



**MINUTES OF
AMERICA'S MUTUAL BANKS
MARCH 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

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
- Maspeth Federal Savings Bank—Tom Rudzewick
- Ridgewood Bank—Leonard Stekol

Topics of Discussion

1. Approval of the February 26, 2018 Meeting Minutes

Chairman Boulier asked for comments regarding the minutes of the February 26, 2018 meeting. A motion was made to approve the minutes. The motion was seconded and all voted in favor. The minutes were approved.

2. Senate S. 2155 Obtains Cloture Vote and Goes to Senate Floor for Amendment and Debate

Mr. Faucette stated that the content of the Senate bill is fairly limited compared to the House HR 10. The bill does provide relief for mutuals and thus benefits them disproportionately. It contains an increase in the asset level to qualify for the small bank capital exemption to \$3 billion; and grants Federal National bank investment powers as by incorporating the Flex Act.

Mr. Faucette stated further that the ABA and ICBA have promoted the bill and supported House adoption without amendment. Chairman Hensarling however has said the House is entitled to the consideration given to a coequal branch and has its own provisions to add to the Bill. It is very difficult to get one of the two legislative houses to accede completely to the other. Rep. Hensarling has to make some calculations as to how many Senate votes the Republicans will lose in conference if he attempts to

add measures. The Senate needs 66 votes and it has 67 meaning the loss of two Democrats could be fatal. Rep. Hensarling wants to be able to go back to his members and say, "I got us something."

Mr. Faucette stated further that the Senate bill may be in substance the best the proponents of the Bill will get but Rep. Hensarling may be able to get a few token concessions because he has the support of Speaker Paul Ryan. The ICBA is completely on board with the bill because they believe that it is the best that can be done. The ABA though the Bill has only one big bank provision is willing to go along and to take credit for it.

3. AMB Endorsed Provisions in S 2155 Survive Floor Amendment

Mr. Faucette stated that AMB fought hard on the small bank capital exemption provisions. This will be the only viable method by which a mutual can raise Tier 1 capital without sacrificing any aspect of mutuality. The Bill also contains the Flex Act a AMB endorsed provision. The impetus for this provision came from large mutual insurance companies with Federal Stock subs. At the last minute, the Senate put a \$20 billion cap on the size of the institution that can use the Flex Act. Since no mutual bank approaches that size we consider this a victory.

4. New Jersey Judge Imposes Credit Union Bylaw for Director Nominations on Spencer Savings Without Banking Commissioner Approval

Mr. Faucette stated that even though he represents Spencer, his firm does not represent it in the ongoing litigation. The ruling by a NJ Dist. Court Judge sitting in equity is remarkable because it involves Lawrence Seidman, a known professional depositor and investor in converted thrifts who opened an account and sought to have himself put on the board of a mutual bank. However, the mutual bank bylaws require a 10% endorsement of the members for an individual to be placed on the ballot for the board. The Judge ignored the earlier ruling by New Jersey Court of Appeals and determined that the bylaw threshold was too high and ordered that Spencer adopt a model credit union bylaw ignoring that the existing bylaw was an ABA endorsed Model Mutual Thrift bylaw. The credit union bylaw states that if a depositor can get the lesser of 1% of the total member votes or 500 votes he is to be placed on the ballot for election to the board. In Spencer's case, 500 votes would be needed to be on the ballot for election to the board. Spencer appealed the Judge's order and it was stayed.

Mr. Faucette stated further that this litigation has been going on for 14 years with multiple decisions by the Court of Appeals and District Judges. What keeps Mr. Seidman alive is that the Court keeps awarding him attorney's fees.

Chairman Boulter departed the meeting. John Marvin continued as Acting Chairman.

5. Spencer Remutualization of Wavel MHC Approved by FRB, FDIC and NJ

Mr. Faucette stated that remutualization allows a mutual to pay the minority shareholders of a MHC sub bank and acquire the entire bank with members of the target MHC becoming members of the acquiring mutual. This is the first remutualization approved by the FRB since Dodd-Franks passage. It confirms that if mutuals are interested in purchasing other mutual holding companies they have a significant advantage. Only MHCs can buy other MHCs. In many Northeastern and Midwestern states, there are a number of MHCs that may be amenable to selling out for cash to another mutual.

6. OCC Notices MSAAC Meeting for March 21st

Mr. Faucette stated that AMB was well represented at the MSAAC meeting. There was significant discussion and a substantial portion of the agenda was focused on their issues. Mr. Otting was very engaged and interested in the discussion re mutuality.

Mr. Faucette stated further that AMB sent a letter to the OCC regarding reports of examiners issuing MRA for the failure of mutual to include stock conversion in their capital plans. The letter stated that it is highly improper for the OCC to equate conversion to stock as simply another capital strategy mutual. It reveals that the OCC has not shown any innovation if it thinks that the only solution for a mutual to obtain capital is to abandon mutuality.

7. Luetkmeyer (R.Mo.) and Meeks(D. N.Y.) co-sponsor H.R. 4296 Tailored Capital Bill

Mr. Faucette stated that Rep. Meeks (D NY) has been one of the bipartisan cosponsors for a number of bills that the Democrat leadership has opposed. He is emerging as a potential Chairman of the Committee if the Dems gain the House.

Mr. Marvin asked Mr. Faucette what the reality is for Dem candidates running against Nancy Pelosi as in Pa. Mr. Faucette replied that unlike the special election in Pa the candidates would have to go through the primary process, which is not likely to produce moderates. As the country has become more polarized, the primary process produces individuals who are to the extreme of the party ideology.

8. Seneca-Cayuga MHC Announces Acquisition of Mutual Bank Medina Savings With Stock Subscription Rights

Mr. Faucette stated that the press release was a little odd as to how the transaction would take shape. The structure as described is not likely to pass. The good news is that they still may be able to do the transaction regardless of how it's described.

9. Meetings with Congressmen King (R. N.Y.) and Meeks (D. N.Y.)

Mr. Faucette stated that he had private meetings with Congressmen King and Meeks. Rep. King is not happy with the tax law because he feels that he was exposed given the high NY taxes. He is somewhat concerned that his election is not going to be a slam dunk. He probably will win but he is on the defensive on the tax law. Rep. King has been responsible for New York City obtaining billions of dollars in federal revenue to support its police agencies City since 9-11. He was Chairman of Homeland Security during that period and developed a close relationship with Mayor Bloomberg.

10. Next Meeting

Acting Chairman Marvin moved to set the next meeting for April 9, 2018. The motion was seconded and passed unanimously.

The next AMB meeting was set for Monday, April 9, 2018 at 1:00 pm ET.

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