Office of the Comptroller of the Currency
Minutes of the Meeting of the
Mutual Savings Association Advisory Committee
June 27, 2023

The Mutual Savings Association Advisory Committee (MSAAC) was convened for a virtual meeting at 1:00 p.m. on June 27, 2023.

In accordance with the provisions of the Federal Advisory Committee Act (Public Law 92-463), the meeting was open to the public from 1:00 p.m. to 4:00 p.m.

Advisory Committee Members Present

Peter Abt, David Barksdale, Paul Gilbody, Thomas Newbern, David Reynolds, Thomas Rudzewick, Steven Sloup and Samuel Wilkinson

OCC Staff Attending

Acting Comptroller of the Currency Michael Hsu, Charlotte Bahin, Julie Blake, Michael Brickman, Cristina Im, André King, Ernie Knott, Terence Mack, YooJin Na, Erica Onsager, Geeta Persaud, Gregory Pryber, Johnny Stanley, and Patrick Tierney

Public Meeting
Introduction and General Remarks

Michael Brickman, OCC's Deputy Comptroller for Specialty Supervision and Designated Federal Officer for the OCC's Mutual Savings Association Advisory Committee welcomed the Advisory Committee members and gave a brief description of the agenda for the meeting. Mr. Brickman thanked the Advisory Committee members who helped with the planning and will participate in the Joint Mutual Forum being held the next day. The agenda for the Joint Mutual Forum is included in the meeting materials. The meeting agenda includes a member roundtable with the Acting Comptroller and opportunity to discuss the possible collaboration with the members of the OCC's Minority Depository Institutions Advisory Committee. Mr. Brickman introduced the OCC staff attending the meeting. He gave a brief description of some of the issues the OCC supervision staff is seeing.

He said that OCC supervision staff is starting to see some deterioration in the community bank portfolios, from a credit quality, liquidity, and interest rate risk management perspective. There have been some double downgrades of ratings during one supervisory cycle in part because of the tightening of the liquidity markets, the high interest rate environment and that some balance sheets are not capable of absorbing the major shifts in performance.

He said that deterioration in property values, both on the residential and commercial side, is starting to show. The OCC had just published its Semi-Annual Risk Perspective, which focused on interest rate risk management and liquidity risk management because with the current rate environment, there will be pressure on bank balance sheets. He said that the other agencies are seeing similar things.

He also said that the Acting Comptroller will likely reiterate in his message to bankers that now is the time to be resilient not to be complacent, to pay attention to any emerging issues in the market and customer base. Mr. Brickman said that his message to bankers is that the first loss is usually the best loss when at the peak of a financial cycle. He reminded the members that as they consider problem assets and how to get out of them, sometimes it is better to bite the bullet and take the loss today versus holding it for six months and taking the loss six months to a year from then. He said that OCC staff has looked at the "lessons learned" documents that the FDIC and the Federal Reserve have published. The OCC has done its own "lessons learned" review of how the agency supervises banks as it looks at the failures that have occurred up to this point. He said that it is shocking the number of things that were strong messages that came out of the last financial crisis as reasons why banks fail, that bankers are engaging those same activities. He said it is good to look at the causes of past crises for the lessons learned.

An Advisory Committee member asked how the credit issues are manifesting themselves. He asked whether it is past due percentages or when the loans come up for renewal. Mr. Brickman replied that to say there are credit issues is a broad brush. There are two areas that are the focus of attention. The first is general repricing. Most of the commercial credits are shorter term, and a lot of the pandemic overhang is starting to hit where actual repricing is starting to occur. As those loans are pricing upwards, the rent for space or the commercial property is not generating the amount of income the borrower needs to survive the repricing of the lending relationship. Those loans are either starting to show delinquency or they are refinanced by banks that are trying to get into the space on more aggressive and favorable terms.

Mr. Brickman said that banks are jumping into that credit now that have never done that type of lending are probably using more liberal underwriting or less risk management than the agency would hope for in those relationships. One element is repricing, and the second piece is there is some softening in past due performance. He said that there have been upticks quarter over quarter.

He said that he has not heard as much on the single-family real estate side as the commercial side. Commercial loans are deteriorating sooner than residential real estate. He said that when he says credit deterioration, it is largely specific concentrations of commercial real estate properties. Johnny Stanley, Deputy Comptroller for the Northeast/East Regions said that the refinance risk is an area where he is starting to see delinquencies on the horizon. He said that there is a tailwind to the refinance risk where the agency is seeing some challenges. He said that in his region they have not had a lot of challenge around commercial real estate yet, but on the liquidity funding side there have been an inordinate number of challenges. He said that institutions that have not traditionally had issues are the focus.

Mr. Brickman said that the only other thing he wanted to mention is that consumer and installment lending is starting to show some signs of weakness. He went through the economics information and installment landing is starting to see an uptick in delinquencies. Consumer debt is expanding quite a bit and there may be some hidden debt that is not being reported.

Terence Mack, the Associate Deputy Comptroller for the Southern Region added that some of the banks are not qualifying refinance risk. He said that he is looking across timeframes at the number and dollar volume of loans that might be maturing within a certain time period. He said that as a best practice, he has observed certain banks are very proactive. They do not wait until the loans are close to the maturity date to make a decision. He said that some banks do an analysis as far as 12 months before the maturity date to figure out what potential strategies the bank needs use to mitigate the risk. It may be that the bank reaches out to the loan customer to have conversations early instead of waiting until the maturity date.

Member Roundtable

Mr. Brickman welcomed Acting Comptroller Michael Hsu to the meeting. Mr. Brickman told the Acting Comptroller that earlier in the day several members of the Advisory Committee met informally with some of the members of the OCC's Minority Depository Institution Advisory Committee to talk about whether the members of the two Advisory Committees could collaborate and on what types of initiatives. He reported that he had been providing the members a brief summary of what is reported in the OCC's Semi-Annual Risk Perspective.

The Acting Comptroller added his welcome to the Advisory Committee members and said that he had a few questions for them. First, he said that he was pleased that members from the two Advisory Committees had met to begin discussions about common interests and possible collaboration. Then he asked how things are going at the members' banks. He asked specifically about the outlook for deposits, what is customers' behavior and what does deposit pricing look like. He also asked about commercial real estate.

An Advisory Committee member talked about the biggest challenges that he is seeing in his market. He said that competition on the deposit side is from both traditional large banks and from non-traditional entrants into the deposit market. There has been a flood of advertising that is aimed at traditional deposit customers in local markets. He said that added to the challenge is the impact of the failures of Silicon Valley Bank and Signature Bank.

The Advisory Committee member's bank is in the same market as one of the failures and reports that business customers have started to pull their deposits out of community banks and placed them in large banks. The Advisory Committee member tries to explain how a mutual is different and that the deposits are safe. He also said that it is generational. The established customers do not have concerns, but their children are concerned and urge the deposits be moved to a larger bank. The Advisory Committee member said that he believes it is a threat to community banking generally and the result is that community banks have to pull back their lending and community activities that creates void not filled by large banks. He gave the example that he has not seen a large bank's name on a baseball jersey for Little League.

The member said that the market has stabilized, and his bank's liquidity position is back to where it was prior to the pandemic and prior to the federal government programs that resulted in the injection of money into the system.

An Advisory Committee member said that in his market, many non-banks or non-traditional banks are advertising for deposits at higher rates than local banks in an effort to get the community bank customers. Another Advisory Committee member said that he disagreed that the deposit market has stabilized. He gave the example that smaller local banks, particularly those that have loans at 90 plus percent are searching for deposits. Those banks are paying high rates and they are advertising it. He said that it is impacting his bank, it is much more intense than six months ago, and the impact is felt at the bottom line.

The Acting Comptroller remarked that on the loan demand side a couple years ago it was flipped. Banks were flush with deposits but did not have enough loan demand. Now it appears things have shifted on both ends of the balance sheet.

An Advisory Committee member said that his bank ladders the bonds it holds. He said that he is looking out to the future six months, 12 months, 18 months before he will have enough and will not have to borrow. He said that it hurts his bottom line.

An Advisory Committee member said that he thinks that the nervousness of consumers over the regional bank failures has dissipated, but many banks had stimulus money come into the banking system and that $1.6 trillion is leaving. He also said that deposit interest rates have been zero interest rate for so long, the consumer was happy to get 0.05 percent on their savings account. Now with the click of a button, they can see that higher yield in treasuries and money market funds.

He said that the big concern is that the money is not coming back, and he is worried about funding the balance sheet. Interest rates and interest expense continue to increase. There are banks with high loan to deposit ratios that are paying up so they can continue to fund their balance sheet. Credit unions that are hanging their name on every sports venue they can and are paying higher deposit rates. He said that it is tough and, is starting to bleed into loan demand, which has slowed down. He said that a lot of businesses are not investing in fixed assets, and they are nervous about when the recession shoe is going to drop or if it is going to drop. He said that he has not seen cracks in commercial real estate because they do not have a lot of it. The bank started doing business banking about three years ago, and the loans they have made are for owner-occupied property, but there has been slow loan demand.

An Advisory Committee described his market and said that loan demand has been strong all year, but in the last 15 to 30 days, there has been a downshift in the pipeline. Slowing deposits have been the big issue for the funding of those loans. He said that just like in other markets he is competing with the non-banks paying high rates. He said the net interest margin is getting squeezed and that will continue. He said that he knows his deposit customers and that only five percent of the deposits exceed the FDIC insurance limit. Customers feel safe with the community organization.

Another Advisory Committee member said that it is supply and demand that is creating a delay or it is holding off some of the deterioration that is in the market. For instance, on the residential side, the supply in the market is very low and that has kept the value of the homes elevated. He said that he is seeing similar things in the commercial lending market where the volume of loans is stable. He does not want the loans because the quality has gone down significantly. The reason for that is the tightening of the market due to the liquidity issues. When banks do not lend, there is plenty of opportunity for commercial lending, but it is not attractive from a credit standpoint.

The Advisory Committee member said that it is not just in the office market but in other sectors of the commercial real estate and C&I markets. He said that he thinks there is lot of different things below the surface. He agrees that there is competition for deposits from the big banks and from Fintechs but also investment banks and insurance companies are making attractive offers. The competition has trickled down to the community banks, especially ones that need liquidity. He said that on the loan side, spreads 20 years ago were 300 basis points are now 200 basis points. With interest rates at zero being paid on the deposits and low rates paid on assets. That is changing and the more that banks are paying to depositors, they have to make a larger percentage on loans. Borrowers do not want to pay more, and the depositors have to get more. It has created a perfect storm of a squeezed spreads when credit deterioration has started.

As long as interest rates remain elevated, it is going to continue to put pressure on banks. The rates have to stay high for an elongated period of time, and the demand will decrease, and the supply will increase. He said that many mutuals hold mortgages on the books. It is a point of pride for the communities and customers.

The Acting Comptroller said that with the perspective of history, it is possible to benchmark with what happened in the past. In the mid-nineties there was some expectation that rates would go back down, and they did not. They stayed elevated for four or five years, which was painful for the banking system especially for those banks that were expecting rates to come back down. It is wise to hope for the best, prepare for the worst. How long can, can institutions survive in an environment where it is getting squeezed on both sides.

An Advisory Committee member said that most mutuals are in a better capital position than stock banks. Most mutuals have stickier deposits as well. That was borne out in 2008 and 2009. Most mutuals are better at hanging on to them when there is a flight to quality. He said that it is critical that mutuals be able to reach the next generation of members. It is an opportunity for mutual banks that are focused on the communities where young people want to live. In some urban markets, the price for single-family homes and the rates available for mortgages have cut most people out of the market. Young people do not have a down payment, because they have not had a passbook account savings for the last 30 years and are not saving money. Rates have gotten so high that they are not going to be able to afford the monthly payment.

The Advisory Committee member said that the debt-to-income ratio is too high, so the rental market is exploding. There is not enough multifamily inventory. There is a lot of construction, and a number of markets are hot, but the people need stability as they get older. The Advisory Committee member tries to get the message to younger customers that traditional community mutual banks are part of a community where they can raise a family. It is not just the community, but it is about the support of that community, funding the Kiwanis Club and Rotary Clubs and volunteers that do such great work to make sure that those who do not have everything to survive are able to survive. That is an important message.

The Advisory Committee member said that students in high schools and colleges are receptive the message that putting deposits in mutuals and community banks helps to create a supportive community environment but then they get an offer from Apple to open an account at five and a quarter percent for a liquid savings rate. They may also get Treasury Direct. He said that he sees more deposits going out in Treasury Direct than before. The competition not only with other banks, but also with the federal government.

An Advisory Committee member said that net interest margin is going to be reduced compared to the past, because there has been such a rapid rate uptick. Most of those deposits have repriced at higher rates and, loan rates have gone up and his bank has a lot of adjustable mortgages.
An Advisory Committee member said that with the capital levels that most mutuals have, the banks can survive many years, the question is relevancy and competition. Can mutuals attract the human capital necessary to support and engage the community. It is not possible if the bank is not operating safely and soundly. The issue is earnings. The bank may be doing well for many years, but the question is whether it will be relevant, that is providing something that is required in the community. He said that the bank has a competitive advantage.

The Advisory Committee member said that it is hard to tell the mutual story because competing factors are overshadowing the community focus. The fact that a customer can get an answer quickly, the people are not just a telephone number. Customers can come in and talk to somebody and get educated on their questions, they can figure out the solution to the particular problem. That benefit can be overlooked by consumers who are tempted by the five and a quarter interest rates on savings. He said that the message about the positive things is drowned out because mutuals are not big enough to yell loud enough.

The Acting Comptroller said that he travels outside of Washington, DC as often as he can and on a recent trip, he visited a mutual that was going through a leadership change that was largely generational. With the generational shift there were a lot of new ideas, a lot of new energy, it was easier for new management to connect to the younger members and at the same time to understand risk management.

He said that as he looks around the table, the group could benefit from having a some younger and more diverse faces because the country is changing in many ways. He asked the Advisory Committee members how they are approaching hiring the new generation and where there have been some successes. He asked the Advisory Committee member who has a program in local schools for examples of his successes. The Acting Comptroller described a Junior Achievement program the OCC participates in. There is a JA Park in Maryland for middle schoolers. Maryland has a requirement that middle schools have to have a financial literacy class. Every day they have a whole new class of middle schoolers coming in and there is a little fake town, and the students get old tablets.

The program is sponsored by big banks and some of these programs could be done with more community banks. The young kids are very impressionable, and they would be exposed to community banking. An Advisory Committee member described a middle school program at his bank where they bring elementary school children to the bank at least once a week. They show them the vault. They used to have an old trolley car on the bank floor, the bank was near the barns. They took the school children down to see the barns and other activities that were attractive to them. The bank hosts concerts at the bank during the summer, and during the pandemic when they had to limit the size of the crowd, they started showing movies in the parking lot. They got huge screens and customers would reserve a spot and drive in to see the movie.

The bank still has movie nights and car shows, but they also have an internship program, which is useful for succession planning. He gave the example that the bank's CFO, who just retired after 52 years, was an intern while at one of the local colleges. The program has 35 interns at the bank and they have 197 employees. The young people are coming in and they are starting to integrate into the bank's staff to understand what the bank really does. It is not just retail banking, but it is all areas of the bank, including HR, IT, cybersecurity and other different areas. After the internships, when they need a job, there are paid internships. It grows the next generation of community bankers. When the bank has volunteer activities, the interns participate, and they see what it is like to help in the community.

An Advisory Committee member said that his bank does not have as elaborate an intern program but the bank hires staff who want to move from other geographic areas for a life-style change. Mutual banks look good to younger employees who have worked at a bank that has been through a merger or reorganization that results in them losing their job. It is a competitive advantage and mutuals emphasize the other things they do. His bank has an internship program with the state banking trade association with local Historically Black Colleges. It is a program that has an impact.

Two HBCUs are involved and a third is getting ready to sign up. The students get college credit for going through this program and get certified. It will help build the pipeline and the bank has started a management training program. In the past, banks had management training programs, but they do not exist anymore. There are only two to three trainees a year and the program is only for people of color. The bank is trying to build the base of people of color that are in banking while also attracting younger generation.

An Advisory Committee member described his bank and community. The bank was established in 1934 in a small town and has an intern program with the local university. The program started 15 years ago. Younger bankers bring in business from their networks. That is the only way the bank can reach the younger generation is through younger bankers. The bank has very loyal staff, it has tellers that retire after 40 years. The customers know the employees. When customers come in to move their savings to get a better rate, the tellers explain what the difference in the rate really means and that the tellers will miss them. The tellers and CSRs are trained to interact with the customers and try to get ahead of their moving their money. It is important to keep the money in the community. The older generation looks at the community and they value the stability, especially in times in times of uncertainty.

The Acting Comptroller said that the OCC's intern program starts that week. The interns are from DC high schools, and they come into headquarters. A lot of it is mutual education. OCC staff learn from them, and they learn from OCC staff. He said that he is the chair of the FFIEC now, and the group had a meeting the day before and talked about hiring and retaining examiners. The agencies are in a similar position as the banks. It is an aging workforce. He said that it is important that it is a broad cross section that represents the country. The world does not know that much about how banks work. Consumers hear about banks when they fail, but otherwise they do not really understand how banks work. No one has any idea what a bank supervisor does. There is likely a pool of people who may be candidates for contributing but it is a challenge that is shared across banks, mutuals and regulators.

An Advisory Committee member said that his bank had student advisory boards with students who attend middle schools. Some of the younger bankers run the student advisory boards and the member works with the teacher for them to get extra credit. Some of the students are at risk in those middle schools and someone from the student advisory board works with the class one day a week. The grades of the students have improved, and the teachers attribute the change to the bank's program.

An Advisory Committee member said that a topic that was discussed at the last meeting that has not gotten any better is fraud. He said that it is a more interesting fraud every month. A year or two ago, there was not much fraud at the bank, but the bank has been hit with a growing number of romance scams or scams on the elderly, or hacks into computer systems.

The Acting Comptroller asked whether there have been any effective ways of dealing with it. The Advisory Committee member said that the bank communicates with the elderly population, sending them mailings and talking to them when they come into the bank. They still fall for scams. They have a naive trusting spirit, and they take the hug. Another Advisory Committee member said that his bank saved a couple from withdrawing large amounts of money by talking with them. But at the end of the day, if they want their money, the bank has to give them their money. The bank can work within the confines of law, but if family members are not on the account, the bank can not call the daughter, son or other family member and talk to them about the account. It is elder abuse, and the regulatory agencies are out in front of it as well. He said that it will take everyone to address elder abuse.

The Acting Comptroller asked whether there is anything the OCC can do to help. The Advisory Committee member said that the privacy laws are tough. Sometimes the bank calls a daughter or a son and lets them know their mom at the bank and she wants $40,000 for something, but if they are not on the account, it is very difficult to get around.

The Acting Comptroller said that something the OCC is looking at came out of the liquidity crisis. He said that banks look at uninsured deposits to understand who may be a beneficiary on the account and have a conversation with the family to add them as a beneficiary. It spreads out the insurance and there is somebody that the bank can talk to about a possible scam.

The Advisory Committee member said that is what banks have to do. When bank staff open accounts, they encourage the depositor to have someone on the account with them. He gave the example of when his mother passed away a year ago, and he was on the account. The Acting Comptroller said that is one of the things the OCC has been trying to develop as a way to reach out to family members, maybe through social events. Bank staff talks to the family members, they say that mom has an account here, have you had a conversation with her about a family member being added as a beneficiary. The Advisory Committee member was able to make progress with the local city council and the congressional members about postal fraud. The bank has noticed that it was directing the older customers not to bring mail to the mailbox, but to bring it right to the post office, and it was still getting scammed or stolen. The bank reached out to the postmaster and they are communicating with the Congressional Delegation to see if there is some kind of fraud happening inside the post office itself. The Advisory Committee member had heard that when the check fraud involves a large bank, it can take quite a while to get it resolved. The Advisory Committee members said it has gotten worse.

An Advisory Committee member said that mutuals are good at identifying fraud, whether it is a commercial customer or an individual that has being scammed, mutuals are more able to work with the customer. He gave an example of a customer who had withdrawn $250,000 from her account and did not have much left. She come to the bank for a loan on her home and the bank staff suspected that she was probably lying on the application, which provided an excuse to talk to her. Bank staff, including an EVP spent time with the customer and a policeman was involved. The bank was successful, but now frauds on the customer occur and the bank cannot do something.

The Acting Comptroller said that the schemes have become quite sophisticated. With advancement in the technology world of AI, the duplication of voices has become very good. An Advisory Committee member said that he has heard stories of grandchildren calling that they are in a jail in Mexico, and they can not get out, unless their grandmother sends $10,000. It is the grandson's voice because all kids record themselves constantly and images are being developed. Several weeks ago, a reporter who used AI to generate an image of herself and a voice, had contacted a bank that she was using in the bank.

An Advisory Committee member said that he is worried about debit card fraud. Debit card fraud has gotten much worse, and sometimes there is not a lot that the bank can do about it. What typically happens is the card gets stolen or somebody from Germany or Russia runs a big scam right before black Monday or Cyber Tuesday and they come up with all but four of the numbers. They have a computer that runs and runs and runs and runs and runs. It is going to hit on those last four numbers for a charge under $20. And they sell a compromised list of debit cards on the black market. The bank can recover from MasterCard but it is a problem.

An Advisory Committee member asked a question about whether there has been any progress or understanding of any more of that digital currency. The Acting Comptroller said that the member should talk to the Federal Reserve about that if they have questions. They are working on it, but they are moving slowly. There are in no particular rush. Chairman Powell has said that he does not believe that being first is important, but getting it right is.

He said they are being methodical about it. He does not think there is a desire to blow up the system in pursuit of a particular technology. He thinks staff are being thoughtful about what problem does it solve. Then how does that fit within kind of existing systems. The Bank of International Settlements recently put out a paper focused on tokenization and trying to put more distance from crypto.

The Acting Comptroller said that the agency will continue to engage. The OCC is interested in making sure that it is purposeful, it is focused on solving real world problems, not speculative, and understanding where does the banking system fit within all of this. He said that there needs to be lots of discussion and a lot of lead time. Slow is good. With crypto, it has been the opposite. It was just full steam ahead, and there have been lots of problems. Those who are serious in this space know that it is important to you to build the engine and the brakes at the same time and that takes some time.

An Advisory Committee member asked about the possible changes to CRA. The Acting Comptroller said that the agencies are in process of finalizing the CRA across the three agencies. For smaller institutions, there are not significant changes. The big changes will be for the largest banks. He said that he cannot say more as the rulemaking is still underway.

Committee Update

Mr. Brickman said the conversation between the MDI group and the mutual group was at a high level and established that there are common ideas and themes for the groups to discuss. The groups discussed the idea of the future of mutuality, as well as bringing more MDIs into the system. The capital impediments for de novo formation were discussed. He said that viable strategies that include an investor group who would be willing to be philanthropic. He said that OCC staff had looked at the capital instrument used by the recently chartered state-chartered mutual bank.

Mr. Brickman solicited the opinions on what next steps for discussions between the groups. He asked the Advisory Committee members to let OCC staff how they would like to structure future discussions.

The common attributes of the mutual charter and the MDIs in terms of serving the community were discussed. How the members of each group reach their respective communities and how strategies can be shared was discussed. Under that broad umbrella of sharing, collaborating and mentoring on the community penetration and community development was discussed.

Mr. Brickman asked questions about the preferred logistics of possible meetings. He asked whether the Advisory Committees should meet together or whether the members of each Advisory Committee should attend a meeting of the other Advisory Committee. He explained that if the discussions take place during an Advisory Committee meeting, the discussion is open to the public and minutes are taken. Additionally, the role of the OCC would be more formal. He explained alternatively, a subcommittee or subcommittees comprised of members of both Advisory Committees could be formed. When that group or groups meets it can be without the OCC or without the OCC staff having a formal role. The subcommittee or subcommittees would report to its respective Advisory Committee.

An Advisory Committee member said that it depends on the topic. If the topic is mutuality and, and service to communities and affordable housing, the member does not think that he will reveal any trade secrets. There may be topics for which a subcommittee is more suited.

Mr. Brickman said the members can think of if there are any impediments that the agency puts in place that if it were to remove, soften, change, or recalibrate it, it would open a door for business activities or a better way of reaching a community, those would be the types of things that he thinks would provide the biggest impact in terms of each member's Advisory Committee role. An Advisory Committee member asked whether a subcommittee could be established. Mr. Brickman said that it is about the member's willingness. There are three Advisory Committee meetings a year and that is a full-day commitment plus travel for everyone. The subcommittee would be separate from the actual Advisory Committee meeting, but it could be scheduled to meet before or after an Advisory Committee meeting. The subcommittee meetings could be virtual.

Mr. Brickman said that based on feedback OCC staff can put together a list of topics and start building the structure of these meetings. Generally, to start it could be an hour-long presentation and discussion round table topic on each of the topics the members think are important. Mr. King said that he would work with the members of the MDIAC on the topics they would like to see on any agenda. He said that he wanted to confirm that the Advisory Committee members are interested in community bank to community bank collaboration and not a program with large and regional banks.

He said that an important thing to do is to have a small panel of mutuals go to an MDIAC meeting and introduce mutuality to that group collectively and let them know what the ownership structure means. The commonalities can be described, especially with regard to community service. He said that he has the sense that not all of the MDIAC members understand what mutuality is. There is an educational component and providing that would be beneficial. Awareness of the details of each type of charter is important. An Advisory Committee member noted that there is not much geographic overlap between the groups, so concern about competition is not that great.

Mr. Brickman said that one of the points that the Acting Comptroller had made when the conversation between the two Advisory Committees was brought up was the idea of having a joint committee meeting or having more opportunities for joint federal advisory committee activities. He said that he wanted get the Advisory Committee member's impressions of what he said. OCC staff has not had any discussions about changes to the committee structure. He said that he knows that there is underrepresentation in terms of the knowledge available about mutuals and federal savings associations more generally. He said that he would not want to see the Mutual Savings Association Advisory Committee merged in or combined with the MDIAC. He said that he thinks the two groups have independent needs and reasons to talk by themselves to the Acting Comptroller. He said it is his goal to keep the Advisory Committees separate.

He said that an option would be that the Advisory Committees can meet together for one of the meetings a year. He asked the Advisory Committee members for feedback on that idea. An Advisory Committee member said he thinks that starting to have conversations to understand common interests and differences is a preferable way forward. Mr. Brickman said that is what he assumed would be the view, but he wanted to make sure not to misrepresent the goals of the Advisory Committee and to understand the priorities. He asked whether the Advisory Committee members had as a higher priority the collaboration piece or the discussion on de novos. He asked whether they are of equal weight in terms of priorities.

An Advisory Committee member said that he prioritized collaboration as that seems more like low hanging fruit and he thinks it is better to be realistic to start with. Mr. Brickman said he agrees that it would be better to lay the groundwork with the collaboration conversations. As those progress there would be a learning process that leads to better understanding and could potentially have that watershed moment where other conversations can develop. The early conversations can bridge gaps that create a bigger lane to talk about the future of mutuality and chartering new mutuals specifically to serve minority communities.

Mr. Brickman asked what else the Advisory Committee members wanted to prioritize. He asked whether a report out on the Project REACh activities would be useful. An Advisory Committee member said that he did not know enough about it and Mr. Brickman said that he would look to have it on a future agenda. He said that feedback about the economics and mutual-specific financial trends presentations has been positive. He said that OCC staff are trying to get the right mix of topics on the agenda.

He said that another topic that came up with the MDIs is the CDFI program. He asked whether there is benefit on having a discussion of CDFIs. There are a number of national banks and federal savings associations that are CDFIs and there can be a discussion of the benefits and opportunities. As Advisory Committee member said that he would be interested in hearing about CDFIs he knows there are several mutuals that are CDFIs and several MDIs that are CDFIs. He has thought about certification but has not had the time to look into it.

Mr. Brickman said that other topics include outreach to LMI and minority communities, addressing the wealth gap, and a specific focus on the strategy of mutuals being able to expand their footprint to better serve minority communities. An Advisory Committee member said that there is a mixed bag of topics, but at the same time, the Advisory Committee members want to better serve their communities.

Mr. Brickman said that he had heard that a concern is that in order to get into some of the communities, the banks have to change their lending standards or introduce new loan products, and there is a fear of being criticized for unsafe or unsound practices, creating a tension between the regulatory versus the desire to do good. He asked what the impediments are in terms of the perception of how the regulator will respond to getting into those markets and offering different affordability products or changing the bank's risk profile by taking on riskier borrowers. He has heard the pressure points banks feel about the way that the OCC supervises those business decisions and how the agency might criticize the bank for adding risk in something that would actually serve a good purpose to reach underbanked or unbanked populations, OCC staff would be curious to get the Advisory Committee members feedback because that is something the OCC can look at how the agency changes examiner education and how the agency trains examiners to look at new products and services that serve a purpose.

Mr. Brickman said that it would be a feedback loop that would be really beneficial in terms of the true role of an advisory committee.

Mr. King agreed that it would be useful. These committees are supposed to be the “safe space” where the ADC and EIC are not looking over the member’s shoulder so they can candid. The OCC values it when a bank says this exam was just terrible because the person did not understand or had a conflict. The OCC staff wants to hear those stories because there are sometimes where the agency needs to go back out and educate the examiners or correct the record and make sure that the examiners all follow a consistent policy. As it pertains to business development and opportunities to expand the business to meet different communities needs, it is a good conversation to have and, and gives the agency the ability within MCBS collectively.

Mr. Brickman said OCC staff would think about how to think about the MDI collaboration aspect or other topics of interest that the Advisory Committee members want to raise for consideration at a future Mutual Savings Association Advisory Committee meeting. He asked when the next meeting would be. He also asked the members to check their schedules for the next MDIAC meeting date.

Public Comments and Adjournment

Mr. Brickman said that the final thing on the agenda is the public comment period. He was monitoring the chat and no public comments have come in. He remined anyone participating virtually that they can use the chat feature of the webinar to input a public comment. There were no public comments.

Mr. Brickman adjourned the meeting at 4:00 p.m.

Certification

/s/

Michael R. Brickman
Designated Federal Officer