

Office of the Comptroller of the Currency  
Minutes of the Meeting of the  
Mutual Savings Association Advisory Committee  
October 17, 2017

The Mutual Savings Association Advisory Committee (MSAAC) was convened for a meeting at 3:05 p.m. on October 17, 2017, at the Office of the Comptroller of the Currency (OCC), One Financial Plaza, Chicago, IL

In accordance with the provisions of Public Law 92-463, the meeting was open to the public from 3:05 p.m. to 5:15 p.m.

**Advisory Committee Members Present**

Jim Brown, J.R. Buckner, Tom Fraser, Jeff Hyde, Jim McQuade, Dan Moore, James Wainwright, Bill White

**OCC Staff Attending**

Charlotte Bahin, Michael Brickman, David Clay, Kevin Corcoran, Ralph DeLeon, Don Dwyer, Erica Flemates, Demetria Hannah, Tom Herwig, Blake Paulson

**Public Meeting**

**Introduction and General Comments**

Michael Brickman, Deputy Comptroller for Thrift Supervision and Special Supervision, welcomed the members of the advisory committee and introduced the OCC staff attending the meeting. He mentioned that the committee meeting is an abbreviated meeting in advance of the Mutual Forum being held the next day. He described the agenda and the topics for the meeting and for the Mutual Forum on October 18. He described the economic presentation that would be part of the Forum.

He asked Charlotte Bahin, Senior Advisor for Thrift Supervision to describe several ongoing regulatory projects. She described several projects including the continuation of integration of the rules applicable to federal savings associations with the rules applicable to national banks, proposed burden reduction regulatory amendments and the development of regulatory resources at the OCC. She also described the ability of the committee members to form a subcommittee.

**Member Roundtable**

Mr. Brickman introduced the Member Roundtable and asked the committee members what topics they would like to discuss. Topics of interest included using a subcommittee to discuss the possibility of the formation of de novo mutuals, capital raising by mutuals, and the risk-based approach to examinations.

Committee members asked questions about the risk-based approach to examinations that the OCC uses and about changes to the examination cycle. Members asked whether risk-based examinations are size-based and whether size is an indicator of complexity. Blake Paulson, Deputy Comptroller for the Central District, explained the changes to the risk-based examination approach that have been adopted in the past few years as part of the OCC's "Examination Efficiency" initiative. Mr. Paulson described the three-cycle examination strategy that the OCC's Midsize and Community Bank Supervision has developed. Risk-focused examinations are planned on a three-year time horizon, which will provide the applicable Supervisory Office more flexibility in individual examinations. Mr. Paulson described the two pieces of the initiative. The first is working with examiners to think through a three-cycle strategy and how it works with individual institutions. The second factor that must be considered is that some annual requirements are statutorily mandated and those must be included in the risk-based examination every cycle. Mr. Paulson mentioned that communication between examiners and banks is critical.

Committee members made observations and commented on the use of off-site examination capabilities and the quarterly monitoring framework. Mr. Paulson raised some of the challenges of the off-site examination, including the security necessary to transfer files to examiners off-site. The OCC is working through the problems raised so that the security issues do not make it impossible to examine away from the bank. Another examination issue raised is the use of training teams.

A committee member asked how to influence the CRA examination process as a mutual institution. The business of banking has evolved more quickly than the rule implementing the Community Reinvestment Act. Mr. Brickman noted that the compliance area at the OCC is looking at the compliance examination function and is developing examination strategies that cover all areas of consumer compliance regulation.

The committee members raised several topics related to the future of mutuality. The topics included the development and use of Mutual Capital Certificates to raise capital, whether there are barriers to the formation of a de novo mutual and issues related to how mutuals can compete in today's financial services market place. These topics have been discussed by the committee in the past, but the committee members are interested in whether there are opportunities to continue the discussion. It was agreed that a subcommittee of the committee could discuss each of these topics and come back to the committee with specific questions.

The committee members talked about the need for capital in some circumstances and how not every mutual institution is interested in the availability of Mutual Capital Certificates. A committee member talked about how capital is useful if the mutual is interested growth by merger and acquisition. Committee members were interested in what mechanism has worked in the past. Mr. Brickman reminded them that the Mutual Capital Certificates that are currently permitted do not meet the requirements for Common Equity Tier 1 capital under the Basel III capital rules. He pointed out that changes at the OCC and the other banking agencies may result in a different view. He said that if the subcommittee presents ideas to the committee, OCC staff can take the ideas up at the OCC. He pointed out that capital is on the legislative agenda as well as the regulatory agenda.

The topic of whether it is possible to charter a de novo mutual is another topic for a subcommittee to discuss to present to the committee. The decline in the number of mutuals is a concern to the committee members and they are looking at opportunities to increase the numbers. There are a number of challenges and barriers to forming a de novo mutual and the subcommittee can ask questions and highlight issues for the committee to discuss. A committee member talked about how and why mutuals were formed in the past and suggested that there may be pockets in communities that would be interested in forming a mutual. A committee member mentioned the disruption in the mortgage market and the availability of liquidity given the mutual business model as concerns.

Committee members noted a number of the provisions in the regulatory relief legislation that is working its way through Congress. A committee member described how difficult it is to meet the qualified thrift lender test now as the percentage of the mortgage market originated by federal savings associations has declined. He provided historical data and referred to internet mortgage providers as competition.

The Federal Savings Association Charter Flexibility Act was described. That legislation would permit a federal savings association to make an election to engage in the powers of a national bank and would not require that the federal savings association comply with the qualified lender test or statutory lending limits. The OCC supports this legislation and has worked with the Members of Congress and the Senate who have introduced and sponsored it.

Other regulatory burden provisions were highlighted, including raising appraisal thresholds, changes to the qualified mortgage requirements, the Current Transaction Report threshold and capital treatment for certain instruments. Committee member also raised question about FinTech companies. Committee members talked about how external forces are changing the business model. Technology and the rapid changes in how nonbank competitors use technology to deliver products and services more quickly to consumers is an example of the external forces that impact the way that mutuals compete.

### **Forum and Future Meetings**

Mr. Brickman described the program for the Forum for Mutuals and sought feedback on the topics. He also gave an update on scheduling committee meetings for 2018.

### **Public Statements, Wrap up and Adjournment**

Several members of the public made statements.

A statement was made reminding the committee members about a proposal to revise the capital requirements for certain acquisition and development loans.

A statement was made about the Federal Savings Association Charter Flexibility Act.

A statement was made a lack of clarity in examination guidance on certain deposits.

Mr. Brickman adjourned the meeting at 5:15 p.m.

**Certification**

/s/ Michael R. Brickman

Michael R. Brickman  
Designated Federal Officer