

# Mutual Alert



## AMB members Meet with Treasury Officials in Washington D.C.



Left to right: Paul Capka, Carlos Naudon and Tom Fraser

AMB Members met with Deputy Assistant Secretary for Financial Institutions, Jared Sawyer and Moses Kim the Deputy Director (and Acting Director) of the Office of Financial Institutions Policy. Also present was John Connolly, Senior, Policy Advisor and Regulatory Capital Specialist. Attending on behalf of AMB were Thomas Fraser, FF of Lakewood, Paul Capka, First Mutual Holding Company, Carlos Naudon, Ponce Bank and Douglas Faucette Locke Lord LLP.

The meeting introduced AMB to the new Treasury Financial Institutions Policy staff. Tom Fraser discussed the virtues of mutuality but emphasized that the past administration had not done enough to facilitate the growth of the mutual industry. Carlos Naudon explained his experience in educating his examiners with respect to some of the unique aspects of mutual operations. Both agreed that the most important thing that the government agencies could do was to seek a viable Tier 1 alternative capital instrument that would support growth without sacrificing mutuality. There was a significant discussion of the history of alternative capital instruments for mutual banks. Doug Faucette shared the results of the various experiments by the agencies over the

years with various instruments from mutual capital certificates to subordinated debt. The group agreed that the Federal Reserve Board Basel III rules had exacerbated the difficulty of developing a viable capital instrument for mutuals.

Those in attendance agreed that designing a viable capital instrument was a challenge and were open to studying the various alternatives to determine if some form of instrument could be designed that is viable both as a buffer against FDIC loss and attractive to the marketplace.

The group also discussed the desirability of facilitating conversion of credit unions to mutual banks. AMB representatives noted that presently credit unions are acquiring banks but the reverse is problematic because of credit union regulatory policy. There was also some mention that while industry groups had expressed concern over the decline of community bank de novo charter approvals in the past 10 years there have been no new mutual banks chartered since the early 1970s. An issue was raised that the current regulatory policies were a major factor in the dearth of de novo mutual charters.

The result of the meeting was a general acknowledgement that more effort is appropriate to explore capital alternatives for mutual banks. Treasury staff expressed a genuine curiosity on what features of an alternative instrument should be considered. AMB agreed to work with Treasury staff to provide the benefit of AMB's past research.

AMB believes that the Trump Administration is committed to growing the economy and that the growth of the banking industry is an important aspect of that growth. Mutual banks should not be disadvantaged in embracing growth. The Administration is sincere in its receptivity to responsible plans to enable growth.