



## **Mutual Alert**

### **OCC Holds First Mutual Savings Association Advisory Committee Since Change in Administrations**

#### **De Novo Mutuals, MDIs, Member Distributions, QTL included in a Heavy MSAAC Agenda**

The OCC held its first MSAAC meeting yesterday since the Biden Administration took office. It also seated several new members two of whom are AMB members, Maspeth Federal's Tom Rudezwick and Piedmont Federal's David Barksdale who joined AMB members already on the committee. The virtual meeting began at 11 am to accommodate participants in western time zones and was attended by senior staff of the OCC, Committee members and outside observers. The meeting began with an introduction and orientation by Deputy Comptroller, Thrift Supervision, Michael Brickman who explained the committee's role and listed its past accomplishments. He highlighted the Committee's support of the covered association law and relief from QTL requirements.

#### **Economic Presentation**

OCC Senior Economist Daniel Grantham gave an extensive presentation on economic developments effecting mutual financial metrics since the pandemic began. His presentation, which is attached, contains a number of interesting and useful data points particularly with respect to how mutuals compare with other banks. He noted the spike in housing costs and the severe undersupply of housing. A number of members questioned the impact of soaring lumber cost. Tom Rudezwick noted the impact of continued rent forbearance in the New York City area on landlord's ability to meet loan obligations. D. Reynolds of Home Federal, Knoxville TN, noted promising signs of the economy's recovery with deposits up and robust C&I lending. David Barksdale also reported on a hot housing market in NC and his transition to a commercial lender. Dennis Parente also reported a hot housing market in Massachusetts. In general all members recognized rising housing costs and what were described as an auction market for housing.

#### **Roundtable**

The meeting format changed to a roundtable with each member expressing their views on various topics.

## **Limited Charter Issuance**

There was a discussion of the OCC's recent issuance of limited trust charters to companies in the cryptocurrency business and members expressed concern about the potential reputation risk to the industry. Acting Comptroller Paulson noted the OCC's recent approval and explained that it would impose strict compliance controls but that the history and mission of the OCC was to accommodate financial change. A member raised a concern about the OCC's commitment to mutuality and in particular the pending acquisition of the assets of Brainerd SL by a credit union and the liquidation and distribution of its surplus to the members. Acting Comptroller Paulson acknowledged the concern but did not comment specifically on the application. AMB has expressed serious reservations concerning the negative precedent approval would bring.

## **Revival of De Novo Mutuals and MDIs**

David Barksdale made a full statement on the opportunity to use the mutual charter to serve underserved and unserved minority and rural communities. In particular, he cited the Emergency Capital Investment Fund which has received \$9 billion from the Congress to invest in equity in MDIs and CDFIs. He explained the unique attributes of mutuals as organized by the community, run by the community for the community. He cited the absence of any de novo mutual in over 50 years and called on the OCC to revive the charter particularly as an alternative to public banks. OCC Charlotte Bahin indicated she was unsure of whether the ECIP could be used for de novo formation. Tom Rudezwick questioned whether high capital requirements and capital rule requirements incompatible for non-stock companies were a principal reason for the elimination of new mutuals. Acting Comptroller Paulson expressed interest in the idea and promised to explore it further. OCC Deputy Comptroller Brickman committed to a white paper on de novo mutual formation.

## **Covered Association Status**

One of the important developments noted by Deputy Comptroller Brickman was the issuance by the FRB of two legal opinions on the consequences of electing to be treated as "covered associations". The FRB position narrowed the use of the election for holding company subsidiaries with grandfathered activities. It was not clear from the opinions whether the FRB considered the effect of the covered association election on the QTL requirement but one would suspect it is close to confirming that the covered association status supersedes the QTL statute.

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