



**MINUTES OF
AMERICA'S MUTUAL BANKS
JANUARY 22, 2018 MEETING**

Acting Chairman, John Marvin, called the meeting to order at 1:00 pm ET. The following institutions and persons were in attendance:

Locke Lord LLP

- Doug Faucette
- Dan Weitzel

Institutions and Representatives

- Raymond Federal Bank—John Marvin
- First FS&LA of San Rafael—Paul Simmons
- First Federal of Lakewood—Tom Fraser
- First County Bank—Rey Giallongo
- Newtown Savings Bank—Ken Weinstein

Topics of Discussion

1. Approval of the December 18, 2017 Meeting Minutes

Chairman Marvin asked for comments regarding the minutes of the December 18, 2017 meeting. A motion was made to approve the minutes. The motion was seconded and all voted in favor. The minutes were approved.

2. Schedule Status for Meeting with Deputy Treasury Asst. Secretary Jared Sawyer

Mr. Faucette stated that the Treasury Dept. has requested that he confirm that the date of January 26th is still good for a meeting. Even though the current government shutdown has an impact on the Treasury department, Mr. Faucette expects to hear from the staff tomorrow. All AMB members are urged to attend the meeting, whenever it may be scheduled, because most banking policies will be run by the White House through Treasury. Mr. Faucette asked if anyone can make the 26th. Everyone said they could not. Mr. Faucette stated that he will request new

dates and send a notice to all members so that a group of members will be able to represent AMB at the meeting. Mr. Faucette said that he will get as many dates as he can so that more members will be able to attend.

3. Passage by Full House Committee of HR 4771 Small Bank Capital Exemption and HR 1426 Federal Powers Bill and Four Other Bills for Community Banking Relief

Mr. Faucette stated that Chairman Hensarling successfully passed HR 10 – the Choice Act, which had most everything in it that mutuals wanted. However, the Senate Banking Committee made it clear that it would not take up the Choice Act. As an alternative, Chairman Hensarling is requesting separate bills be introduced which might be able to be passed in the Senate. As a condition, Chairman Hensarling is requesting that republican members obtain a democratic cosponsor before introducing their bills. Last week was a good week for mutuals for a number of reasons, i.e., the Small Bank Holding Company Capital Exemption bill and also the Federal Powers Bill, which eliminates the QTL limitation, were passed by the Committee. For those who are not federally chartered, the bill is beneficial to them also because it should keep their state regulators honest and banks will have the option of converting to federal charters. This is the Rothfus bill that the ABA has been supporting for several years now. Mr. Faucette stated further that Rep. Faso has introduced a bill to repeal federal restrictions on mutual holding companies' dividend waivers.

Mr. Faucette stated further that The Rothfus bill was touted as a mutual bill but it is really a federal bill. It is primarily being pushed by very large multi-billion dollar insurance companies that have federal subsidiaries. It is expected that by April the banking reform bills should have passed. Mutuals should see some relief in a few months, especially across the board in regulations and examinations.

Mr. Faucette reminded members to email their members of Congress asking them to support these bills.

4. Columbia MHC Files S-1 for \$498 Million Offering: Revival of MHC?

In an article in *American Banker*, Mr. Faucette said that of the three MHCs that are closed, only one was of any notable size. Columbia is a former member of AMB but there is now a real desire by the new CEO and Chairman to go public. Mr. Faucette stated further that Columbia has significant capital, and he isn't certain how Columbia will deploy an additional \$498 million. Columbia may try to acquire other institutions in its marketplace, but the additional capital would be used up very quickly due to market conditions. Also, deals this big tend to attract negative attention and bad press as well as lawsuits filed against the bank. Mr. Faucette referred to the Greenpoint conversion, a very large conversion that was jumped by a commercial bank and which spawned many lawsuits.

5. Interagency Statement on Accounting for Taxes

Mr. Faucette stated that he assumes that by now everyone has spoken to their accountants regarding changes in the federal tax law. The federal banking agencies have decided to issue a

memo regarding how banks should deal with accumulated other comprehensive income. Mutuels are more affected by this than others. It could have a negative impact especially from the public's perspective. The interagency statement is designed to avoid any misleading, negative information on banks' financial condition.

Mr. Giallongo commented that his bank contacted the FDIC and the Connecticut Department of Banking. They both said that they would not be concerned about the reported earnings impact from the tax law changes. Additionally, some Connecticut banks have already given their employees a bonus based on the reduced federal tax rate.

Mr. Faucette asked if any other members had given bonuses based on the new tax law. Mr. Giallongo commented that there were other banks that raised the minimum wage of their staff. Mr. Faucette stated that to the extent bonuses are paid or salaries are raised in anticipation of having more income, the accounting entry will eliminate that expected income because it is simply an accounting adjustment.

Mr. Faucette stated further that the interagency statement was a joint release with the OCC. It doesn't resolve everything because they may be waiting on the accounting firms to determine what they are going to do. There are also the political considerations.

6. Rep. Faso (R. NY) Introduces HR 4517 Bipartisan MHC Dividend Waiver Relief Bill

Mr. Faucette stated that HR 4517 is a House bill that needs a Senate version to foster its passage in the House. Mutuels have always taken the position that they should never be forced to convert, but should be free to make their own choices. The more alternatives there are, the less pressure it will be for mutuels to do a full conversion. Mutual holding companies issuing minority shares is a viable alternative and the dividend waiver relief may facilitate MHC formations.

7. Next Meeting

Chairman Marvin moved to set the next meeting for February 5, 2018. The motion was seconded and passed unanimously.

The next AMB meeting was set for Monday, February 5, 2018 at 1:00 pm ET.

The meeting was adjourned by unanimous vote at 1:45 pm.