MORTGAGE BANKERS ASSOCIATION

December 17, 2020

The Honorable Jay Clayton
Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

MBA Request for Extension of Time to Respond to File No. SR-FICC-2020-017

Dear Chairman Clayton:

The Mortgage Bankers Association (MBA)[1] writes in response to the Fixed Income Clearing Corporation's (FICC) proposed rule change to amend the FICC Mortgage-Backed Securities Division (MBSD) Clearing Rules to incorporate a Minimum Margin Amount, which was recently filed with the Securities and Exchange Commission (SEC).[2] MBA is the national association representing all elements of the real estate finance industry, including lenders, servicers, investors, technology providers, and other participants in the single-family, multifamily, and commercial mortgage markets. The proposed rule change has the potential to greatly impact many of our members and in turn have a lasting effect on the housing finance system. For this reason, we respectfully request a 30-day extension of the period for public comment on this proposal.

Many mortgage lenders hedge their pipelines of new originations by taking short positions in the To-Be-Announced (TBA) agency MBS market. Under this approach, lenders can more effectively manage changes in interest rates in the period between the interest rate locks on these loans and the eventual sale of these loans. Lenders'

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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 280,000 people in virtually every community in the country. Headquartered in Washington, DC, 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 over 2,100 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, credit unions, thrifts, REITs, Wall Street conduits, life insurance companies, and others in the mortgage lending field. For additional information, visit MBA's website: www.mba.org.

[2] SEC, "Self-Regulatory Organizations; Fixed Income Clearing Corporation; Notice of Filing of Proposed Rule Change To Modify the Calculation of the MBSD VaR Floor To Incorporate a Minimum Margin Amount," December 10, 2020. 85 Fed. Reg. 79541. Available at: https://www.federalregister.gov/documents/2020/12/10/2020-27087/self-regulatory-organizations-fixed-income-clearing-corporation-notice-of-filing-of-proposed-rule.

TBA hedge positions increase in value when interest rates rise and their loan pipelines decrease in value and, in corresponding fashion, their TBA hedge positions decrease in value when interest rates fall and their loan pipelines increase in value.

The proposed rule change aims to modify the calculation of the Value-at-Risk (VaR) floor through the introduction of a new Minimum Margin Amount charge. The proposed changes to this VaR floor calculation may affect the terms and pricing of trading with broker-dealer counterparties and hence could impact lenders implementing this hedging strategy. Further analysis and review are needed to fully understand the financial and systemic impacts these changes would have on our members and the housing market more broadly. Such analysis and review is particularly important given the unprecedented magnitude of margin calls that many mortgage lenders faced in March 2020 – a period of massive government intervention and significant price volatility in the secondary mortgage market.

Because the proposed amendments to the MBSD Clearing Rules may have substantial, long-term effects on many market participants, MBA believes that the 21-day response period does not allow adequate time to properly analyze and provide thorough commentary on the potential impacts. MBA also recognizes that the SEC will require adequate time to review all public feedback submitted. As such, the SEC could extend the 45-day period for action on the proposed rule change to up to 90 days after publication of the notice of the filing in the Federal Register. Under this approach, a 30-day extension of the period for public comments would not shorten the period in which the SEC must evaluate these public comments and take action with respect to the proposed rule change.

MBA appreciates the opportunity to provide comments on the proposed rule change and thanks the SEC for considering our request to extend the comment period. Should you have any questions or wish to discuss further, please contact Sasha Hewlett at [redacted] and [redacted].

Sincerely,

Pete Mills
Senior Vice President
Residential Policy and Member Engagement
Mortgage Bankers Association