



Mutual Alert

AMB Outreach To Federal Regulators and Legislators Continues With Letters And Calls To Congressman King and Grimm, CFPB Director Cordray, Federal Reserve Board Governor Duke And The Federal Reserve Board's Community Bank Connection Advisory Board

Letter To CFPB Cordray

In a letter signed by AMB Chair Marty Neat the AMB requested a meeting with CFPB Director Cordray.

In his letter Chairman Neat explained the unique consumer aspects of mutual banks, i.e. the absence of a conflict between stockholders and consumers who are the bank's members. He emphasized that mutuals have no interest that can be bought or sold at a profit or loss and therefore mutual banks are not under the same pressures as stock banks to leverage profits at the expense of the consumer. He explained further that the mission of mutual banks is to earn enough to maintain capital through cyclical economic downturns to be able to serve their communities.

In the letter Chairman Neat pointed out the minimal direct exposure with mutual banks that the Dodd –Frank Act gives the Bureau. He raised concerns that almost all mutual banks are community banks below the CFPB examination size threshold. causing the Bureau to only examine a tiny handful of banks that are mutual in form. That experience would most likely be the basis for the Bureau to draw broad policy conclusions that would be applied to the entire universe of mutual banks in its rulemaking.

He suggested that in order to broaden the base of experience with mutual banks it would be mutually beneficial for the CFPB and AMB to develop a working relationship. As part of that effort he has requested a meeting with Director Cordray and the AMB leadership. We will keep you advised of the dates he may be available for those of you desirous of attending.

AMB Writes Federal Reserve Board Governor Elizabeth Duke

Chairman Neat also sent a letter, dated November 12,2012, complimenting Governor Duke for a recent speech she gave on the one size all approach embodied in the Boards recent Basel III proposal. She raised serious doubts in that speech as to the use of that approach in gauging the risk of community bank mortgage lending.

Chairman Neat raised concerns that not only is this approach being applied to community banks but is also being applied to mutual banks with respect to other aspects of the proposal. He said: “[g]iven the data being applied to mutual banks is based on conclusions drawn from the Federal Reserve Board’s experience with stock owned community banks” it may not always be relevant.

He asked for an opportunity for him and AMB’s leadership to meet with Governor Duke. We will advise those of you interested in attending of any tentative meeting dates.

AMB Seeks To Become More Involved With The Federal Reserve Board's New Community Bank Newsletter "Community Banking Connections"

The Board recently launched a comprehensive first issue of a community bank newsletter. The issue contains in depth financial analysis of community bank key metrics. Conspicuous in its absence was any discussion of the different characteristics of community banks particularly Sub –S and mutual banks. AMB offered to provide the newsletter staff with access to information that would give it peculiar insight into the special characteristics of mutual banks.

Mass Bankers Files Comment Letter With Agencies On Basel III with Emphasis on Impact on Mutual Banking

The Mass bankers have filed a strong letter in opposition to many of the features of the proposed Basel III regulations. The letter points out the large percentage of mutual banks in Massachusetts (70%) and discusses the difficulties mutuals will have complying with many features of the regulation as proposed particularly in a fluctuating rate environment. Interesting with the glaring exception of omitting any plea for the agencies to revised their definition of instruments qualifying as CET1 capital to accommodate special mutual instruments, the letter follows very closely the letter filed by AMB with the agencies. It would appear that only a handful of commentators have focused on the special burdens the proposal places on mutual. Ironically, few mutual that have filed letters attempt to link the proposal to being especially burdensome to their charter form. even fewer call for any CET 1 market instrument.

American Bankers Association Blogger Calls for Executive Compensation Disclosure for Mutuals (Mutual Credit Unions That Is)

In a recent blog piece published last Thursday, by staffer Keith Leggett on the American Bankers Association Credit Union Watch, Keith noted a recent adoption by the Farm Credit Administration (FCA) in September requiring disclosure of senior officer compensation, supplemental retirement plans and compensation committee responsibilities as well as say on pay votes on senior officer compensation.

He asks:” [i]f the FCA has adopted such rules for Farm Credit System associations, which are member-owned financial cooperatives, then why hasn't NCUA adopted the same disclosure requirements for federally-insured credit unions”? AMB does not support such rules for credit unions and have in mind the recent attempt in Massachusetts to require disclosure of mutual institution insider compensation which resulted in a compensation disclosure law for mutual insurance companies but, thanks to the Mass Bankers, withdrawal of an amendment to apply the requirements to savings banks as well. We see little benefit to mutual banks in any campaign to apply SEC like compensation disclosures rules to mutual credit unions. Mutual banks do not want to become pawns in the battle between banks and credit unions. What’s sauce for the goose could very well become sauce for the gander.

Congressmen King and Grimm (Rep NY) Reelected

Both sponsors of H.R 4217 have been reelected to the House. We expect now that the Presidential election partisan battles are behind us we will resume the campaign in earnest to pass the Grimm Bill this Congress.