



**MINUTES OF  
AMERICA'S MUTUAL BANKS  
FEBRUARY 6, 2017 MEETING**

Chairman Boulier was not in attendance and, therefore, John Marvin chaired the meeting and called it to order at 1:03 pm ET. The following institutions and persons were in attendance:

Locke Lord LLP

- Doug Faucette
- Dan Weitzel

Representatives and Institutions

- First Shore Federal Savings & Loan—Marty Neat
- Raymond Federal Bank—John Marvin
- First Federal of Lakewood—Tom Fraser
- First FS&LA of San Rafael—Paul Simmons
- First County Bank—Rey Giallongo

Topics of Discussion

1. Adoption of Minutes.

Acting Chairman Marvin asked for comments regarding the draft minutes of the January 23, 2017 meeting. A motion was made to approve the minutes, the motion was seconded and all voted in favor. The minutes were approved.

2. Discussion of Trump Agency Appointments.

Acting Chairman Marvin introduced the matter and asked Mr. Faucette to discuss. Mr. Faucette stated that he had fielded a flurry of calls from the press inquiring about possible agency appointments. Mr. Faucette indicated that this was a clear signal to him that the process of sorting through possible candidates was underway. The transition team has now stepped aside

and the White House staff is in charge of this process. The White House staff is vetting possible choices and Mr. Faucette thinks he has a good idea on who several of the choices for the FDIC Chairmanship and the Comptroller may be. He doesn't want to mention names at this point for confidentiality reasons. He stated that we should expect a normal process and that all appointments will need Senate confirmation. Mr. Faucette thinks that the choices will be made by the end of February/early March and that by late April/early May the selections should be seated in their respective positions. Mr. Faucette indicated that the White House was under some pressure to get these appointments completed. Mr. Marvin commented that any new choice should be an improvement. He also asked how this process might impact the CFPB and Its director, Mr. Cordray. Mr. Faucette stated that based on meeting with congressional staff, he didn't believe there was any push to kill the CFPB, rather, the push will be to restructure it. The belief is that Director Cordray will leave for political reasons. However, the battle over Mr. Cordray will go into the spring. Mr. Fraser stated that some of this will be based on how things play out in Ohio for Mr. Cordray, who has his eye on the Governor's seat.

3. Choice Act Incorporation of HR 3791.
4. Choice Act Benefits Test.
5. Choice Act Nat Bank Powers for Federal Savings Institutions.
6. Choice Act 10% capital election.
7. Trump Executive Order on Regulation Reduction.

Mr. Faucette indicated that items 3-7 were closely interrelated and so the discussion would cover all of them in one discussion. Mr. Faucette reported that Chairman Hensarling's Choice Act was now linked to the Presidents Executive Order of this past Friday. Chairman Hensarling sent out a press release endorsing the Executive Order. This was a little odd in that it preceded the executive order. In any event, Chairman Hensarling is ready to roll out Choice Act 2.0. The Choice Act will incorporate the Love bill, H.R. 3791, which increases the FRB's small bank holding company policy statement threshold to \$5.0 billion from the current \$1.0 billion. The ICBA has a wish list and one is to raise the threshold to \$10.0 billion. The various interested parties wish lists could make it more difficult for more reasonable objectives to be achieved. However, the administration is committed to moving forward with legislation of some kind. With respect to the benefits test, the SEC is already bound by this requirement. It is likely that this same test will be folded in the Choice Act or new legislation itself could be proposed applying this to the banking agencies. If this occurs, the banking agencies will be required to perform a test as to the costs and benefits of any new regulatory proposal. Mr. Faucette reminded everyone that there already is existing case law where the SEC found to not have properly performed the test. The agencies will be required to do an increased level of justification for a proposed new regulation and have increased accountability. Mr. Faucette explained that on the past Friday the President issued an executive order regarding regulation of financial institutions. The executive order laid out in general terms core principles for regulatory reforms. Mr. Faucette remarked that this was the opening shot; the agencies might as well hold off on any new regulations while the new regime gets in place. Mr. Neat asked whether the executive order would have any effect on HMDA regulations for 2017. Mr. Faucette responded that it should not. Mr. Faucette then mentioned a second executive order, one focused on reducing regulations. The executive order states that if an executive branch regulatory agency

wishes to issue a new regulation, it must do away with two existing regulations. Mr. Faucette stated that the executive order is very broadly worded and there is no real way to gauge its impact. The executive order doesn't directly affect independent agencies (like the prudential banking agencies). Mr. Faucette noted, however, that the OMB Paperwork Reduction Act applies to all agencies. Therefore, even though the executive order may not directly apply, the OMB has the option of indirectly applying it via its processing of regulatory proposals pursuant to the Paperwork Reduction Act. Mr. Faucette stressed that even if the executive orders are not enforceable, their message is clear. The purpose of the one and a half page order is to put the staff of the agencies on notice that they will be required to justify their actions. Don't look for any new proposed regulations over the next several months. Mr. Marvin stated that this a good point. President Trump is setting the tone with the orders. It could be professional suicide if the staff engages in activities contrary to the Order's intent.

#### 8. ICBA Credit Union Lawsuit Dismissal.

Mr. Faucette stated that the ICBA sued the NCUA to keep its membership happy. The suit was always a red herring. The credit union industry is simply too powerful to be challenged on most issues. The cases brought are usually symbolic. The case at hand was summarily dismissed by the court without even looking at the merits. The court found the case was filed beyond the deadline for filing. The fact that all credit unions are mutual, should not be overlooked. Mr. Marvin asked why the credit union industry is so powerful. Mr. Faucette responded because there are so many of them and their grass roots support is huge. The credit unions have the support of the business community, many of whom formed the credit union itself and therefore they are affiliated entities. Many times, the same employees or volunteers (religious groups, etc.). Mr. Faucette mentioned that the credit unions still have deep support in their communities and will put people on busses and send them to Congress to lobby when necessary. Many credit unions have former public figures/politicians on their boards. This provides influence when it matters. Mr. Fraser commented that credit unions speak with a single voice and have a captive regulator. They are great at showing up politically when it counts. The ABA considers mutuals as second class citizens. Mr. Marvin declared that he thinks it is a waste of time to cry about credit unions. Mr. Faucette indicated that he thinks one or more credit unions will try and cross the \$50 billion asset mark in the not too distant future. That should present an interesting paradox, a SIFI mutual credit union.

#### 9. Transactions.

Mr. Faucette mentioned that there had been a few small conversion transactions. He doesn't see any trend that institutions are abandoning mutuality. A very small rate of conversions at present.

#### 10. Schedule for next meeting.

The next AMB meeting was set for February 21, 2017 at 1:00 pm ET.

Acting Chairman Marvin asked if there was anything else to discuss. Hearing no comments, he called for a motion to adjourn. A motion was made and seconded and passed unanimously.

The meeting was adjourned.