

Mutual Alert



The Office of the Comptroller of the Currency holds public meeting of the Mutual Savings Association Advisory Committee

On July 25, 2017 the OCC hosted a meeting of the Mutual Savings Association Advisory Committee (“MSAAC”). In attendance at the meeting were the following nine members of the committee: **J.R. Buckner**, President and Chief Executive Officer, First Federal Bank of Kansas City, Kansas City, MO; **Thomas Fraser**, President and Chief Executive Officer, First Federal Savings and Loan Association of Lakewood, Lakewood, OH; **Shirley G. Hughes**, President and Chief Executive Officer, Elizabethton Federal Savings Bank, Elizabethton, TN; **Jeffrey D. Hyde**, President and Chief Executive Officer, Evergreen Federal Savings and Loan Association, Grants Pass, OR; **James McQuade**, President and Chief Executive Officer, Dollar Bank, FSB, Pittsburgh, PA; **Dan L. Moore**, President and Chief Executive Officer, Home Bank, SB, Martinsville, IN; **Charles Timpa**, President and Chief Executive Officer, First Federal Bank of Louisiana, Lake Charles, LA; **James Wainwright**, President and Chief Executive Officer, Freehold Savings Bank, Freehold, NJ; and **William R. White**, Chairman and President, Dearborn Federal Savings Bank, Dearborn, MI.

The OCC was well represented with 21 staff members in attendance at one point of the meeting or another. Additionally, Acting Comptroller Keith A. Noreika met with the committee for a half hour to share his viewpoints and thoughts regarding mutual institutions. The meeting was led by Michael R. Brickman, Deputy Comptroller for Thrift Supervision and Deputy Comptroller for Special Supervision. Also, taking an active role in the meeting were Toney M. Bland, Senior Deputy Comptroller for Midsize and Community Bank Supervision and Amy Friend, Senior Deputy Comptroller and Chief Counsel.

The meeting commenced with opening remarks by Mr. Brickman. Then, in a departure from prior meetings, the meeting led off directly with the Member Roundtable. Many issues of concern to each member of the committee were discussed. Among issues discussed were (i) what information specifically relating to mutuals can the OCC provide to help them with their strategic planning, (ii) culture and branding as differentiators for mutuals, (iii) using OCC provided data to quantify outcomes; (iv) merging call report data for mutuals by region; (v) show, rather than just tell, the community and customers why your mutual bank is better for them; (vi) the competitive advantage technology provides many unregulated lenders over regulated institutions and the need for banks to adjust their delivery systems to remain competitive; (vii)

the shift in market share to mono-line lenders and the impact of distributed ledger technology; (viii) can mutuals work together to address innovation and the fact that non-bank's are not required to address the heightened compliance requirements; (ix) perpetuation and preservation of the mutual charter; (x) new charters and the lack of interagency cooperation; (xi) the need to streamline compliance requirements; (xii) the need for supplemental capital availability for mutuals; and (xiii) survival of the mutual bank.

One take away from the meeting was the suggestion by Mr. Fraser, and agreed to by Mr. Moore and others, that these issues need a deeper review and greater collaboration among the mutual industry. Mr. Fraser suggested that a group be formed outside the MSAAC and consist of industry and OCC members to seriously consider these issues and responses to them. Mr. Bland concurred and mentioned that he would follow up on that suggestion.

Acting Comptroller Noreika greeted the committee and explained his three main objectives while serving as acting Comptroller: 1. empower the staff of the OCC; 2. look for way to reduce legislative and regulatory burdens; and 3. promote and defend the OCC charter and foster the chartering of new national banks. The committee discussed with Mr. Noreika what regulations might be the subject of regulatory relief. Mentioned were the Volker rule, consumer issues and compliance. Mr. Noreika discussed the need to exempt smaller banks from much of the current regulatory burden; if the bank is smaller than X and is well capitalized, it should be expressly exempt from regulations which were intended for large banks. He mentioned that if a bank was not involved in certain specified operations, then only a leverage capital ratio should apply. Mr. Fraser brought up the need for supplemental capital which could be accessed without the need to form a holding company. Mr. Noreika stated that that was something he would like to look into. Finally, Mr. Noreika championed tailored regulation.

The meeting continued with a presentation of the results of the 2016 North America Consumer Digital Banking Survey. Representatives of Accenture presented the survey results. If you would like a copy of the survey, please contact the undersigned and we would be happy to forward you a copy.

Darrin Benhart, Deputy Comptroller for Supervision Risk Management, presented the semi-annual risk perspective overview. Again, if you would like a copy of the overview, please contact the undersigned and we would be happy to forward you a copy.

Donna Murphy, Deputy Comptroller for Compliance Risk and Beverly Cole, Deputy Comptroller for Compliance Supervision, discussed with the committee compliance risk management issues.

In short, as you can see, the OCC is applying resources to familiarize itself with the mutual industry. The learning curve is still steep, but it appears the agency is continuing to educate itself about a piece of the market it didn't even know prior to Dodd-Frank.