



**MINUTES OF
AMERICA'S MUTUAL BANKS**

MAY 1, 2017 MEETING

John Marvin, in the absence of Chairman Boulier and Vice Chair Boger, chaired the meeting and called it to order at 1:04 pm ET. The following institutions and persons were in attendance:

Locke Lord LLP

- Doug Faucette
- Dan Weitzel

Institutions and Representatives

- First County Bank—Rey Giallongo
- First Federal of Lakewood—Tom Fraser
- First Federal Savings—Paul Simmons
- Raymond Federal Bank—John Marvin

Topics of Discussion

1. Adoption of Minutes

Chairman Marvin asked for comments regarding the draft minutes of the April 10, 2017 meeting. A motion was made to approve the minutes, the motion was seconded and all voted in favor. The minutes were approved.

2. Introduction of H.R. 10, the CHOICE ACT

Mr. Faucette stated that the Bill is studded with provisions designed to send agencies a very strong message that they need to provide relief to community banks. It seems certain that the Bill will become law on the House side but how far this will go is another discussion. Chairman Hensarling is sure that the bill is going through but is not sure about what will happen to it when it reaches the Senate. It may make it to the Senate floor, but with some adjustments. It is expected that many of these provisions will survive on the Senate side.

Chairman Marvin stated that this is good news that Hensarling is ready to move forward. The message to the agencies is the biggest thing because they have had no accountability for a few years and we have suffered because of it.

Mr. Faucette agreed and stated that it's similar to having a "bully pulpit." Trump made a lot of pronouncements about illegal immigration and it has become a deterrent. Likewise, when Congress starts moving this kind of legislation it sends a big message to the agencies. Even without this they begin to understand that they are vulnerable, whereas in the last 8 years they did not feel vulnerable to cries for relief because they haven't had to answer to a President who supported community banks.

3. Meeting With Chairman Hensarling

Mr. Faucette stated that he attended the dinner last Thursday night. Many of the leadership on the committee, including Congressmen Duffy and Huizenga, were at the dinner. They were excited about the bill and ready to defend it. It's only good news to report from the House side. Chairman Hensarling was very positive about what he sees happening. However, he said that the Democrats didn't show up at the hearing and only half of them were there when the bill was introduced. Then they made a motion that the hearing be extended but it was denied. At the markups next week, he predicted the Democrats are going to complain but will lose in the end.

4. Scheduled Markup of H.R. 10, The CHOICE ACT

THIS TOPIC WAS COVERED IN SECTIONS 2 AND 3 ABOVE.

5. Introduction of Luetkemeyer CLEAR ACT

Mr. Faucette stated that Mr. Luetkemeyer is still promoting community bank relief. He is chair of the Subcommittee where all banking legislation originates. He reintroduced the Clear Act that contains similar but not identical provisions in the Choice Act. Cong. Love reintroduced the small bank holding company capital exemption, HR 1948. The Choice Act repeats that same provision, now the Clear Act has that same provision, increasing the threshold from 1 to 10 billion dollars. There are several vehicles with a wealth of provisions relating to community bank relief. There are new exemptions from the Home Mortgage Disclosure Act, provisions related to what qualifies for a qualified mortgage loan. There is an attempt to eliminate laws that are drying up business opportunities for banks, e.g., disparate impact claims under the Equal Credit Opportunity Fair Housing Act, will not be actionable. Cong.

Luetkemeyer is focusing on the CFPB proposing to change the jurisdictional threshold from \$10 billion to \$50 billion. If it is under \$50 billion, it is outside the CFPB. All these agencies are subject to legislative change from multiple directions. The key will be what happens when Bills that pass the House get to the Senate.

6. Introduction of Kennedy (R. LA.) Bill S. 293 To Repeal Dodd-Frank For Community Banks

Mr. Faucette stated that the Kennedy Bill is from Sen. John Kennedy of Louisiana, who is a Republican, but previously a Democrat. He has introduced a bill that says repeal Dodd Frank as to community banks if they are under \$10 billion. That Bill may not go anywhere because it's too simple. There are some things in it that big banks want to keep. Because of Dodd Frank there is a growing recognition in the House and Senate that \$10 billion is an acceptable size cutoff for community banks. This has been adopted on a wholesale basis and is no longer a radical concept. It went from \$500 million a few years ago to \$10 billion today as an acceptable asset size for being considered a big bank. Now this is an example of anti-Dodd Frank and pro community banks and it will continue as such because more politicians will want to jump on board and take credit for it. There will be a lot of bills introduced designed to take credit for providing relief for community banking institutions.

Mr. Faucette stated that the senior counsel of the Senate banking staff majority side, Beth Zork is going to HUD to become acting general counsel. Jeff Okamoto of Sen. Toomey's office is going over to Treasury to work for David Malpass. He said that there is beginning to be second and third level appointments to draft people who have been vetted as party loyalists to fill these agency positions. There is a growing disaffection with the party of No, and there may be some defections among the Senate Democrats as a result. If so, that will significantly weaken party discipline and open the gates to what we are looking for with the Senate bill. The Senate is still very much focused on the tax bill, health care and keeping the government open. There won't be any major banking legislation out of the Senate until tax reform and health care are resolved, which may not happen until the beginning of 2018. The real question now is whether Sen. Banking Chair Crapo is going to put someone in to replace Beth Zork. For now, the old guard is still in place and changes are yet to be seen. As the administration drafts people from the Hill there will be more aggressive people coming in to replace those that are there now causing gridlock. That's a positive view for community banks.

7. OCC MSAAC May Meeting And Status Of Pending Member Appointments To Committee

Mr. Faucette stated that when the letter went out that this meeting was scheduled, some people asked if new committee members had been appointed. The OCC said, no, they were waiting on Treasury. The OCC has recommended who they want on the committee, but Treasury hasn't approved yet. The meeting is scheduled for May 9th. Treasury. It has had six months to get this done and we're still waiting. Some people also asked why Comptroller Curry is still there. Mr. Faucette speculated this would change soon but for the time being it would wait until the administration identified a replacement solution.

8. Status of Banking Agency Appointments

Mr. Faucette stated that OCC designate Otting is being vetted for the OCC. There is also Randy Quarles who is being vetted for the Fed but not for the Fed banking seat. By law one of the fed seats has to have been a banker or bank regulator.. If there is no one to fill the seat after the current occupant has left, that is a problem. A number of bankers have been approached about the position, but they all declined. They don't want to divest their holdings. It's not easy to get a banker to accept. Mr. Faucette said further that he saw Scott Garrett, who was well liked on the Hill and in the past mentioned for a possible Chairman position. Even though he lost to a former Clinton aide, his consolation prize was being given the export import bank appointment. But they are very far from confirmation. The administration is far from getting their staff vetted and appointed. Also, the opposing party will not vote in a hurry no matter how qualified they are.

9. Meeting With Senator Toomey's Banking Staff

Mr. Faucette said that it was a very positive meeting. The purpose of the meeting was to ask John Crews, to request Sen. Toomey to introduce a companion Bill that was very similar to the Love Bill. The staff said that the Senator is in 100% agreement that a bank under \$10 billion is a small bank. They don't know if the Senator wants to be in a position to introduce a bill, but it is a possibility. Jeff Okamoto advised that a press release is being released that he is going over to Treasury. When John Crews takes over Jeff Okamoto's position in Senator Toomey's office, he will be a friend and supporter of AMB. The Senator will be a key Senator to submit a bill. AMB has been working with him for 4 years and as a former banker he's not unfamiliar with mutuals and understands their needs.

10. Status of Love Bill H.R. 1948

Mr. Faucette stated that there are three different versions of the Love bill. It doesn't matter which one passes because the Love bill should continue to go on independently and he believes it will. It won't get caught up in global legislative packages.

11. Next Meeting Schedule

The next AMB meeting was set for Monday, May 15, 2017, at 1:00 pm ET.

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 at 1:43 pm.