

DEPARTMENT OF THE TREASURY**Office of the Comptroller of the Currency****12 CFR Parts 3 and 6**

[Docket No. 95-18]

RIN 1557-AB14

FEDERAL RESERVE SYSTEM**12 CFR Parts 208 and 225**

[Docket No. R-0887]

FEDERAL DEPOSIT INSURANCE CORPORATION**12 CFR Part 325**

RIN 3064-AB61

DEPARTMENT OF THE TREASURY**Office of Thrift Supervision****12 CFR Parts 565 and 567**

[Docket No. 95-140]

RIN 1550-AA84

Capital; Risk-Based Capital Guidelines; Capital Adequacy Guidelines; Capital Maintenance

AGENCIES: Office of the Comptroller of the Currency (OCC), Department of the Treasury; Board of Governors of the Federal Reserve System (FRB); Federal Deposit Insurance Corporation (FDIC); Office of Thrift Supervision (OTS), Department of the Treasury.

ACTION: Joint interim rule with request for comments.

SUMMARY: The OCC, FRB, FDIC, and OTS (the Agencies) are amending their capital adequacy standards for banks, bank holding companies, and savings associations (banking organizations) to treat originated mortgage servicing rights (OMSRs) the same as purchased mortgage servicing rights (PMSRs) for regulatory capital purposes. The interim capital rule was developed in response to the Financial Accounting Standards Board's issuance of Statement No. 122, "Accounting for Mortgage Servicing Rights," which eliminates the accounting distinction between OMSRs and PMSRs by requiring OMSRs to be capitalized as balance sheet assets, a treatment previously required only for PMSRs. Under the interim rule, both OMSRs and PMSRs are "included in" (i.e., not deducted from) regulatory capital when determining Tier 1 (core) capital for purposes of the Agencies' risk-based and leverage capital standards, and when calculating

tangible equity for purposes of prompt corrective action, subject to the regulatory capital limitations that previously applied only to PMSRs. Thus, the effect of the interim rule is to permit OMSRs in regulatory capital, subject to certain limitations.

DATES: The interim rule is effective August 1, 1995. Comments must be received by October 2, 1995.

ADDRESSES: Commenters should respond to their primary federal regulator. All comments will be shared among all of the Agencies.

OCC: Written comments should be submitted to Docket No. 95-18, Communications Division, Ninth Floor, Office of the Comptroller of the Currency, 250 E Street SW., Washington, DC 20219, Attention: Karen Carter. Comments will be available for inspection and photocopying at that address.

FRB: Comments should refer to Docket No. R-0887, and may be mailed to William W. Wiles, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue NW., Washington, DC 20551. Comments also may be delivered to Room B-2222 of the Eccles Building between 8:45 a.m. and 5:15 p.m. weekdays, or to the guard station in the Eccles Building courtyard on 20th Street NW. (between Constitution Avenue and C Street) at any time. Comments received will be available for inspection in Room MP-500 of the Martin Building between 9:00 a.m. and 5:00 p.m. weekdays, except as provided in 12 CFR 261.8 of the Board's rules regarding availability of information.

FDIC: Written comments shall be addressed to Office of the Executive Secretary, Federal Deposit Insurance Corporation, 550 17th Street NW., Washington, DC 20429. Comments may be hand delivered to Room F-402, 1776 F Street NW., Washington, DC 20429, on business days between 8:30 a.m. and 5:00 p.m. (Fax number: (202) 898-3838; Internet address: comments@fdic.gov) Comments will be available for inspection at the FDIC's Reading Room, Room 7118, 550 17th Street NW., Washington, DC, between 9:00 a.m. and 4:30 p.m. on business days.

OTS: Send comments to Chief, Dissemination Branch, Records Management and Information Policy, Office of Thrift Supervision, 1700 G Street, N.W., Washington, D.C. 20552, Attention Docket No. 95-140. These submissions may be hand-delivered to 1700 G Street, N.W. between 9 a.m. and 5 p.m. on business days; they may be sent by facsimile transmission to FAX Number (202) 906-7755. Comments will

be available for inspection at 1700 G Street, N.W., from 1:00 p.m. until 4:00 p.m. on business days.

FOR FURTHER INFORMATION CONTACT: OCC: Christine A. Smith, Esq., Professional Accounting Fellow, (202/874-5180), Roger Tufts, Senior Economic Advisor, (202/874-5070), Office of the Chief National Bank Examiner; Mitchell Stengel, Financial Economist, (202/874-5431), Risk Analysis Division; Ronald Shimabukuro, Senior Attorney, or P. Moni SenGupta, Attorney, (202/874-5090), Legislative and Regulatory Activities Division, Washington, D.C. 20219.

FRB: Arthur W. Lindo, Supervisory Financial Analyst, (202/452-2695) or Thomas R. Boemio, Supervisory Financial Analyst, (202/452-2982), Division of Banking Supervision and Regulation. For the hearing impaired only, Telecommunication Device for the Deaf (TDD), Dorothea Thompson (202) 452-3544, Board of Governors of the Federal Reserve System, 20th and C Streets, N.W., Washington, D.C. 20551.

FDIC: For supervisory issues, Stephen G. Pfeifer, Examination Specialist, (202/898-8904), Accounting Section, Division of Supervision; for legal issues, Jules E. Bernard, Counsel, (202/898-3731), Legal Division.

OTS: John F. Connolly, Senior Program Manager for Capital Policy, (202/906-6465), or Timothy J. Stier, Assistant Chief Accountant, (202/906-5699), Supervision; Deborah Dakin, Assistant Chief Counsel, (202/906-6445), Regulations and Legislation Division, Office of the Chief Counsel, Office of Thrift Supervision, 1700 G Street, N.W., Washington, D.C. 20552.

SUPPLEMENTARY INFORMATION:**Background**

Mortgage servicing rights are the contractual obligations undertaken by an institution to provide servicing for mortgage loans owned by others, typically for a fee. Originated mortgage servicing rights (OMSRs) generally represent the servicing rights acquired when an institution originates mortgage loans and subsequently sells the loans but retains the servicing rights. Purchased mortgage servicing rights (PMSRs) are mortgage servicing rights that have been purchased from other parties.

In May 1995, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 122 (FAS 122), "Accounting for Mortgage Servicing Rights." FAS 122 eliminates the accounting distinction between