



**MINUTES OF  
AMERICA'S MUTUAL BANKS  
NOVEMBER 6, 2017 MEETING**

Mr. Neat acted as Chairman of the meeting in the absence of Chairman Boulier 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

- First Shore Federal—Marty Neat
- First FS&LA of San Rafael—Paul Simmons
- Raymond Federal Bank—John Marvin
- First County Bank—Rey Giallongo

Topics of Discussion

1. Approval of the October 23, 2017 Meeting Minutes

Acting Chairman Neat asked for comments regarding the minutes of the October 23, 2017 meeting. A motion was made to approve the minutes. The motion was seconded and all voted in favor. The minutes were approved.

2. Senator Rounds (R. SD) Introduces Community Bank Access to Capital Act of 2017

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Mr. Faucette reminded the members that Senators Orrin Hatch, Angus King, and Bill Nelson previously introduced a bill regarding the small bank holding company exemption. Rather than signing on to this bill, Senator Rounds introduced his own bill. Mr. Faucette stated that it is very possible this bill may end up being the vehicle for the Senate to move community

bank focused legislation. Mr. Faucette commented it is good to know that Senator Rounds and others understand the importance of this issue.

Mr. Faucette stated further that Senator Rounds' Bill, S.1962, completely exempts community banks from the Basel III structure. The process seems slow right now but the wheels are in motion towards a small bank capital exemption. If this banking bill does move forward, mutual banks should make sure that their needs are addressed.

### 3. President Trump Signs Repeal of CFPB's Rule Banning Mandatory Arbitration

Mr. Faucette stated that, now that Republicans have a majority in both the House and Senate and occupy the White House, there is a lot that can be done if they are of one mind. CFPB Director, Richard Cordray, wrote a letter to President Trump asking him to veto the congressional action repealing the CFPB arbitration rule. Obviously, the President did not veto the repeal and signed it into law. The various agencies are now on notice that if they overstep their bounds and become too aggressive in their interpretation of the laws, their regulations can be repealed without having to move an entire bill through congress. Mr. Faucette emphasized, however, that it only works when one party controls the three branches of government. Community banks should start thinking now about other rules that can be repealed to their advantage.

Mr. Neat commented that the new HMDA regulation that takes effect next year should be high on this list. It would be a disaster for smaller community banks and U.S. citizens would wonder why banks would want such detailed information about them. The regulation should be stopped before it can be implemented.

Mr. Giallongo commented that consumer information is already set to start being collected in January 2018. That may be something AMB can get behind because it's still early in the process.

### 4. President Trump Nominates Fed. Governor Jerome Powell To Become Chair of FRB

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Mr. Faucette stated that there may be a gradual increase in the federal funds rate and the sale of treasuries that the FRB has purchased over time as part of its campaign to tighten the yoke. If it is assumed that Jerome Powell is not a radical and will not depart too far from Janet Yellen's path, it implies a number of things as to bank rates. The Wall Street Journal recently did a survey showing comparisons between large and small banks and what they are paying on deposits. It revealed a significant jump in rates being paid by mega banks compared to regional and community banks. Community banks should watch their liquidity and the moves being made by the mega banks. Mr. Faucette stated further that even though Mr. Powell may seem like Ms. Yellen, he may not be as weak as she is. There has never been a very high regard for Ms. Yellen and Mr. Powell is expected to be much more decisive.

5. Chairman Jeb Hensarling Announces He Will Not Run for Reelection In 2018

Mr. Faucette stated that there are two individuals that may be front runners for Jeb Hensarling's chairmanship: Sean Duffy (R-WI) and Blaine Luetkemeyer (R-MO). Rep. Duffy is a young congressman and is close to Speaker Ryan, which may give him a good shot at the chairmanship. Rep. Luetkemeyer chairs the financial services subcommittee. He has a lot of clout because he's from a state loyal to President Trump. The conventional choice would be Rep. Luetkemeyer. Rep. Peter King was the ranking republican and strong AMB advocate before he stepped down from the banking committee but it is doubtful he would decide to come back and be chairman. The transition will not occur until early next year, after the mid-term elections, so it's only speculation at this point.

6. Search For New Chair Of House Financial Services Committee Underway

See Topic 5.

7. S&P - Global Alert Issues Report – Compliance Costs Up 20%

Mr. Faucette stated that of the banks surveyed, the report found that their compliance costs had increased by approximately 20%. This should be very telling to any objective observer. Moreover, the increases as a percentage were substantially higher for small to mid-sized banks as compared to large banks. Mr. Faucette stated further that he will send the report to Messrs. Neat and Simmons and to anyone else who would like a copy.

8. Next Meeting Schedule

Acting Chairman Neat moved to set the next meeting for November 20, 2017. The motion was seconded and passed unanimously.

The next AMB meeting was set for Monday, November 20, 2017, at 1:00 pm ET.

The meeting was adjourned by unanimous vote at 1:35 pm.