



## **Mutual Alert**

### **September MSAAC Meeting Touches on Strength of Mutuals, Voluntary Liquidation, and Covered Associations**

September's MSAAC meeting was widely attended by members of the public, committee members, and OCC senior staff. The agenda featured several discussion topics, from a snapshot of the financial status of mutuals, OCC Bulletin 2021-5, "Voluntary Liquidations", recent FRB opinions on "covered savings association" status, an update on the MSAAC meeting schedule for 2022, to a discussion with Acting Comptroller Hsu.

#### **Mutual Financial Trends**

Ernie Knott, OCC Financial Analyst for the Northeastern District, [presented several metrics](#) indicating the strength of mutual federal savings associations. Mutual FSAs have higher overall capital levels than other institutions types, and all 138 mutual FSAs are considered "well-capitalized". Although Net Interest Margin has compressed significantly since 2019, ROAA rose by 4 points, and the continued economic recovery should stabilize NIM in the next few quarters. Additionally, mutual FSA's are among the most liquid institutions, further indicating the strength of the industry.

#### **OCC Bulletin 2021-5: Voluntary Liquidation Procedures**

Deputy Comptroller for Thrift Supervision, Michael Brickman, discussed the [OCC's guidance on voluntary liquidations for mutual FSAs](#). He noted that voluntary liquidations should be rare, and as such should be closely monitored via a transparent process outlined in the Bulletin. The goal of the OCC review process is to protect member rights, and Mr. Brickman reiterated the OCC encourages feedback on the process. Procedures for other transactions including acquisitions, conversions, and activist members, will be released in the updated OCC Licensing Handbook which is expected to be published in 2022.

## **Covered Associations**

Prior to the Roundtable session, Deputy Comptroller. Brickman gave an overview of OCC efforts to clarify some of the issues surrounding Covered Savings Associations (“CSA”). He noted that the OCC was in discussions with senior staff and counsel from both the OCC and FRB, but a final determination on the matter, should come via direct dialogue, or legal opinion from the FRB.

During the Roundtable with Acting Comptroller Hsu, David Barksdale, CEO, Piedmont Federal, noted that the current lack of clarity around CSAs, chiefly whether or not they need to become members of the FRB system, is leaving many institutions in limbo. David Reynolds added that all institutions seeking a resolution to this issue are doing so in the best interests of their members, and to continue to serve and invest in their communities, not to achieve a form of “super-charter”. Acting Comptroller Hsu acknowledged the current uncertainty around CSAs, and agreed with Mr. Barksdale and Mr. Reynolds’ assessment of the situation. Comptroller Hsu reiterated that the OCC supports the positions held by mutual FSAs, and will continue to work with the FRB and FDIC to create a standardized, interagency rule on CSAs.

## **Virtual Member Meetings**

The OCC also clarified their [Interim Final Rule](#) published during the pandemic relating to member and shareholder virtual meetings. Annette Russell, CEO Security Federal, asked whether or not this change was permanent, to which OCC senior staff declared that changes to 12 CFR 5 are permanent. As such, all FSAs and national banks regulated by the OCC are allowed to permit members, shareholders, and board of directors to participate in meetings virtually. **OCC staff noted that organizations will need to make bylaw changes to allow for virtual meetings, if otherwise specified in their bylaws.**

## **Community Reinvestment Act**

Acting Comptroller Hsu noted that the OCC is rescinding the 2020 CRA rule and implement the original 1995 edition. He also discussed ongoing efforts to implement CRA changes in consultation with the FDIC and FRB.

## **MSAAC Schedule for 2021-2022**

Michael Brickman discussed the Committee’s meeting schedule for the next year, noting that this September meeting would be the last of 2021, and the Committee would reconvene in April 2022. The second MSAAC meeting of 2022 will be in June where the MSAAC charter will be renewed and updated. AMB will share details on exact meeting dates and times as they become available.

Douglas Faucette  
America’s Mutual Banks  
202 220 6961  
701 8th Street, N.W.  
Suite 500  
Washington D. C. 20001  
dfaucette@lockelord.com  
[www.americasmutualbanks.com](http://www.americasmutualbanks.com)