

Mutual Alert



Date: January 26, 2011

To: America's Mutual Banks

Re: Meeting with House Financial Services Committee Minority Staff

Late this afternoon Mark Siegel and I met with the House Financial Services Committee minority staff. As you will recall prior to the last election they were majority staff. In both cases they reported and do report to former Chairman now ranking member Barney Frank. As with our meeting with FDIC Board member Curry they did not need a briefing on the structure or virtues of mutuality. The staff was completely familiar with the issues and waged a successful effort to prevent the Senate from eliminating mutuals in Dodd-Frank.

We briefed them on our proposed Mutual Community Bank Competitive Equality Act. We began with an explanation of the authorization for mutual national banks and how important that authorization would be to preserving the dual system for mutuals. They were very supportive indicating that the House Bill had provided for a mutual national bank but that it had been deleted in conference against their wishes.

We discussed the provision giving mutuals the power to bring injunctive actions against person acting as unlawful groups with the intention of compelling a stock conversion. They volunteered that they had followed this and supported the Ackerman Bill which contained the same language.

We discussed our work with the FDIC and the GAO Report on hybrid Tier 1 capital instruments. They were very familiar with the difficulties mutuals had encountered with the Treasury under TARP and the Small Business Lending Program. They shared our frustration in the difficulty mutuals encountered in participating in these programs. They seemed very interested in promoting an acceptable capital instrument for mutuals and recognize how essential it is that the agencies show more interest.

We discussed the Federal Reserve Board's troubling elevation of member rights in their recent Reg MM issuance. They had not heard from any banks or trade group that there was a problem with a member vote for a MHC dividend waiver. This alone caused me great surprise as the Federal Reserve Board received over 50 comment letters critical of the regulation.

Finally, we discussed the serious disadvantage S&L Holding companies are under because of the failure of the Collin's amendment to extend the small bank exemption to them. They had not heard this before and explored with us how the law had created the distinction acknowledging that it in all likelihood was an oversight.

We had extensive conversation as to why we believed this legislation was necessary not just advisable and why it would be bi-partisan. They agreed at first blush it appeared to be the case. They did point

out that the division would in all probability be geographical meaning congressman in non-mutual states would have little interest. The staff agreed to commence their diligence by exploring with the various agencies that were affected by the proposed Bill their views and promised to responds to us as that process unfolds.

The bad news is that business is pretty much gridlocked on the Hill. They expressed frustration with the abbreviated work week and how little was getting done which might be viewed by a cynic as not a bad thing. However, they genuinely are concerned as to the plight of mutuals and acknowledged our problem of being overlooked by the trade groups and the agencies. I believe we have a strong ally in them at least until the next election when Congressman Frank leaves the House.

We intend to have a Bill introduced in the next couple of weeks and will move for hearings to focus the agencies and the Hill on the indifference of key policy makers to the viability of the regulatory system for mutuals.

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