

## [H.R. 1408, Mortgage Servicing Asset Capital Requirements Act of 2015, as amended](#)

### FLOOR SITUATION

On Tuesday, July 14, 2015, the House will consider [H.R. 1408](#), *the Mortgage Servicing Asset Capital Requirements Act of 2015*, as amended, under suspension of the rules. H.R. 1408 was introduced on March 17, 2015, by Rep. Ed Perlmutter (D-CO) and was referred to the Committee on Financial Services, which ordered the bill reported by a vote of 49 to 9 on March 26, 2015.

### SUMMARY

H.R. 1408 requires the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), and the National Credit Union Administration (NCUA) to jointly conduct a study, in consultation with State regulators of banking institutions, to determine the appropriate capital requirements for mortgage servicing assets for banking institutions. These Federal banking agencies must report the results of the joint study to Congress within six months following enactment of the bill.

### BACKGROUND

On July 2, 2013, the Federal Reserve Board, the OCC and the FDIC finalized rules that establish a new comprehensive capital framework for U.S. banking organizations that would implement the Basel III capital framework as well as certain provisions of the Dodd-Frank Act.<sup>1</sup>

The Final Rules limit a banks' ability to hold mortgage servicing rights (MSRs) to 10 percent of Tier 1 common equity, with additional holdings deducted from the Tier 1 capital account. Assets under the 10 percent threshold will be risk-weighted at 250 percent beginning in 2018. In addition, combined holdings of mortgage servicing and several other assets are limited to 15 percent.

On January 15, 2015, the NCUA released for comment the second version of its Risk-Based Capital (RBC) Proposal for credit unions that would update existing risk-based capital regulations first

<sup>1</sup> See Federal Reserve [Press Release](#), July 2, 2013.

adopted in 2001. Under the second proposal, a well-capitalized credit union would need to maintain a 10 percent risk-based capital level (down from 10.5 percent in the first proposal) and an adequately capitalized credit union would need to have 8 percent RBC, in addition to meeting their net worth requirements. The proposed rule also sets the risk-weight at 250 percent for mortgage servicing assets.<sup>2</sup>

H.R. 1408 requires the aforementioned Federal banking regulators to study the appropriate capital treatment of mortgage servicing assets for non-systemic banking institutions and to report to Congress the results of the study, as well as any specific analysis undertaken by the regulators prior to finalizing the Basel III and NCUA capital requirements and any recommendations for legislative or regulatory action to address concerns about the value of, and ability of banking institutions to sell and hold, mortgage servicing assets.

According to the Committee, in a compromise, this bill was amended to be substantively similar to Section 116 of [S. 1484](#), the Financial Regulatory Improvement Act of 2015.

### **COST**

The Congressional Budget Office (CBO) [estimates](#) that enacting H.R. 1408 would affect direct spending and revenues; therefore, pay-as-you-go procedures apply. However, CBO estimates that the net effect on the Federal budget over the next 10 years would not be significant.

### **STAFF CONTACT**

For questions or further information please contact [John Huston](#) with the House Republican Policy Committee by email or at 6-5539.

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<sup>2</sup> See press release, [“Board Approves Annual Performance Plan and Revised Stress Testing Schedule,”](#) January 15, 2015.