

Office of the Comptroller of the Currency
Minutes of the Meeting of the
Minority Depository Institutions Advisory Committee
June 25, 2014

The Minority Depository Institutions Advisory Committee (MDIAC) was convened for a meeting at 1:00 p.m. on June 25, 2014, at the Sheraton Dallas Hotel by The Galleria in Dallas, Texas.

In accordance with the provisions of Public Law 92-463, the meeting was open to the public from 1:00 p.m. to 5:00 p.m.

Advisory Committee Members Present

Larry Briggs, President and Chief Executive Officer, First National Bank & Trust Company, Shawnee, Oklahoma; Guillermo Diaz-Rousselot, President, Continental National Bank of Miami, Miami, FL; John Hou, Chief Executive Officer and President, Asian Pacific National Bank, San Gabriel, CA; Joe Quiroga, President, Texas National Bank, Mercedes, TX; Norman J. Williams, Chairman and Chief Executive Officer, Illinois-Service Federal Savings and Loan Association, Chicago, IL

OCC Staff Attending

Comptroller of the Currency Thomas J. Curry, Assistant Deputy Comptroller Francis Alleman, Community Development Expert David Black, Community Affairs Officer Francis Balfour, National Bank Examiner James Calhoun, Senior Advisor to the Senior Deputy Comptroller for Midsize and Community Bank Supervision (MCBS) and Designated Federal Officer Beverly F. Cole, Senior Advisor for Outreach and Minority Affairs Glenda Cross, National Bank Examiner and Industry Analyst Ralph DeLeon, Assistant Deputy Comptroller Richard Dixon, Associate Deputy Comptroller Oscar Harvey, Senior Deputy Comptroller Jennifer C. Kelly, Associate Deputy Comptroller Janice McQuary, Special Counsel, Administrative and Internal Law Kristin Merritt; Community Development Lending Manager William Reeves, Deputy Comptroller for Community Affairs Barry Wides, Gary Whalen

Public Attendees

Sarah Wilson, General Counsel, Lonestar National Bank, Pharr, TX

1:00 p.m. – Public Meeting

Beverly Cole, the OCC's Senior Advisor to the Senior Deputy Comptroller for MCBS and the MDIAC's Designated Federal Officer called the meeting to order at 1:20 p.m. and welcomed attendees. Ms. Cole announced that committee member Susan Faulkner submitted her resignation as she is retiring from her position with Bank of America. Following introductions of the committee members and individuals in attendance for the OCC, she introduced Thomas J. Curry, Comptroller of the Currency.

Comptroller Curry welcomed the committee members and thanked them for their time and commitment.

1:30 p.m. – Roundtable Discussion with Members

Ms. Cole initiated a roundtable discussion with the members by reminding the members that the OCC will be holding a series of 5 cybersecurity threat technical assistance sessions in different geographic regions in the 4th Quarter of 2014, which will be open to all OCC-supervised minority depository institutions. CIOs, CEOs and an outside director have been invited.

Each of the members shared thoughts on issues faced by minority depository institutions, and the Comptroller and others provided feedback. Common themes included the following:

- Smaller institutions place heavy reliance on vendors for IT services-- MDI's need assistance with vendor management.
- Importance of following up with institutions on results of recent cybersecurity assessments. The Comptroller pointed out the importance of the FFIEC's initiatives on cybersecurity to make sure community banks are aware of threats and assess their readiness. Jennifer Kelly remarked that the Comptroller is committed to transparency and providing feedback to banks.
- Positive feedback on the FFIEC cybersecurity webinar and need for a forum to raise follow-up questions.
- Social Security check cashing fraud is a problem for MDI's who do not receive timely data on the death of recipients—there is a need for a technical solution.
- Importance of legislative and regulatory reviews to reduce burdens on banks. The Comptroller remarked that the OCC is working to make current legislative review meaningful; drafting new rules to be more understandable with as little burden as possible. It is helpful if banks can quantify burdens. Jennifer Kelly advised that the OCC will be hosting sessions for feedback on legislative review.
- MDIs still in favor of formal Peer Group. Ms. Cole pointed out that OCC examiners have ability to create a custom peer group; CAR is available for use on OCC BankNet—examiners can use different filters for comparative purposes.
- Importance of finding ways to encourage new charters for MDIs (or reduce disincentives). The Comptroller acknowledged that lack of new charters is an issue for community banks, generally, because of consolidations. Regulatory burden is also a disincentive for new charters. OCC uses its relationships on Capitol Hill to explain burdens imposed by proposed regulations.
- Discussion of differences between OCC's definition of MDI's and the FDIC's definition.
- Different standards applicable to large banks (“too big to fail”) negatively impact MDIs.
- MDIs need more information on Treasury deposit programs. Barry Wides in Community Affairs commented on information available and pledged to provide it.
- Need for a forum for MDIs to share information and ask questions. The Comptroller was receptive to the idea of the OCC or an interagency group hosting a web forum. Debra

Burke commented that OCC Banknet might be a platform that could be used for a discussion forum.

- GSE reform.
- Cost of compliance with regulations is negatively affecting banks' ROA/ROE, driving certain lines of business out of banks. Shadow banks are picking up the business. The Comptroller commented that the OCC understands the regulatory burden on banks. OCC is on a Treasury task force to review the Bank Secrecy Act (BSA) and is advocating changes to the BSA.
- The Comptroller commented that the day's discussion shows that things that effect community banks are magnified for MDIs.
- The members would like to review the accomplishments of the MDIAC at the last meeting of this group of members. Ms. Cole pledged to add it to the agenda.

Supervision Update

Jennifer Kelly and Richard Dixon gave an overview of the OCC's Semi-annual Risk Perspective, which was released that day. Mr. Dixon reported that strategic risk continues to be highest risk for community banks. Mr. Dixon reported that the key areas of risk are strategic risk, credit risk, technology risk, compliance risk (primarily BSA), and interest rate risk. Mr. Dixon reported that strategic risk is increasing because of competitive pressures, low interest rates, and slow loan growth. Mr. Dixon indicated that credit risk is moderate and increasing because when the economy improves, competition increases and underwriting standards slip. Mr. Dixon noted that leveraged loans and indirect auto loans are particular areas for concern. With respect to technology risk, Mr. Dixon noted that areas of concern are cybersecurity, management of relationships with vendors, and risk management. In the area of Compliance, Mr. Dixon noted that BSA risk in particular is increasing, and discussed change management and the difficulty in keeping pace with changes in technology.

One member noted that it would be helpful if regulators communicated to banks that mortgage lending is acceptable. There was a discussion that followed between the members, Ralph DeLeon, and the Comptroller about the lack of understanding in the industry about qualified mortgage (QM) lending, especially given the pace of changes in the rules pertaining to QM lending.

Future Meetings and New Member Selection Process

Ms. Cole reminded members that nominations for new members are due by July 15, 2014. Kristin Merritt offered to answer any questions the members might have about the nomination or selection process.

Ms. Cole told the Committee that the last meeting of the committee with this group of members will be in October in Washington, D.C.

Public Statements, Wrap up and Adjourn

No public statements were submitted in advance of this meeting. No member of the public offered an oral statement during the meeting.

Comptroller Curry and Ms. Kelly each thanked the members of the committee for their participation and involvement with the committee and reiterated the value to the OCC of the members' participation in the committee. The members complemented Ms. Cole for her work on committee.

Ms. Cole adjourned the meeting at 5:00 p.m.