TO: NCUA Board

FROM: Office of Examination and Insurance

SUBJ: Proposed Rule: Mortgage Servicing Rights – (Part 703)

ACTION REQUESTED: NCUA Board approval to issue the attached proposed rule for a 30-day comment period.

DATE ACTION REQUESTED: December 17, 2020.

OTHER OFFICES CONSULTED: Office of General Counsel.

VIEWS OF OTHER OFFICES CONSULTED: Concur.

BUDGET IMPACT, IF ANY: None.

SUBMITTED TO INSPECTOR GENERAL FOR REVIEW: Yes.

RESPONSIBLE STAFF MEMBERS: Rick Mayfield, Senior Capital Markets Specialist and Lou V. Pham, Senior Credit Specialist.

SUMMARY: The proposed rule would amend the NCUA’s investment regulation to permit federal credit unions (FCUs) to purchase mortgage servicing rights (MSRs) by allowing FCUs to purchase MSRs from other federally insured credit unions subject to the following conditions: 1) the underlying mortgage loans of the MSRs are loans the FCU is empowered to grant; 2) the FCU purchases the MSRs within the limitations of the FCU’s board of directors’ written purchase policies; and 3) the board of directors or investment committee approves the purchase in advance. Among other questions, the proposed rule also contains questions on: whether an FCU should meet certain standards relative to capital and CAMEL ratings to be eligible to purchase MSRs and; whether there should be concentration limits on MSRs. The proposed rule would also relocate the current authority for an FCU to provide mortgage servicing to its members engaged in the mortgage lending business from the investment regulation to the incidental powers rule.

RECOMMENDED ACTION: The NCUA Board approve the attached proposed rule for publication in the Federal Register with a 30-day comment period.

ATTACHMENT: Proposed rule.