MORTGAGE BANKERS ASSOCIATION

FHFA and Ginnie Mae Final Capital, Liquidity, and Net Worth Minimum Requirements for GSE Seller/Servicers

August 2022

FHFA and Ginnie Mae have released their final their capital, liquidity, and net worth minimum requirements for GSE single-family seller/servicers. FHFA had previously issued its re-proposed requirements in February 2020, while Ginnie Mae's proposed requirements were released last year in August 2021.

MBA previously submitted detailed comments in response to FHFA and Ginnie Mae proposals. MBA's comments highlighted several areas of concern, including the procyclical treatment of liquidity requirements in periods of market stress, the complete removal of committed servicing advance lines of credit for purposes of liquidity calculations, and the lack of differentiation between actual and scheduled servicing remittances.

Many of these issues have been addressed and there are some positive changes from both the proposals and previous requirements. The final requirements are largely aligned, though there are some differences. MBA is currently analyzing the final requirements to determine the full scope of their impact on our members and the housing market and will continue to engage with FHFA and Ginnie Mae to refine the requirements and address any questions or issues that arise during the implementation period. Some significant updates we wanted to highlight are below.

Eligible Liquidity

- FHFA will now allow 50% of the unused portion of committed agency servicing advance lines of credit as eligible liquidity.

Base Liquidity Requirement:

- FHFA and Ginnie Mae will recognize remittance type when calculating base liquidity requirements.

Enterprise Servicing

Scheduled / Scheduled: 7 bps

Scheduled / Actual: 7 bps
Actual / Actual: 3.5 bps

Ginnie Mae Servicing: 10 bps
PLS & Other Servicing: 3.5 bps

- The procyclical non-performing loan liquidity surcharge in the current standards and in prior FHFA proposals has been removed.

Liquidity Buffers

- For larger institutions (more than $50 billion in servicing UPB), the FHFA final standards establish liquidity buffers:

Enterprise Servicing: 2 bps

Ginnie Mae Servicing: 5 bps

- MBA had urged that these be reduced. However, FHFA did incorporate MBA's recommendation to allow servicers to spend down those buffers without first having to obtain permission from the GSEs, as originally proposed.

Origination Liquidity

- This new requirement is now 50 basis points (down from a proposed 200bps) applied against closed loans held for sale plus locked pipeline loans after fallout adjustments. The direct reference to "hedged TBA position" has been removed.
- This requirement is waived for small sellers/issuers originating less than $1 billion of mortgages in the last rolling four quarters.

Capital Ratio

- The base capital requirement for both FHFA and Ginnie Mae will be 6% down from FHFA's proposal of 9%.

Risk-Based Capital

- FHFA does not require risk-based capital, however Ginnie will have a 6% requirement down from its proposed 10%. MBA had urged Ginnie Mae to remove this requirement altogether. Removing the punitive treatment of MSRs in the Ginnie Standards, as well as in the bank RBC standards on which the Ginnie requirement is based, will remain an advocacy priority.

Capital and Liquidity plans for Large Servicers

- FHFA will require annual capital and liquidity plans for large non-depositories that include MSR stress tests.

Implementation Timeline

- FHFA and Ginnie Mae have extended proposed implementation timelines. The earliest deadline for most requirements is 9/30/23.

Requirement	FHFA	Ginnie Mae
Definition Change for: Tangible Net Worth, Eligible Liquidity	9/30/2023	9/30/2023
Net Worth	9/30/2023	9/30/2023
Base Liquidity	9/30/2023	9/30/2023
Liquidity Buffer	9/30/2023	N/A
Origination Liquidity	12/31/2023	12/31/2023
Third-Party Ratings	12/31/2023	Already in effect
Risk-Based Capital Ratio	N/A	12/31/2023
Capital and Liquidity Plan	3/31/2024	N/A
Capital Ratio/Leverage Ratio	Already in effect	Already in effect

Both agencies looked back over a ten-year period when analyzing the impacts of the final requirements. Both agencies stressed that the impact was minimal, and majority of servicers comply with the new requirements as of Q2 of this year. MBA's ongoing deeper analysis will seek to validate these findings and determine all possible impacts.