



**MINUTES OF
AMERICA'S MUTUAL BANKS
FEBRUARY 26, 2018 MEETING**

Chairman Boulier 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

- Ion Bank—Chuck Boulier
- Raymond Federal Bank—John Marvin
- First FS&LA of San Rafael—Paul Simmons
- Newtown Savings Bank—Ken Weinstein

Topics of Discussion

1. Approval of the February 5, 2018 Meeting Minutes

Chairman Boulier asked for comments regarding the minutes of the February 5, 2018 meeting. A motion was made to approve the minutes. The motion was seconded and all voted in favor. The minutes were approved.

2. AMB Endorsed H.R. 4771 Passes House

Mr. Faucette stated that H.R. 4771 is the amendment sponsored by Rep. Mia Love and in addition to being passed in the House, similar language is also in the Senate proposal. Now that it has passed, mutuals can focus on which items have a likelihood of making it through the House and Senate. The House has passed several initiatives to relieve the burden on community banks. H.R. 4771 would be very useful for mutual holding companies because it would give them the added ability to augment regulatory capital through the use of debt.

Chairman Boulier stated that his holding company has already issued debt, but H.R. 4771 would greatly enhance the regulatory capital aspects. Chairman Boulier further commented that both he and Tom Fraser are looking forward to the passage of this initiative.

3. AMB Members Meet with Deputy Treasury Asst. Secretary Jared Sawyer, Deputy and Acting Director, Office of Financial Institutions Policy, Moses Kim and John Connolly Senior Policy Advisor

Mr. Faucette stated that the most beneficial thing about the meeting with Jared Sawyer was that mutuals were able to get their message out and make the point that other agencies have ignored mutuals for too long and have discounted various statutory provisions that are still on the books today. The ability of mutuals to maintain their market share is directly negatively impacted by this posture because in good times as banks grow, the market share held by mutuals continues to decline. Acting Director of bank policy, Moses Kim, seemed very interested in the discussion of why efforts for mutuals to retain market share were unsuccessful.

Mr. Faucette stated further that there was also discussion about why there have been no new mutual charters since 1970 when the agencies basically regulated de novo mutuals out of existence.

Mr. Faucette stated that the meeting was very helpful and those present indicated they will convey to the OCC that it shouldn't be close minded. Both Moses Kim and John Connolly are influential with the FDIC. Mr. Faucette indicated that since the meeting, he has re-engaged with Messrs. Connolly and Kim and sent them various documents and analysis. If all goes well and good communications are maintained, mutuals may be able to counteract efforts of the FDIC, OCC and other agencies to dismiss anything regarding augmenting Tier 1 capital for mutuals. Mr. Faucette stated further that, as it stands now, the FDIC prefers big banks and is annoyed by the existence of mutuals. However, mutuals are here to constantly remind the FDIC that there is a whole constituency out there that is different.

4. Dynamics of Passing Community Bank Legislative Relief S. 2155 – Move to Accelerate Passage and More Sponsors

Mr. Faucette stated that in the past 30 days, passage of S. 2155 has gone from cold to hot regarding scheduling. Originally, there was going to be another two months before anything began to happen. Then there was a campaign by Senators Schumer and Warren to harass the democrats who signed on to the bill. It is unclear whether or not Senator Crapo panicked but he is now endorsing it and the schedule on the bill has accelerated. Now there are calls for manager's amendments because S. 2155 will be going to conference committee and it will be up to the managers to accede or oppose nonconforming amendments. This process seems to be a cynical ploy by the democratic leadership to rush it through as quickly as possible to avoid any additions to it on the Senate floor. In essence, the bill isn't too bad, so rush it through before it grows.

Mr. Faucette stated further that there is nothing in the bill that Senate democrats can't live without, so if it fails, they wouldn't care. With Rep. Hensarling retiring at the end of his current term, if the bill passes the Senate, the result may be that the House will accept it as is.

Chairman Boulter asked Mr. Faucette what is in the bill that the House doesn't like. Mr. Faucette responded that it's what is not in the bill that they don't like. The problem for passage of such a bill has always been the Senate, but not anymore. Chairman Boulter commented

further that in light of how this is being handled, the problem may still be the Senate. Mr. Faucette stated further that they have basically passed a bill to committee which will pass if it gets to the floor. Then they will decide whether they want the bill.

5. Another Credit Union Acquisition of Bank Announced

Mr. Faucette stated that he has been tracking this acquisition profile for some time. It's not just mutuals declining, it's a one way street where banks can't acquire credit unions. None of the major trade groups are putting any pressure on Treasury regarding banks acquiring credit unions, but credit unions are allowed to acquire banks. If mutuals don't speak up for themselves, no one else will.

Chairman Boulier asked what is the motivation for mutual managers. Mr. Faucette responded that the target in this transaction wasn't a mutual, it was a stock bank. The motivation was for a small bank to get out of an increasingly difficult business and the payments to management. Acquisitions are not being done in the opposite direction because the NCUA constantly throws up barriers to prevent mutuals from acquiring credit unions. This is the second deal of its kind in Florida. Credit unions are on the rise there while smaller banks are having difficulties.

Chairman Boulier commented that, in Connecticut, if there is a weak credit union, the solution is a merger with a stronger credit union. Mr. Faucette said that it should be asked of the state banking association, what have they done about it. Chairman Boulier commented further that the Connecticut banking association won't touch the issue. Mr. Faucette said that if the banking association in Connecticut won't touch it, what state would?

Mr. Faucette stated further that there was a promise made by the ABA that there would be credit union legislation in the omnibus bill but there was nothing. There was revolt by those affected and they have asked for a hearing to expose the inequities of credit unions. There is \$3.8 billion in federal revenue being lost because credit unions are not paying taxes. It is another example of waste of political capital.

Chairman Boulier suggested an approach of making mutual banks tax exempt. Mr. Faucette replied that he's cynical enough to draft a bill to see if someone will pick it up. All concurred that was unlikely.

As a side note, Mr. Faucette said that he will be attending a fundraiser for Rep. Luetkemeyer on March 1st and will be waving the AMB flag.

6. Next Meeting

Chairman Boulier moved to set the next meeting for March 12, 2018. The motion was seconded and passed unanimously.

The next AMB meeting was set for Monday, March 12, 2018 at 1:00 pm ET.

The meeting was adjourned by unanimous vote at 1:30 pm.