



**MINUTES OF
AMERICA'S MUTUAL BANKS
APRIL 9, 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
- Tom Fraser—First Federal of Lakewood
- Newton Savings Bank—Ken Weinstein
- Ridgewood Bank—Leonard Stekol

Topics of Discussion

1. Approval of the March 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 and House Consideration: Prospects for Compromise

Mr. Faucette stated that if the House were to accede to it, President Trump would sign it and the Senate Bill would become law. The problem is that Chairman Hensarling continues to probe for concessions from the Senate. The Senate Bill has 67 votes. They can afford to lose one Democrat. It seems that no one wants to be the Senator or Congressperson who causes the entire relief package to fail because of insisting on one of their own provisions. Changing the definition of a SIFI bank is the only thing in the Bill that is a deal breaker for larger banks. The ICBA and ABA were pushing hard on the House side to accept what the Senate wanted to do. However, the House does not feel that they are being treated as a coequal body.

Mr. Faucette stated further that there is a lot of maneuvering right now and it's impressive that mutual and community banks have come this far. However, the bipartisan aspect of the bill is such that democrats don't want to be perceived as voting against something that is good for their states.

Chairman Boulter asked if the vote could go either way. Mr. Faucette responded that the odds may be in favor of passage but there's still a chance of a breakdown. Chairman Hensarling has the support of Speaker Ryan and he is not going to push for yielding to the Senate without the Speaker's blessing.

Mr. Faucette stated further that Congress is in session until their recess in August. If S. 2155 doesn't get done by then, it may not get done this year at all.

3. AMB Annual Leadership Meeting Speaker Lineup

Mr. Faucette stated that the theme for this year's meeting is, "Growth". Speaking invitations have gone out to Jared Sawyer, Department of Treasury, as well as Congressman Luetkemeyer. If Congressman Luetkemeyer is unable to attend we hope to have another congressman or senator attend in his place. On the business side, there is Paul Simoff, Senior Consultant, ProBank Austin. He will be focusing on various growth strategies for mutuals. Other invited speakers include, Charlie Frago of Wolf & Company. He will offer his insight about the new tax law and will discuss how he thinks that law provides special benefits to mutuals; and Greg Dunn, Director of RP Financial. He will talk about the difference between mutuals and the financial cosmetics of mutual banks and stock banks.

4. US Court Rules NCUA Expanded Field of Membership Regs Partially Invalid

Mr. Faucette stated that the court ruled against the NCUA because their regulations were seen as an attempt by the NCUA to define membership in a geographic fashion rather than a common bond. The court struck down 2 of the provisions. The NCUA will likely appeal but it's still a victory for mutuals. The ruling serves notice on the NCUA that it needs to be more careful about trying to push overly aggressive interpretations of its statute in its regulations..

Mr. Faucette stated further that it seems that mutuals in urban areas don't see credit unions as much of a threat as members in rural areas do. Chairman Boulter commented that they are calling stronger credit unions to take over weaker ones at the state level. Mr. Marvin added that it has become a problem in his area as well.

5. New Subordinated Debt Pool Issuing Facilities Established for Small Bank

Mr. Faucette stated that since mutuals have been pushing for holding company exemption, more private equity firms have accepted the notion that this is a great time to issue debt, especially down streamed as Tier 1 capital. Facilities are being replicated now by multiple parties. It is a very attractive investment when it's being issued at 7 or 8 percent.

Chairman Boulter commented that 1/3rd of the debt was purchased by private pools.

Mr. Faucette said that subordinated debt pool issuing facilities are a good tool for mutuals who need the capital.

6. Credit Union Acquires Georgia Bank

Mr. Faucette stated that Georgia Bank was a stock bank. Still, mutual banks are the only entities that are allowed to acquire credit unions because of the mutual structure but the NCUA will not permit it. However, there is an ongoing effort on Capitol Hill to stop this practice and create a level playing field that is reciprocal.

Chairman Boulier commented that the OCC should bring mutual banks in on the discussion but that doesn't seem to be happening.

7. ICBA Convention Mutual Roundtable

Mr. Faucette stated that the convention was the site of the ICBA's yearly mutual meeting. It was interesting to notice how outspoken some of the small federals were about the OCC. There was a fair amount of discussion on Chairman Boulier's letter to the OCC about capital plans. A number of people chimed in on how insensitive examiners have been especially to Thomas Curry's collaboration initiative. Outsourcing can become an endless exercise in vetting those who are vetting others and puts one in the position of having no competitive leverage.

Mr. Faucette stated further that it is unlikely that the ICBA will come back with a report on it but it was interesting because there were so many CEOs there discussing converting to state charters. There were nearly 30 people at the mutual roundtable, including Mr. Tom Fraser. They were all very outspoken in expressing their displeasure with the OCC. Another topic of discussion was the departure of institutional memory because senior people have retired.

8. Introducing New AMB Member Security Federal Savings Bank, Logansport Ind.

Mr. Faucette stated that Annette Russell, President/CEO of Security Federal Savings Bank, is the newest member of AMB. The bank has about \$250 million in assets. Mr. Faucette sent her an invitation to the biweekly meetings, as did Chairman Boulier.

9. Mid Southern Savings Bank, Salem Ind. Announces Second Step MHC Conversion for \$22 M Capital Raise

Mr. Faucette stated that Mid Southern is a relatively small bank. However, it is important to note because very few mutual holding companies remain due to the federal guidelines and rules. It is another example of the dwindling ranks of MHCs.

10. Next Meeting

Chairman Boulier moved to set the next meeting for May 7, 2018. The motion was seconded and passed unanimously.

The next AMB meeting was set for Monday, May 7, 2018 at 1:00 pm ET.

The meeting was adjourned by unanimous vote at 1:56 pm.