MBA®

MORTGAGE BANKERS ASSOCIATION

December 22, 2021

Sandra L. Thompson
Acting Director
Federal Housing Finance Agency
400 7th Street, SW
Washington, DC 20219

RE: Enterprise Regulatory Capital Framework – Public Disclosures for the Standardized Approach

Dear Acting Director Thompson:

The Mortgage Bankers Association (MBA)[1] respectfully submits these comments to the Federal Housing Finance Agency (FHFA) on its notice of proposed rulemaking (NPR)[2] introducing additional public disclosure requirements in the regulatory capital framework applicable to Fannie Mae and Freddie Mac (the Enterprises).

MBA appreciates FHFA's efforts to improve market discipline and encourage sound risk-management practices by enhancing disclosure requirements for the Enterprises. An expansion of the disclosure requirements in the existing capital framework would align with MBA's views on the importance of transparency with respect to Enterprise data and operations. MBA has consistently advocated for improved public access to valuable data maintained by the Enterprises, and has encouraged FHFA to build on existing regulations to further enhance the availability and accessibility of such information. While much of MBA's focus in this regard has been on loan-level data, the disclosures required by the NPR represent a step in the right direction. As such, we encourage FHFA to finalize the rule as proposed.

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[1] The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 330,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets, to expand homeownership, and to extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of more than 1,900 companies includes all elements of real estate finance: independent mortgage banks, mortgage brokers, commercial banks, thrifts, REITs, Wall Street conduits, life insurance companies, credit unions, and others in the mortgage lending field. For additional information, visit MBA's website: www.mba.org.

[2] Federal Housing Finance Agency, "Enterprise Regulatory Capital Framework – Public Disclosures for the Standardized Approach," 86 Fed. Reg. 60589, November 3, 2021. Available at: https://www.federalregister.gov/documents/2021/11/03/2021-23780/enterprise-regulatory-capital-framework-public-disclosures-for-the-standardized-approach.

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In the proposed rule, FHFA outlines a standardized approach to public disclosure requirements that largely aligns with the requirements in place for large banking organizations. This approach blends elements from the U.S. banking framework's standardized and advanced approaches and would facilitate more useful comparisons between the Enterprises and large, domestic banking organizations.

Under this approach, the proposed rule would require additional Enterprise disclosures related to risk management, corporate governance, and regulatory capital, including risk-weighted assets, statutory capital requirements, supplemental capital requirements, and capital buffers. This information would be publicly available through a method and location determined by the Enterprises.

MBA supports a key premise of the rulemaking – namely, that allowing all market participants to evaluate these important details about the Enterprises' risk profiles and capital levels should promote market discipline (particularly from investors in Enterprise equity and debt upon their exit from conservatorship) and thereby bolster the safety and soundness of the Enterprises.

While these expanded disclosures should provide a multitude of benefits, they also will come at an increased cost to the Enterprises. In the proposal, FHFA acknowledges the need to appropriately balance this additional financial burden with overall market benefits. To reduce the burden side of that equation, FHFA appropriately indicates that the Enterprises may be able to fulfill certain of these disclosure requirements using existing regulatory reports or through similar disclosures required by other agencies, including relevant accounting standards or Securities and Exchange Commission mandates. We appreciate this effort to reduce the burden of implementing the proposed rule and urge FHFA and the Enterprises to provide these expanded disclosures in the most efficient and cost-effective manner possible.

The frequency of disclosures under the proposed rule appears to be appropriate, with quantitative disclosures required quarterly and qualitative disclosures providing general summaries and definitions required annually. These time frames are consistent with the disclosure requirements for most large financial institutions. The proposal also would require interim disclosures for any significant changes that impact recently reported data related to the Enterprises' capital adequacy and risk profiles. The proposal requires that these disclosures be timely, but notably FHFA again seeks to maximize efficiency by allowing flexibility for disclosures that do not align with those required under other federal laws or regulations.

MBA is pleased to see that the proposed rule would create a forward-looking framework for disclosures that is well defined yet adaptable. The proposal would require the Enterprises to establish a formal disclosure policy that would outline the method for determining which disclosures are necessary, require regular review of disclosures and associated controls and procedures by Enterprise management, and ensure that the disclosures meet the requirements of the proposed rule.

The proposed rule also introduces a materiality concept, which provides an avenue to ensure the Enterprises disclose information that is not specifically required by FHFA in the rulemaking, but that could impact an investment decision if omitted. MBA appreciates FHFA's efforts to encourage Enterprise management to take an active role in improving and enhancing public disclosures, as this should promote accuracy and relevance.

Finally, the proposal addresses proprietary and confidential information, which is an important issue that must be considered in any disclosure requirements imposed on financial institutions. MBA believes that the proposed disclosure requirements appear to strike an appropriate balance between the need for meaningful disclosures and the need to protect proprietary and confidential information. FHFA addresses this issue clearly in the proposed rule and provides a roadmap for the Enterprises to follow should they encounter proprietary or confidential information in the disclosure process. Proactively outlining these guidelines should limit any unintentional adverse effects that stem from the additional disclosures required by the proposal.

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MBA supports an expansion of disclosure requirements within the Enterprises' regulatory capital framework. The proposed changes brought about by this rule, if finalized as proposed, should encourage sound risk-management practices and strengthen financial stability – both during the conservatorships and, more importantly, after they have concluded. We thank FHFA for the opportunity to comment and for its continued efforts to ensure an appropriate regulatory capital framework for the Enterprises.

Should you have questions or wish to discuss these comments, please contact Sasha Hewlett, Director of Secondary and Capital Markets, at (202) 557-2805 and shewlett@mba.org.

Sincerely,

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