the wake of the great financial crisis, the GSEs made extensive reforms to shore up the capital requirements and business practices of their PMI counterparties, all under the backdrop of increased data transparency and significantly better risk disclosure due to the Ability to Repay Rule. The reformed PMI product, as governed by Private Mortgage Insurers Eligibility Requirements (PMIERs), acts as an efficient insulation against losses. Without the acknowledgement of the role of PMI and its potential to avoid losses, banks are further incentivized to avoid providing high-LTV loans, often to the market segments that need it most. Likewise, credit risk transfer in both its reinsurance and structured forms have played a key role in supporting the GSEs' ability to reduce their risk, while supporting homeownership. These programs are widely touted as a success and supported by Congress. It should be noted though that banks are likely to price in profitable, high credit and low LTV borrowers if they can use PMI, which will not offset the loss of support for the GSEs and Agencies due to the reduced risk weigh on low-LTV borrowers discussed above.

REALTORS® believe the proposed changes run astray from the goal of President Trump's executive order on affordability. The significant reduction in risk weights for borrowers making deposits of 11% or more will simply allow banks to make loans they likely already originate, but at a lower cost of production. A reduced risk weight for borrowers with downpayment of 10% or less would allow banks to participate profitably in this segment of the housing market, expand access to credit, potentially lower costs, and restore banking to this segment of the market. However, boosting affordability for high quality borrowers to shift to portfolio execution may have negative consequences for first-time and underserved borrowers.

Mortgage Servicing Rights
Mortgage servicing assets (MSAs) are important to our functioning housing finance system. The timely distribution of payments to investors, insurers and tax agencies reduces risk for those counterparties and to the borrower. However, independent mortgage banks (IMBs) have played an increased role.[2] The new proposal takes important steps to incentivize banks to reenter the MSA market but could do better.

In response to question 1, REALTORS® thank the banking regulators for their proposal to eliminate the required deduction from common equity tier 1 capital amounts of MSAs that exceed 25 percent of the banking organization's common equity tier 1 capital. Furthermore, NAR encourages the banking regulators to explore whether a 250% risk weight will disincentivize banks from reentering this space.

Warehouse Lines for Mortgage Banks
Depository banks historically played a large role in housing finance but pulled back in the wake of the great financial crisis. Today, mortgage banks originate the majority of mortgages. Ideally, a more balanced distribution of originators would ameliorate operational risk through diversification of business models. However, mortgage banks rely on depositories for funding through warehouse lines of credit, a form of a commitment. Actions that affect those lines could have an outsized effect on mortgage banks' ability to support the market, creating the same diversification problem but with dependence on banks, if this funding is cut off.

When banks extend warehouse lines or commitments, the agreements may have embedded rules that allow the bank to cancel the line, a means of protecting the bank. Thus, the undrawn portion of the line creates risk because it is an obligation to take on more risk. Currently, if the unused portion of a commitment that is less than a year old it receives a conversion factor of 20%, meaning 20% of the undrawn line is assumed to eventually be drawn, while those greater than a year have a 50% factor. The proposed rule would eliminate the seasoning distinction and impose a flat 40%.

In response to question 18, REALTORS® recognize the importance of restoring depositories' role in the housing finance system. However, regulatory costs and risks were and remain a factor that drove banks from housing finance after the great financial crisis, not just bank capital. Imposing limits on mortgage banks' ability to participate without solving all the issues driving banks from housing finance could result in fewer providers and less access for consumers. REALTORS® share the bank regulators' interest in diversification of producers but emphasize that changes to the system should do no harm to existing participants that would undermine the steady flow of affordable mortgage capital to homebuyers.

Securitization
Banks often hold senior portions of their own securitization as well as MBS backed by the GSEs or GNMA. Under the proposed rule, the minimum risk weight for senior securitization positions would be reduced under the standardized approach from 20% percent to 15%. REALTORS® appreciate the recognition of high-quality securitizations. However, this change would provide a lower risk weight for banks' securitizations than for GSE MBS, which carry a 20% risk weight and benefit from an implicit government guarantee, an explicit GSE guarantee with a significant capital backstop, and a line of credit with the US Treasury protecting the bank owning it. In response to question 39, REALTORS® believe the risk weights for senior securitization positions and GSEs MBS should be aligned or the risk

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[2] "Remarks by FDIC Chairman Martin J. Gruenberg at the Exchequer Club on the Financial Stability Risks of Nonbank Financial Institutions." September 20, 2023. https://www.fdic.gov/news/speeches/2023/spsept2023.html

weight on GSE MBS should be lowered to reflect the more robust capital structure backing the GSE MBS. Doing so would expand demand for GSE MBS, easing rates and benefiting affordability.

Conclusion

Thank you for your time and contributions to this important topic. NAR appreciates the opportunity to comment on the *Regulatory Capital and Standardized Approach for Risk Weights* and looks forward to working with the Fed, FDIC, and OCC to reshape the capital rules to reengage banks in housing, while preserving safe and sound practices. Please feel free to reach out Ken Fears (KFears@Nar.Realtor), Director of Conventional Financing and Valuation Policy if you have any questions.

Sincerely,

Kevin Brown
Kevin Brown
2026 President, National Association of REALTORS®