



## Mutual Alert

ABA determines to Forego Advocating a Mutual National Bank Charter. Rep Rothfus expected to sponsor an ABA supported Bill for QTL flexibility without authorization for a Mutual National Bank Charter.: One down One to Go.

As you may be aware the ABA recently formed a special committee composed of stock and mutual banks that has endorsed Comptroller Curry's proposal to authorize federal associations to elect full national bank powers. AMB is also supportive of expanded investment powers for mutual banks. What was not clear and was only hinted at in the ABA testimony on community bank regulatory relief at the Senate Banking Committee hearings last week, is that for all practical purposes, the ABA will concentrate its political resources on this initiative and cease advocating for a mutual national bank charter. Representatives of the ABA confirmed today reports that the ABA will endorse legislation for QTL relief that is expected to be introduced by Rep Rothfus R. Pa., that will not contain authorization for a mutual national bank. Interestingly, the ICBA still supports a mutual national bank.

This is precisely what a number of our members feared would be the result. That is, even before the first Bill drops into the hopper, mutual relief is being sacrificed for the "greater good". ABA representatives also indicated that they expect Rep Rothfus to introduce a separate bill allowing mutual capital certificates to be treated as tier 1 capital. When queried whether the features of the mutual capital certificates that they expect to endorse would provide for deductibility of annual payments as interest and be treated as tier 1 capital they demurred. However, they indicated their believe that a perpetual mutual equity instrument with no liquidity, with non-cumulative dividends that are not deductible to the issuer would be saleable in the marketplace. AMB has done considerable diligence and does not believe the instrument that has the terms provided in last year's Rothfus Bill is saleable without carrying a dividend at a prohibitively high rate (approximately 9%). Moreover even at these prohibitively high dividend rate levels small issuers would not be able to find buyers without a special purpose vehicle for issuing MCCs backed by pooled MCC securities which would provide liquidity. Of course a small issuer would have difficulty bearing the entire cost of issuance without pooling resources with other banks.

At this stage AMB is actively advocating for several legislative initiatives. Please voice your support for mutual relief to your elected and trade group representatives and copy the undersigned. While investment flexibility is a worthy goal it should not be a either or proposition. There should be room at the table for mutual. Mutual banks should not suffer for the problems they did not create. Our resources are limited and we see no purpose in supporting an alternative that would provide little practical purpose or benefit to mutual banks Raise your voice in favor of real mutual bank relief!