



**MINUTES OF
AMERICA'S MUTUAL BANKS
DECEMBER 4, 2017 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
- First Shore Federal—Marty Neat
- Raymond Federal Bank—John Marvin
- First County Bank—Bob Granata
- First FS&LA of San Rafael—Paul Simmons
- First Federal of Lakewood—Tom Fraser
- Maspeth Federal—Tom Rudziewick

Topics of Discussion

1. Approval of the November 20, 2017 Meeting Minutes

Chairman Boulier asked for comments regarding the minutes of the November 20, 2017 meeting. A motion was made to approve the minutes. The motion was seconded and all voted in favor. The minutes were approved.

2. Trump to Appoint Former Senate Banking Committee Shelby Chief of Staff Jelena McWilliams as FDIC Chair

Mr. Faucette stated that Jelena McWilliams has been vetted for Chair of the FDIC, but she will not be appointed until sometime early next year. Ms. McWilliams has spent most of her career with the Senate banking committee and has good political connections. Mr. Faucette

indicated that the good news for mutuals is that she has a very large view of the banking industry. The bad news is she is another in what now is a long line of big bank focused Trump appointees. Ms. McWilliams is not community bank oriented, although she is aware of their issues. The system is geared in favor of big banks and mutuals need to continue to ensure that they are treated fairly. Mr. Faucette reiterated that the ABA is more focused on big banks and it is far less concerned with helping mutuals get their bills passed. It is an unfortunate reality but the ABA's support of smaller banks is not its highest priority.

3. Meeting with Craig Phillips Counselor to the Secretary of the Treasury and Staff to be Scheduled

Mr. Faucette stated that a follow-up letter was sent to Craig Phillips and a response was received this time. A representative from the Treasury Department spoke with Mr. Faucette and apologized for taking so long to respond and said that they are now trying to schedule a meeting with Craig Phillips and others. Mr. Faucette reminded the members that the primary objective of mutuals when attending these meetings is to get the staff to study what are the issues facing mutuals. Let them know that mutuals are here to stay and educate them on the things that mutuals consider to be important.

Mr. Faucette stated further that a representative from Craig Phillips' office will get back to him with some dates to consider for the meeting. AMB members need to show their support and attend the meeting. Chairman Boulier commented that there will be a lot to talk about.

4. Senate Banking Commences Markup on Community Bank Bill

Mr. Faucette stated that the markup will take place tomorrow. An email was sent to members who wish to stream it live. There are a number of people trying to make amendments to the bill. Mr. Fraser suggested that some of those efforts are not being done in good faith and are designed to cause the bill to fail. As an example, Mr. Faucette mentioned the repeal of the Durbin amendment (which required the Federal Reserve to limit fees charged to retailers for debit card processing). There are adjustments that need to be made, but the community bank bill would provide significant relief from the burdens of the Dodd-Frank financial reform legislation. The most controversial piece of the bill is that it proposes to change the various size thresholds related to classification of banks.

Chairman Boulier asked if the amendments designed to stop the bill were coming from both sides of the aisle. Mr. Faucette stated that there are those on both sides lobbying the bill with varying loyalties. The Democrats would prefer to have no bill at all because it helps banks. Michael Crapo and Sherrod Brown realize that this is probably the best bill they are going to get. There are a fair share of provisions in the bill for mutuals, i.e., small bank holding company exemption and dividend waiver provision. The markup is at 10:00 a.m. tomorrow. Mr. Faucette will send an email to all members confirming the time.

5. Senate Action on Tax Bill Impact on Mutual Banks

Mr. Faucette stated that the good news about the tax bill is that mutuals will pay less in taxes and, therefore, would not transfer as much of their earnings to the government. In as much

as earnings are currently the only way to enhance capital for mutuals, this has an added benefit. The proposed loss of deductibility of state income taxes may shake things up demographically, but it is doubtful that people are going to move their families to Florida to lessen the blow from this provision or to receive the benefits that this bill may provide. Mr. Faucette continued that the bill will have a systemic impact on the marketplace. If hedge fund deals don't work out on an after tax basis, it may not be as appealing a proposition as it used to be for companies issuing debt.

Mr. Faucette also mentioned the reduction in the mortgage interest deduction. This reduction may take the air out of the jumbo mortgage market. Chairman Boulter commented that it also depends on demand. Prices may adjust to make up for the loss of tax deductibility. The consequences are unknown at this point. Chairman Boulter mentioned the good news is that earnings likely will go up in the new year.

Mr. Faucette stated that it could take up to three weeks before the conference committee is assembled. The leadership will most likely choose people they can depend on to approve the bill. The consensus on both sides of the aisle is that by Christmas the tax bill will have passed.

6. Georgia's Own Credit Union Acquires Georgia State Bank

Mr. Faucette stated that if credit unions continue to acquire banks, mutuals should push harder to have a level playing field and mutual banks should be able to acquire credit unions. The NCUA is strongly against doing this.

7. Credit Unions Test Supplementary Capital Raise

Mr. Faucette stated that this action signals there seems to be an appetite in the market for debt from smaller financial institutions. Chairman Boulter agreed.

8. New Jersey Governor Elect Murphy Proposes State Chartered Banks

Mr. Faucette stated that the newly elected Governor of New Jersey is proposing a state chartered, government run bank. Chairman Boulter stated that the organization of a state chartered bank has already occurred in Connecticut. They are called state agencies instead of banks and they are stealing business from mutuals. Mr. Faucette stated that it is something to watch politically because it could get out of hand. There are a lot of people promoting the idea of state chartered banks but it hasn't gone anywhere except for the Dakotas. When it starts happening in New Jersey, it will garner a lot of attention.

9 Next Meeting

Chairman Boulter moved to set the next meeting for December 18, 2017. The motion was seconded and passed unanimously.

The next AMB meeting was set for Monday, December 18, 2017, at 1:00 pm ET.

The meeting was adjourned by unanimous vote at 1:42 pm.