October 28, 2008

Office of the Comptroller of the Currency
250 E Street, SW, Mail Stop 1-5
Washington, DC 20219
regs.comments@occ.treas.gov
Docket No. OCC-2008-0014

Jennifer Johnson
Board of Governors of the
Federal Reserve System
20th Street and Constitution Ave
Washington, DC 20551
regs.comments@federalreserve.gov
Docket No. R-1329

Mr. Robert Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th St, NW
Washington, DC 20429
comments@FDIC.gov
RIN # 3064-AD32

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552
regs.comments@ots.treas.gov
Attention: OTS-2008-0010

Subject: MBA's Comments for "Deduction of Goodwill Net of Associated Deferred Tax Liability"

Ladies and Gentlemen:

The Mortgage Bankers Association[1] (MBA) welcomes the opportunity to comment on the proposed changes to regulatory capital requirements for financial institutions (hereby banks) set forth in the recent Notice of Rulemaking, *Minimum Capital Ratios; Capital Adequacy Guidelines, Capital Maintenance; Capital: Deduction of Goodwill Net of Associated Deferred Tax Liability.*

1 The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 370,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets; to expand homeownership and 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 2,400 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, thrifts, Wall Street conduits, life insurance companies and others in the mortgage lending field. For additional information, visit MBA's Web site: www.mortgagebankers.org.

Background

Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, prohibits amortization of goodwill for financial reporting purposes and requires periodic impairment testing under GAAP. However, banking organizations generally amortize goodwill for tax purposes, resulting in the creation of deferred tax liabilities. The deferred tax liability remains on the books until the goodwill is written down upon impairment or otherwise de-recognized.

The proposed rules would permit banks, bank holding companies, and savings associations to reduce the amount of goodwill that a banking organization must deduct from tier 1 capital by the amount of deferred tax liability associated with that goodwill. The proposed rule would replace the term "purchased mortgage servicing rights," now obsolete in GAAP literature, with the broader term "servicing assets," without impacting the present treatment of servicing assets in the regulatory capital framework. Finally, the proposed regulation would provide for more consistency in wording and terminology within each of the various bank regulators' capital rules relating to intangibles and servicing assets.

MBA's Comments

MBA believes that the proposed rule would appropriately recognize in the regulatory capital framework the net after tax exposure that exists with respect to goodwill and related deferred tax liabilities. If goodwill becomes impaired, the impact on the banking institution would be net of associated deferred tax liabilities. The proposed rules would have a favorable impact on regulatory capital reported by banks, which is crucial in the current market environment.

The proposed rules also update the terminology within bank regulations for the change in GAAP definitions for servicing assets.

Accordingly, MBA recommends that the proposed rules be enacted.

MBA greatly appreciates the opportunity to share its comments with the regulators on the proposed capital rules associated with intangible assets. Any questions about MBA's comments should be directed to Jim Gross, Associate Vice President and Staff Representative to MBA's Financial Management Committee, at (202) 557-2860 or jgross@mortgagebankers.org.

Most sincerely,

John A. Courson

John A. Courson
Chief Operating Officer
Mortgage Bankers Association