



**MINUTES OF
AMERICA'S MUTUAL BANKS**

JULY 17, 2017 MEETING

Chairman Boulier chaired the meeting and called it 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
- Ridgewood Bank—Peter Boger
- First County Bank—Rey Giallongo
- First FS&LA of San Rafael—Paul Simmons
- Raymond Federal Bank—John Marvin
- First Federal of Lakewood – Tom Fraser

Topics of Discussion

1. Approval of the June 19, 2017 Meeting Minutes

Mr. Faucette stated that the minutes for the June 19, 2017 meeting will be considered at the next meeting. Mr. Faucette further indicated that the minutes for the June 5, 2017 meeting will also be provided at the next meeting.

2. Senate Hearings on Regulatory Relief Offer Little Encouragement

Mr. Faucette stated that the lack of movement for mutual and community bank issues is something that has existed since republicans took control of congress and the White House. The

danger has been that the mega banks will crowd out the community bank agenda. The focus has indeed been on other issues like living wills, etc., with very little on mutual and/or community banks. Most of the dialogue on capital hill has been on behalf of and for big financial institutions – those over \$250 billion. The ICBA has been frustrated with the committee hearings, as well as the issues being pushed by the industry at large. The problem is that the ABA has not given any priority to mutuals and other community banks, while the discussion focuses on big bank issues, which can be very polarizing. If the big banks succeed, it will be at the expense of community bank issues. AMB members should try to make their elected officials aware by sending out letters, contacting various state trade groups, etc. For better or worse, because the tax bill and health care bill have completely occupied the agenda, there may not be any banking relief until the end of 2017 or beginning of 2018. Regulators have testified about their ideas for regulatory relief and make it appear by their testimony that except for a few minor adjustments things are just fine.

Acting Comptroller, Keith Noreika, seems to be the only regulator saying that it's time to start approving de novo banks. There are few windows of opportunity for any significant bank regulatory relief throughout the summer. Since most AMB members belong to trade groups which are populated by community banks, they should be contacting these trade groups to find out what they are doing for their members. While there has been much talk, there has been very little movement on capitol hill regarding community bank issues. The national trade groups have given lip service and community banks need to be better advocates for themselves within the trade groups.

The good news is that there is a house bill HR 10 and the Senate is going to have to react to that bill eventually. However, if something happened right now, there would not be a lot to benefit mutuals. Big banks spend a lot of money on lobbying efforts to get their voices heard and issues passed. The ABA does a lot for big banks and the big banks would rather have the ABA say that this is an industry position instead of saying that it is the position of big banks.

Chairman Boulier commented that we should also reach out to the ABA to get it to push our agenda.

3. New Jersey Senate Passes Senate Bill S-4 Paving the Way for the Next Governor to Divert Horizon Blue Cross Blue Shield "Excess Surplus Reserves"

Mr. Faucette stated that this is a very troublesome development. That a republican governor would push for this is of great concern. At this time, it looks as if we are very close to the state of New Jersey having the power to determine what is an excess surplus and take that surplus for whatever purpose it deems fit. If Senate Bill S-4 passes, there will likely be major constitutional litigation. If the bill passes and survives challenge, it would be a tempting precedent for state use of the surplus reserves of other institutions, like mutual thrifts.

Chairman Boulier asked if there is any national lobbying efforts against the bill from the ABA, ICBA or others. Mr. Faucette stated that it may be in their best interests to remain quiet at this stage and let Blue Cross Blue Shield fight it out with the state to try to get a court decision barring New Jersey from doing this. Deliberation on the bill will resume after the summer recess.

4. Randy Quarles Former FRB and UST Official Nominated by President Trump to Take FRB Chair of Supervision

Mr. Faucette stated that it wasn't originally clear whether Randy Quarles was inclined to accept a nomination to be a FRB Governor. However, his official nomination sends a signal that it is business as usual. Mr. Quarles would be the Vice Chair for Supervision if confirmed.

5. James Clinger Trump Nominee for FDIC Chair Withdraws

Mr. Faucette stated that the withdrawal may be good news for mutuals because it leaves the position of FDIC Chair open. President Trump will have a problem eventually because he doesn't have a new chair of the FDIC, only the holdover chair. The President doesn't have a new republican to head either the FDIC or the CFPB. There has to be a new chair for the FDIC at some point and it should be a republican. Martin Gruenberg is still chairman. According to the statute, there can be no more than three people from the same party. There are now three positions held by democrats.

6. Bank Regulatory Heads Offer Testimony on Reg Relief

Mr. Faucette stated that the House has passed the Choice Act and the heads of the regulatory agencies had very little to say in testimony before the Committee and gave the impression that everything was just fine. Most of the testifying regulators were holdovers from the Obama administration. The only Trump administration regulator was Acting Comptroller Keith Noreika and he has to choose his words carefully. Mr. Noreika commented specifically about the lack of de novo charters.

7. OCC Schedules MSAAC Meeting for July 25, 2017

Mr. Faucette stated that the issues of concern among AMB members, i.e., small bank holding company relief and dividend relief, need to be the focus and put forth for the OCC to consider. The committee should also discuss the need for alternative capital. AMB members should send a brief letter to be read at the public meeting and discussed in front of the advisory committee. AMB members should be sending letters to the committee stating why reforms are needed.

Chairman Boulier commented that letters should also be written to the FRB regarding minority shares on the dividend waiver. Mr. Faucette agreed.

Mr. Faucette stated that Dan Weitzel and Tom Fraser will be attending the meeting. The record of the OCC is replete with letters from mutuals on the income capital certificate, mutual investment certificate, need for alternative capital and failure to charter new mutuals. However, shockingly, those issues never seem to be discussed.

8. AMB New Member Solicitation Campaign

Mr. Faucette stated that he will be sending out another letter to mutuals imploring them to join AMB. Mr. Faucette will also be sending AMB members the names of the mutuals in their states so that each AMB member can send a note to mutuals in their state inviting them to become AMB members.

9. Next Meeting Schedule

Chairman Boulier moved to set the next meeting for August 21, 2017. The motion was seconded and passed unanimously.

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

The meeting was adjourned by unanimous vote at 1:45 pm.